UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D. C. 20549

FORM 10-Q

Quarterly Report Pursuant to Section 13 or 15 (d) of the Securities Exchange Act of 1934

For the quarterly period ended

June 30, 2008

Commission File No. 1-2921

PANHANDLE EASTERN PIPE LINE COMPANY, LP

(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	**44-0382470** (I.R.S. Employer Identification No.)
5444 Westheimer Road **Houston, Texas** (Address of principal executive offices)	**77056-5306** (Zip Code)

Registrant's telephone number, including area code: **(713) 989-7000**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes P No ___

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):
Large accelerated filer ___ Accelerated filer ___ Non-accelerated filer P Smaller reporting company ___

Indicate by check mark whether the registrant is a shell company (as defined in Exchange Act Rule 12b-2).
Yes ___ No P

Panhandle Eastern Pipe Line, LP meets the conditions set forth in General Instructions H(1)(a) and (b) of Form 10-Q and is therefore filing this Form 10-Q with the reduced disclosure format. Item 2 of Part I has been reduced and Item 3 of Part I and Items 2, 3 and 4 of Part II have been omitted in accordance with Instruction H.

PANHANDLE EASTERN PIPE LINE COMPANY, LP
FORM 10-Q
June 30, 2008
Table of Contents

PANHANDLE EASTERN PIPE LINE COMPANY, LP
CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS
(UNAUDITED)

	Three Months Ended June 30, 2008	Three Months Ended June 30, 2007
	(In thousands)	
Operating revenue		
Transportation and storage of natural gas	$ 134,722	$ 120,707
LNG terminalling revenue	30,891	37,219
Other revenue	2,720	3,780
Total operating revenue	168,333	161,706
Operating expenses		
Operation, maintenance and general	62,661	64,574
Depreciation and amortization	25,691	21,062
Taxes, other than on income	7,544	7,301
Total operating expenses	95,896	92,937
Operating income	72,437	68,769
Other income (expense)		
Interest expense, net	(21,220)	(21,461)
Other, net	6,014	10,740
Total other income (expense)	(15,206)	(10,721)
Earnings before income taxes	57,231	58,048
Income taxes	22,317	22,429
Net earnings	$ 34,914	$ 35,619

The accompanying notes are an integral part of these condensed consolidated financial statements.

PANHANDLE EASTERN PIPE LINE COMPANY, LP
CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS
(UNAUDITED)

	Six Months Ended June 30,	
	2008	2007
	(In thousands)	
Operating revenue		
Transportation and storage of natural gas	$ 288,104	$ 254,412
LNG terminalling revenue	61,781	70,121
Other revenue	5,499	6,203
Total operating revenue	355,384	330,736
Operating expenses		
Operation, maintenance and general	123,353	120,854
Depreciation and amortization	50,752	41,771
Taxes, other than on income	16,193	15,096
Total operating expenses	190,298	177,721
Operating income	165,086	153,015
Other income (expense)		
Interest expense, net	(42,285)	(43,487)
Other, net	13,525	21,797
Total other income (expense)	(28,760)	(21,690)
Earnings before income taxes	136,326	131,325
Income taxes	53,173	51,225
Net earnings	$ 83,153	$ 80,100

The accompanying notes are an integral part of these condensed consolidated financial statements.

Table of Contents

PANHANDLE EASTERN PIPE LINE COMPANY, LP
CONDENSED CONSOLIDATED BALANCE SHEET
(UNAUDITED)

Assets	June 30, 2008	December 31, 2007
	(In thousands)	
Current assets		
Cash and cash equivalents	$ 43	$ 320
Accounts receivable, billed and unbilled, less allowances of $1,163 and $1,163 respectively	70,176	68,219
Accounts receivable - related parties (Note 4)	5,323	12,067
Gas imbalances - receivable	216,353	104,124
System gas and operating supplies (Note 3)	274,883	180,801
Note receivable - Southern Union (Note 4)	300,000	-
Note receivable - CrossCountry Citrus (Note 4)	-	9,831
Other	24,987	19,865
Total current assets	891,765	395,227
Property, plant and equipment		
Plant in service	3,068,520	2,830,068
Construction work-in-progress	384,768	355,695
	3,453,288	3,185,763
Less accumulated depreciation and amortization	334,428	290,465
Net property, plant and equipment	3,118,860	2,895,298
Investment in unconsolidated subsidiary	1,917	1,757
Note receivable - Southern Union (Note 4)	179,105	221,655
Note receivable - CrossCountry Citrus (Note 4)	392,391	402,389
Non-current system gas (Note 3)	13,266	18,947
Other	19,981	14,929
Total assets	$ 4,617,285	$ 3,950,202

The accompanying notes are an integral part of these condensed consolidated financial statements.

PANHANDLE EASTERN PIPE LINE COMPANY, LP
CONDENSED CONSOLIDATED BALANCE SHEET
(UNAUDITED)

	June 30, 2008	December 31, 2007
	(In thousands)	
Partners' Capital		
Partners' capital	$ 1,275,300	$ 1,192,147
Accumulated other comprehensive income (loss)	(5,042)	1,636
Tax sharing note receivable - Southern Union	(10,325)	(12,704)
Total partners' capital	1,259,933	1,181,079
Long-term debt (Note 5)	1,936,396	1,581,061
Total capitalization	3,196,329	2,762,140
Current liabilities		
Current portion of long-term debt (Note 5)	299,980	309,680
Accounts payable	11,796	21,114
Accounts payable - related parties (Note 4)	82,356	56,706
Gas imbalances - payable	480,090	271,450
Accrued taxes	18,383	14,501
Accrued interest	21,421	20,304
Capital accruals	80,767	97,662
Other	62,796	54,043
Total current liabilities	1,057,589	845,460
Deferred income taxes, net	269,920	256,448
Other	93,447	86,154
Commitments and contingencies (Note 8)		
Total partners' capital and liabilities	$ 4,617,285	$ 3,950,202

The accompanying notes are an integral part of these condensed consolidated financial statements.

PANHANDLE EASTERN PIPE LINE COMPANY, LP
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(UNAUDITED)

	Six Months Ended June 30, 2008	Six Months Ended June 30, 2007
	(In thousands)	
Cash flows provided by (used in) operating activities:		
Net earnings	$ 83,153	$ 80,100
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	50,752	41,771
Deferred income taxes	21,330	12,179
Other	(1,481)	(2,727)
Changes in operating assets and liabilities	13,339	21,002
Net cash flows provided by operating activities	167,093	152,325
Cash flows provided by (used in) investing activities:		
Net decrease (increase) in note receivable - Southern Union	(257,450)	15,250
Net increase in income taxes payable - related parties	29,463	-
Decrease in note receivable - CrossCountry Citrus	19,829	22,152
Additions to property, plant and equipment	(292,048)	(159,432)
Other	(2,928)	871
Net cash flows used in investing activities	(503,134)	(121,159)
Cash flows provided by (used in) financing activities:		
Decrease in book overdraft	(8,300)	(6,270)
Issuance of long-term debt	400,000	455,000
Repayment of debt	(51,829)	(477,776)
Issuance costs of debt	(2,967)	(2,363)
Other	(1,140)	-
Net cash flows provided by (used in) financing activities	335,764	(31,409)
Change in cash and cash equivalents	(277)	(243)
Cash and cash equivalents at beginning of period	320	531
Cash and cash equivalents at end of period	$ 43	$ 288

The accompanying notes are an integral part of these condensed consolidated financial statements.

PANHANDLE EASTERN PIPE LINE COMPANY, LP

CONDENSED CONSOLIDATED STATEMENT OF PARTNERS' CAPITAL AND COMPREHENSIVE INCOME

(UNAUDITED)

	Partners' Capital	Accumulated Other Comprehensive Income (Loss)	Tax Sharing Note Receivable-Southern Union	Total
		(In thousands)		
Balance December 31, 2007	$ 1,192,147	$ 1,636	$ (12,704)	$ 1,181,079
Tax sharing receivable - Southern Union	-	-	2,379	2,379
Comprehensive income:				
Net earnings	83,153	-	-	83,153
Net change in other comprehensive loss (Note 6)		(6,678)		(6,678)
Comprehensive income				76,475
Balance June 30, 2008	$ 1,275,300	$ (5,042)	$ (10,325)	$ 1,259,933

The accompanying notes are an integral part of these condensed consolidated financial statements.

PANHANDLE EASTERN PIPE LINE COMPANY, LP
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

The accompanying unaudited interim condensed consolidated financial statements of Panhandle Eastern Pipe Line Company, LP, a Delaware limited partnership (*PEPL*), and its subsidiaries (collectively, *Panhandle*, or *the Company*) have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (*SEC*) for quarterly reports on Form 10-Q. These statements do not include all of the information and note disclosures required by accounting principles generally accepted in the United States of America (*GAAP*), and should be read in conjunction with Panhandle's financial statements and notes thereto for the year ended December 31, 2007, which are included in Panhandle's Form 10-K filed with the SEC. The accompanying unaudited interim condensed consolidated financial statements have been prepared in accordance with GAAP and reflect adjustments that are, in the opinion of management, necessary for a fair statement of results for the interim period. The year-end condensed balance sheet data was derived from audited financial statements, but does not include all disclosures required by GAAP. Due to the seasonal nature of the Company's operations, the results of operations and cash flows for any interim period are not necessarily indicative of the results that may be expected for the full year.

The Company does not currently apply Financial Accounting Standards Board (*FASB*) Statement No. 71, *Accounting for the Effects of Certain Types of Regulation* (*Statement No. 71*). In 1999, the Company discontinued application of Statement No. 71 primarily due to the level of discounting from tariff rates and its inability to pass through and recover all costs. The accounting required by the statement differs from the accounting required for businesses that do not apply its provisions. Transactions that are generally recorded differently as a result of applying regulatory accounting requirements include, among others, recognition of regulatory assets, capitalization of an equity component on regulated capital projects and depreciation on assets.

1. Description of Business

Panhandle is primarily engaged in the interstate transportation and storage of natural gas and also provides liquefied natural gas (*LNG*) terminalling and regasification services. The Company is subject to the rules and regulations of the Federal Energy Regulatory Commission (*FERC*). The Company's entities include the following:

- PEPL, an indirect wholly-owned subsidiary of Southern Union Company (*Southern Union Company* and, together with its subsidiaries, *Southern Union*);
- Trunkline Gas Company, LLC (*Trunkline*), a direct wholly-owned subsidiary of PEPL;
- Sea Robin Pipeline Company, LLC (*Sea Robin*), an indirect wholly-owned subsidiary of PEPL;
- Trunkline LNG Holdings, LLC (*LNG Holdings*), an indirect wholly-owned subsidiary of PEPL;
- Trunkline LNG Company, LLC (*Trunkline LNG*), a direct wholly-owned subsidiary of LNG Holdings; and
- Pan Gas Storage, LLC (d.b.a. *Southwest Gas Storage*), a direct wholly-owned subsidiary of PEPL.

The Company's pipeline assets include approximately 10,000 miles of interstate pipelines that transport natural gas from the Gulf of Mexico, South Texas and the panhandle regions of Texas and Oklahoma to major U.S. markets in the Midwest and Great Lakes region. The pipelines have a combined peak day delivery capacity of 5.5 billion cubic feet per day (*Bcf/d*) and approximately 68 billion cubic feet (*Bcf*) of owned underground storage capacity. Trunkline LNG, located on Louisiana's Gulf Coast, operates one of the largest LNG import terminals in North America, based on current send out capacity, and has 9.0 Bcf of above ground LNG storage capacity.

Southern Union Panhandle, LLC, a direct wholly-owned subsidiary of Southern Union Company, serves as the general partner of PEPL and owns a one percent general partnership interest in PEPL. Southern Union Company owns a ninety-nine percent limited partnership interest in PEPL.

2. New Accounting Principles

Accounting Principles Recently Adopted.

FASB Statement No. 157, "Fair Value Measurements" (Statement No. 157): Issued by the FASB in September 2006, this Statement defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. Where applicable, this Statement simplifies and codifies related guidance within GAAP. This Statement is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. In February 2008, the FASB released a FASB Staff Position (FSP FAS 157-2, "*Effective Date of FASB Statement No. 157*"), which delays the effective date of this Statement for all non-financial assets and non-financial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually), to fiscal years beginning after November 15, 2008. The Company's major categories of non-financial assets and non-financial liabilities that are recognized or disclosed at fair value for which, in accordance with FSP FAS 157-2, the Company has not applied the provisions of Statement No. 157 as of January 1, 2008 are (i) fair value calculations associated with annual or periodic impairment tests, and (ii) asset retirement obligations measured at fair value upon initial recognition or upon certain remeasurement events under FASB Statement No. 143, "*Accounting for Asset Retirement Obligations*". The partial adoption on January 1, 2008 of this Statement for financial assets and liabilities did not have a material impact on the Company's consolidated financial statements. See *Note 9 – Fair Value Measurement* for more information.

FASB Statement No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities – Including an Amendment of FASB Statement No. 115": Issued by the FASB in February 2007, this Statement permits entities to choose to measure many financial instruments and certain other items at fair value that are not currently required to be measured at fair value. Unrealized gains and losses on items for which the fair value option has been elected are reported in earnings. The Statement does not affect any existing accounting literature that requires certain assets and liabilities to be carried at fair value. The Statement is effective for fiscal years beginning after November 15, 2007. At January 1, 2008, the Company did not elect the fair value option under the Statement and, therefore, there was no impact on the Company's consolidated financial statements.

Staff Accounting Bulletin No. 110 (SAB 110): Issued by the SEC in December 2007, SAB 110 expresses the views of the SEC staff regarding the use of a "simplified" method, as discussed in SAB No. 107, in developing an estimate of expected term of "plain vanilla" share options in accordance with Statement No. 123R, *"Accounting for Stock-Based Compensation"*. The SEC staff indicated in SAB No. 107 that it would accept a company's election to use the simplified method, regardless of whether the company has sufficient information to make more refined estimates of expected term, for options granted prior to December 31, 2007. In SAB 110, the SEC staff states that it will continue to accept, under certain circumstances, the use of the simplified method beyond December 31, 2007. Pursuant to the guidance provided in SAB 110, the Company has elected to continue utilizing the simplified method in developing the estimate of the expected term for its share options.

Accounting Principles Not Yet Adopted.

FASB Statement No. 141 (revised), "Business Combinations". Issued by the FASB in December 2007, this Statement changes the accounting for business combinations including the measurement of acquirer shares issued in consideration for a business combination, the recognition of contingent consideration, the accounting for preacquisition gain and loss contingencies, the recognition of capitalized in-process research and development costs, the accounting for acquisition-related restructuring cost accruals, the treatment of acquisition-related transaction costs and the recognition of changes in the acquirer's income tax valuation allowance. The Statement is effective for transactions occurring in fiscal years beginning after December 15, 2008, with early adoption prohibited.

FASB Statement No. 160, "Noncontrolling Interests in Consolidated Financial Statements, an amendment of ARB No. 51". Issued by the FASB in December 2007, this Statement changes the accounting for noncontrolling (minority) interests in consolidated financial statements, including the requirements to classify noncontrolling interests as a component of consolidated stockholders' equity, and the elimination of minority interest accounting in results of operations with earnings attributable to noncontrolling interests reported as part of consolidated earnings. Additionally, the Statement revises the accounting for both increases and decreases in a parent's controlling ownership interest. The Statement is effective for fiscal years beginning after December 15, 2008, with early adoption prohibited. The Company is currently evaluating the impact of this Statement on its consolidated financial statements.

FASB Statement No. 161, "Disclosures about Derivative Instruments and Hedging Activities, an amendment of FASB Statement No. 133". Issued by the FASB in March 2008, this Statement requires disclosures of how and why an entity uses derivative instruments, how derivative instruments and related hedged items are accounted for and how derivative instruments and related hedged items affect an entity's financial position, financial performance and cash flows. The Statement is effective for fiscal years beginning after

November 15, 2008, with early adoption permitted. The Company is currently evaluating the impact of this Statement on its consolidated financial statements.

3. System Gas and Operating Supplies

System gas and operating supplies consist of gas held for operations and materials and supplies, both of which are carried at the lower of weighted average cost or market, while gas received from or owed back to customers is valued at market. The gas held for operations that the Company does not expect to consume in its operations in the next twelve months is reflected in non-current assets. Gas held for operations at June 30, 2008 was $274.5 million, or 22,620,000 million British thermal units (*MMBtu*), of which $13.3 million was classified as non-current. Gas held for operations at December 31, 2007 was $187 million, or 26,001,000 MMBtu, of which $19 million was classified as non-current.   Materials and supplies include spare parts, which are critical to the pipeline system operations and were $13.6 million and $12.8 million at June 30, 2008 and December 31, 2007, respectively.

4. Related Party Transactions

PEPL receives transportation revenues from Missouri Gas Energy, a Southern Union division, which account for less than one percent of annual consolidated revenues. The following table provides a summary of related party transactions for the periods presented.

Related Party Transactions	Three Months Ended June 30, 2008	Three Months Ended June 30, 2007	Six Months Ended June 30, 2008	Six Months Ended June 30, 2007
	(In thousands)		(In thousands)	
Transportation and storage of natural gas	$ 903	$ 913	$ 2,259	$ 2,306
Operation and maintenance:				
Management and royalty fees	4,213	4,028	8,932	8,253
Other expenses	4,446	7,381	9,839	15,293
Other income, net	5,707	10,263	12,731	20,751

Pursuant to a demand note with Southern Union Company under a cash management program, as of June 30, 2008, the Company had loaned excess cash, net of repayments, totaling $479.1 million to Southern Union since Southern Union acquired the Company. Net disbursements of $257.5 million were recorded during the six-month period ended June 30, 2008. The Company is credited with interest on the note at a one-month LIBOR rate. Included in *Other, net* in the accompanying unaudited interim Condensed Consolidated Statement of Operations is interest income of $1.3 million and $2.6 million for the three- and six-month periods ended June 30, 2008, respectively, with $2 million and $3.9 for the three- and six-month periods ended June 30, 2007, respectively, related to interest on the *Note receivable – Southern Union*. The Company has classified $300 million of the *Note receivable – Southern Union* as a current asset because such amount is expected to be remitted by Southern Union in August 2008 and used by the Company to repay its $300 million Senior Notes due August 15, 2008. See *Note 5 – Debt* for additional related information. Given the uncertainties regarding the timing of the Company's cash flows, including financings, capital expenditures and operating cash flows, the Company has reported the remainder of the *Note receivable – Southern Union* as a non-current asset. The Company does have access to the funds via the demand note and does expect repayment to ultimately occur to also fund capital expenditures.

On December 1, 2006, LNG Holdings, as borrower, and PEPL and CrossCountry Citrus, as guarantors, entered into a $465 million unsecured term loan facility due April 4, 2008 (*2006 Term Loan*), which was later amended and restated to extend the maturity to June 29, 2012. On December 1, 2006, LNG Holdings loaned the proceeds of the 2006 Term Loan to CrossCountry Citrus in exchange for an interest-bearing promissory note with a principal amount of $465 million, the amount of the 2006 Term Loan. The promissory note was amended and restated to extend the maturity when the 2006 Term Loan was amended and restated. Accrued interest under the promissory note is payable quarterly. The interest rate under the promissory note is based on the interest rate under the amended and restated term loan facility plus a credit spread over LIBOR of 112.5 basis points. Included in *Other, net* in the accompanying unaudited interim Condensed Consolidated Statement of Operations is interest income of $4.4 million and $10 million for the three- and six-month periods ended June 30, 2008, respectively, with $8.3 million and $16.7 million for the three- and six-month periods ended June 30, 2007, respectively, related to interest on the *Note receivable – CrossCountry Citrus*.

Southern Union structured the acquisition of PEPL in a manner intended to qualify as a like-kind exchange of property under Section 1031 of the Internal Revenue Code of 1986. For tax purposes, the Company's assets that were part of the exchange were recorded at the tax basis of the Southern Union Company assets for which they were exchanged. The resulting transaction generated an estimated deferred tax liability at the acquisition date and a corresponding receivable from Southern Union reflected as a reduction to *Partners' Capital* on the Company's unaudited interim Condensed Consolidated Balance Sheet. Repayment of the receivable from Southern Union is limited to actual tax liabilities otherwise payable by the Company pursuant to the tax sharing agreement with Southern Union Company. For the six months ended June 30, 2008, the Company recorded $2.4 of income tax liability settlements against the tax sharing note receivable.

The following table provides a summary of the accounts receivable and payable related party balances included in the unaudited interim Condensed Consolidated Balance Sheet at the dates indicated.

Related Party	Six Months Ended June 30, 2008	Year Ended December 31,2007
Accounts receivable - related parties:	(In thousands)	
Southern Union (1)	$ -	$ 1,174
Other (2)	5,323	10,893
	5,323	12,067
Accounts payable - related parties:		
Southern Union - income taxes (3)	70,883	$ 41,420
Southern Union - other (4)	11,204	14,945
Other (5)	269	341
	$ 82,356	$ 56,706

(1) Primarily related to expenditures made on behalf of Southern Union and interest associated with the *Note receivable – Southern Union*.
(2) Primarily related to interest from CrossCountry Citrus.
(3) Related to income taxes payable to Southern Union per the tax sharing agreement, which was amended in September 2007, to provide for taxes to be remitted upon the filing of the tax return.
(4) Primarily related to payroll funding provided by Southern Union.
(5) Primarily related to various administrative and operating costs paid by other affiliate companies on behalf of the Company.

5. Debt

The following table sets forth the debt obligations of the Company at the dates indicated:

Long-term Debt Obligations	June 30, 2008	December 31, 2007
	(In thousands)	
4.80% Senior Notes due 2008	$ 300,000	$ 300,000
6.05% Senior Notes due 2013	250,000	250,000
6.20% Senior Notes due 2017	300,000	300,000
6.50% Senior Notes due 2009	60,623	60,623
8.25% Senior Notes due 2010	40,500	40,500
7.00% Senior Notes due 2029	66,305	66,305
7.00% Senior Notes due 2018	400,000	-
Term Loans due 2012	815,391	867,220
Net premiums on long-term debt	3,557	6,093
Total debt outstanding	2,236,376	1,890,741
Current portion of long-term debt	(299,980)	(309,680)
Total long-term debt	$ 1,936,396	$ 1,581,061

7.00% Senior Notes due 2018. In June 2008, the Company issued $400 million in senior notes due June 15, 2018 with an interest rate of 7.00 percent (*7.00% Senior Notes*). In connection with the issuance of the 7.00% Senior Notes, the Company incurred underwriting costs and debt discount totaling approximately $4.1 million, resulting in approximately $395.9 million in proceeds to the Company. The proceeds were initially loaned to Southern Union Company, under the demand note between the Company and Southern Union Company, and used to repay approximately $127 million outstanding under Southern Union Company's credit facilities. The remaining proceeds of approximately $269.3 million were initially invested by Southern Union Company and utilized to fund working capital obligations. Such advanced amounts will be subsequently repaid by Southern Union to the Company and used to repay the $300 million of 4.80% Senior Notes due August 15, 2008.

6. Comprehensive Income

The table below provides an overview of comprehensive income for the periods indicated.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
	(In thousands)		(In thousands)	
Net earnings	$ 34,914	$ 35,619	$ 83,153	$ 80,100
Realized gain on interest rate hedges net of tax of $197, $0, $197 and $0, respectively	309	-	309	-
Reclassification of realized (gain) loss on interest rate hedges into earnings, net of tax of $1,049, $0, $1,233 and $(155), respectively	1,566	-	1,843	(229)
Reduction of prior service credit relating to other postretirement benefits, net of tax of $0, $0, $3,231 and $0, respectively	-	-	(6,603)	-
Change in fair value of interest rate hedges, net of tax of $11,472, $2,955, $(994) and $2,955, respectively	17,614	4,395	(1,516)	4,395
Reclassification of actuarial gain and prior service credit relating to other postretirement benefits into earnings, net of tax of $(155), $(222), $(400) and $(444), respectively	(270)	(678)	(711)	(1,356)
Total other comprehensive income (loss)	19,219	3,717	(6,678)	2,810
Total comprehensive income	$ 54,133	$ 39,336	$ 76,475	$ 82,910

See *Note 7 – Postretirement Benefits* for a discussion related to an amendment of the Company's postretirement benefit plan in March 2008, which resulted in a $6.6 million net of tax reduction in the prior service credit included in *Accumulated other comprehensive income*.

7. Postretirement Benefits

Net periodic benefit cost for the three- and six-month periods ended June 30, 2008 and 2007 includes the components noted in the table below.

	Postretirement Benefits Three Months Ended June 30,		Postretirement Benefits Six Months Ended June 30,	
	2008	2007	2008	2007
	(In thousands)		(In thousands)	
Service cost	$ 525	$ 336	$ 925	$ 672
Interest cost	825	512	1,525	1,023
Expected return on plan assets	(600)	(484)	(1,175)	(967)
Prior service credit amortization	(425)	(901)	(1,100)	(1,801)
Net periodic benefit cost (credit)	$ 325	$ (537)	$ 175	$ (1,073)

In March 2008, a postretirement benefit plan change was approved for retirements beginning April 1, 2008. The change resulted in a pre-tax postretirement benefit obligation increase of approximately $9.8 million.

8. Commitments and Contingencies

Litigation. The Company is involved in legal, tax and regulatory proceedings before various courts, regulatory commissions and governmental agencies regarding matters arising in the ordinary course of business, some of which involve substantial amounts. Where appropriate, the Company has made accruals in accordance with FASB Statement No. 5, *Accounting for Contingencies*, in order to provide for such matters. The Company believes the final disposition of these proceedings will not have a material adverse effect on its consolidated financial position, results of operations or cash flows.

Jack Grynberg, an individual, filed actions for damages against a number of companies, including the Company, now transferred to the U.S. District Court for the District of Wyoming, alleging mis-measurement of gas volumes and Btu content, resulting in lower royalties to mineral interest owners. On October 20, 2006, the District Judge adopted in part the earlier recommendation of the Special Master in the case and ordered the dismissal of the case against the Company. Grynberg is appealing that action to the Tenth Circuit Court of Appeals. Grynberg's opening brief was filed on July 31, 2007. Respondents filed their brief rebutting Grynberg's arguments on November 21, 2007. A hearing is set for September 2008. A similar action, known as the Will Price litigation, also has been filed against a number of companies, including the Company, in U.S. District Court for the District of Kansas. The Company is currently awaiting the decision of the trial judge on the defendants' motion to dismiss the Will Price action. The Company believes that its measurement practices conformed to the terms of its FERC gas tariff, which was filed with and approved by FERC. As a result, the Company believes that it has meritorious defenses to these lawsuits (including FERC-related affirmative defenses, such as the filed rate/tariff doctrine, the primary/exclusive jurisdiction of FERC, and the defense that the Company complied with the terms of its tariff) and will continue to vigorously defend against them, including any appeal from the dismissal of the Grynberg case. The Company does not believe the outcome of these cases will have a material adverse effect on its consolidated financial position, results of operations or cash flows.

Environmental Matters. The Company's operations are subject to federal, state and local laws and regulations regarding water quality, hazardous and solid waste management, air quality control and other environmental matters. These laws and regulations require the Company to conduct its operations in a specified manner and to obtain and comply with a wide variety of environmental registrations, licenses, permits, inspections and other approvals. Failure to comply with environmental requirements may expose the Company to significant fines, penalties and/or interruptions in operations. The Company's environmental policies and procedures are designed to achieve compliance with such laws and regulations. These evolving laws and regulations and claims for damages to property, employees, other persons and the environment resulting from current or past operations may result in significant expenditures and liabilities in the future. The Company engages in a process of updating and revising its procedures for the ongoing evaluation of its operations to identify potential environmental exposures and enhance compliance with regulatory requirements. The Company follows the provisions of American Institute of Certified Public Accountants Statement of Position 96-1, *Environmental Remediation Liabilities*, for recognition, measurement, display and disclosure of environmental remediation liabilities.

Environmental Remediation. The Company is responsible for environmental remediation at certain sites on its gas transmission systems for contamination resulting from the past use of lubricants containing polychlorinated biphenyls (*PCBs*) in compressed air systems; the past use of paints containing PCBs; and the prior use of wastewater collection facilities and other on-site disposal areas. The Company has developed and is implementing a program to remediate such contamination. Remediation and decontamination has been completed at each of the 35 compressor station sites where auxiliary buildings that house the air compressor equipment were impacted by the past use of lubricants containing PCBs. At some locations, PCBs have been identified in paint that was applied many years ago. A program has been implemented to remove and dispose of PCB impacted paint during painting activities. At one location on the Trunkline system, PCBs were discovered on the painted surfaces of equipment in a building that is outside of the scope of the compressed air system program and the existing PCB impacted paint program. The estimated cost to remediate the painted surfaces at this location is approximately $300,000. An initial assessment program was undertaken at seven locations to determine whether this condition exists at any of the other 78 similar buildings on the PEPL, Trunkline and Southwest Gas systems. As of June 30, 2008, a total of 37 locations have been preliminarily assessed, indicating PCBs at regulated levels in a small number of samples at a total of 13 locations. At two other locations identified in the sampling program, the estimated costs to remediate painted surfaces range from approximately $15,000 to

$150,000. Until the complete results of the assessment program are available and the analysis is completed, the costs associated with remediation of the painted surfaces cannot be reasonably estimated.

Other remediation typically involves the management of contaminated soils and may involve remediation of groundwater. Activities vary with site conditions and locations, the extent and nature of the contamination, remedial requirements, complexity and sharing of responsibility. The ultimate liability and total costs associated with these sites will depend upon many factors. If remediation activities involve statutory joint and several liability provisions, strict liability, or cost recovery or contribution actions, the Company could potentially be held responsible for contamination caused by other parties. In some instances, such as the Pierce waste oil sites described below, the Company may share liability associated with contamination with other potentially responsible parties. The Company may also benefit from contractual indemnities that cover some or all of the cleanup costs. These sites are generally managed in the normal course of business or operations. The Company believes the outcome of these matters will not have a material adverse effect on its consolidated financial position, results of operations or cash flows.

PEPL and Trunkline, together with other non-affiliated parties, were identified as potentially liable for conditions at three former waste oil disposal sites in Illinois – the Pierce Oil Springfield site, the Dunavan Waste Oil site and the McCook site (collectively, *the Pierce Waste Oil Sites*). PEPL and Trunkline received notices of potential liability from the United States Environmental Protection Agency (*U.S. EPA*) for the Dunavan site by letters dated September 30, 2005. Although no formal notice has been received for the Pierce Oil Springfield site, special notice letters are anticipated and the process of listing the site on the National Priority List has begun. No formal notice has been received for the McCook site. The Company believes the outcome of these matters will not have a material adverse effect on its consolidated financial position, results of operations or cash flows.

On June 16, 2005, PEPL experienced a release of liquid hydrocarbons near Pleasant Hill, Illinois. The U.S. EPA took the lead role in overseeing the subsequent cleanup activities, which have been completed. PEPL has resolved claims of affected boat owners and the marina operator. PEPL received a violation notice from the Illinois Environmental Protection Agency (*IEPA*) alleging that PEPL was in apparent violation of several sections of the Illinois Environmental Protection Act by allowing the release. The violation notice did not propose a penalty. Responses to the violation notice were submitted and the responses were discussed with the agency. In December 2005, the IEPA notified PEPL that the matter might be considered for referral to the Office of the Attorney General, the State's Attorney or the U.S. EPA for formal enforcement action and the imposition of penalties. There has been no contact from the IEPA on this matter other than two requests for information to which the Company responded in January 2007 and April 2008. The Company believes the outcome of this matter will not have a material adverse effect on its consolidated financial position, results of operations or cash flows.

The table below reflects the amount of accrued liabilities recorded in the unaudited interim Condensed Consolidated Balance Sheet at June 30, 2008 and December 31, 2007 to cover probable environmental response actions:

	June 30, 2008	December 31, 2007
	(In thousands)	
Current	$ 774	$ 996
Noncurrent	6,778	6,901
Total Environmental Liabilities	$ 7,552	$ 7,897

Air Quality Control. In early April 2007, the IEPA proposed a rule to the Illinois Pollution Control Board (*IPCB*) for adoption to control NOx emissions from reciprocating engines and turbines, including a provision applying the rule beyond issues addressed by federal provisions, pursuant to a blanket statewide application. After objections were filed with the IPCB, the IEPA filed an amended proposal withdrawing the statewide applicability provisions of the proposed rule and applying the rule requirements to non-attainment areas. The amended proposal was approved on January 10, 2008. No controls on PEPL and Trunkline stations are required under the most recent proposal. However, the IEPA indicated in earlier industry discussions that it was reserving the right to make future proposals for statewide controls. In the event the IEPA proposes a statewide rule again, preliminary estimates indicate the cost of compliance would require minimum capital expenditures of approximately $45 million for emission controls.

The Kansas Department of Health and Environment (*KDHE*) has established certain contingency measures as part of the agency's ozone maintenance plan for the Kansas City area. These measures will be triggered if there are any new elevated ozone readings in the Kansas City area. One of the NOx emission sources that will be impacted is the PEPL Louisburg compressor station. In addition, the U.S. EPA has revised the ozone standard and the Kansas City area will likely be designated as a non-attainment area under the new and stricter standard. A meeting has been scheduled with KDHE on August 14, 2008 to discuss issues associated with reducing emissions at the Louisburg compressor station. In the event KDHE requires emission reductions, it is estimated that approximately $14 million in capital expenditures will be required.

Spill Prevention, Control and Countermeasure Rules **(*SPCC*).** In May 2007, the U.S. EPA extended the SPCC rule compliance dates until July 1, 2009, permitting owners and operators of facilities to prepare or amend and implement SPCC Plans in accordance with previously enacted modifications to the regulations. In October 2007, the U.S. EPA proposed amendments to the SPCC rules with the stated intention of providing greater clarity, tailoring requirements, and streamlining requirements. The Company is currently reviewing the impact of the modified regulations on its operations and may incur costs for tank integrity testing, alarms and other associated corrective actions as well as potential upgrades to containment structures. Costs associated with such activities cannot be estimated with certainty at this time, but the Company believes such costs will not have a material adverse effect on its consolidated financial position, results of operations or cash flows.

Other Commitments and Contingencies.

Hurricane Damage. Late in the third quarter of 2005, Hurricanes Katrina and Rita came ashore along the Upper Gulf Coast. These hurricanes caused damage to property and equipment owned by Sea Robin, Trunkline and Trunkline LNG. As of June 30, 2008, the Company has incurred approximately $35 million of capital expenditures related to the hurricanes, primarily for replacement or abandonment of damaged property and equipment at Sea Robin and construction project delays at the Trunkline LNG terminal.

The Company anticipates reimbursement from its property insurance carriers for a significant portion of damages from the hurricanes in excess of its $5 million deductible. Such reimbursement is currently estimated by the Company's property insurance carrier ultimately to be limited to 63 percent of the portion of the claimed damages accepted by the insurance carrier, but the amount is subject to the level of total ultimate claims from all insureds relative to the carrier's $1 billion total limit on payout per event that was in effect during 2005. The Company's property insurance carrier's $1 billion total limit on payout per event was reduced for subsequent years to $750 million. As of June 30, 2008, the Company has received payments of $7.6 million from its insurance carriers. Approximately $2 million of receivables due from the insurance carriers have been recorded related to the hurricane claims as of June 30, 2008.

Controlled Group Pension Liabilities. Southern Union Company (including certain of its divisions) sponsors a number of defined benefit pension plans for employees. Under applicable pension and tax laws, upon being acquired by Southern Union, the Company became a member of Southern Union Company's "controlled group" with respect to those plans and, along with Southern Union Company and any other members of that group, is jointly and severally liable for any failure by Southern Union (along with any other persons that may be or become a sponsor of any such plan) to fund any of these pension plans or to pay any unfunded liabilities that these plans may have if they are ever terminated. In addition, if any of the obligations of any of these pension plans is not paid when due, a lien in favor of that plan or the Pension Benefit Guaranty Corporation may be created against the assets of each member of Southern Union Company's controlled group, including the Company and each of its subsidiaries. Based on the latest actuarial information available as of December 31, 2007, the aggregate amount of the projected benefit obligations of these pension plans was approximately $162.8 million and the estimated fair value of all of the assets of these plans was approximately $128.3 million.

9. Fair Value Measurement

Adoption of Statement No. 157. Effective January 1, 2008, the Company partially adopted Statement No. 157, which provides a framework for measuring fair value (see *Note 2 – New Accounting Principles*). As defined in Statement No. 157, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Company utilizes market data or assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and the risks inherent in the inputs to any applicable valuation techniques. These inputs can be readily observable, market corroborated, or generally unobservable. The Company endeavors to utilize the best available information, including valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Statement No. 157 establishes a three-tier fair value hierarchy, which prioritizes the inputs used to measure fair value as follows:

- Level 1 – Observable inputs such as quoted prices in active markets for identical assets or liabilities;
- Level 2 – Observable inputs such as: (i) quoted prices for similar assets or liabilities in active markets; (ii) quoted prices for identical or similar assets or liabilities in markets that are not active; or (iii) valuations based on pricing models where significant inputs (e.g., interest rates, yield curves, etc.) are observable for the assets or liabilities, are derived principally from observable market data, or can be corroborated by observable market data, for substantially the full term of the assets or liabilities; and
- Level 3 – Unobservable inputs, including valuations based on pricing models where significant inputs are not observable and not corroborated by market data. Unobservable inputs are used to the extent that observable inputs are not available and reflect the Company's own assumptions about the assumptions market participants would use in pricing the assets or liabilities. Unobservable inputs are based on the best information available in the circumstances, which might include the Company's own data.

Financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Company's assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of these assets and liabilities and their placement within the fair value hierarchy.

At June 30, 2008, the Company had no financial assets measured at fair value on a recurring basis in accordance with Statement No. 157. The following table sets forth the Company's financial liabilities that are measured at fair value on a recurring basis at June 30, 2008.

	Fair Value as of June 30, 2008	Fair Value Measurements at June 30, 2008 Using Fair Value Hierarchy		
		Level 1	Level 2	Level 3
Liabilities:				
Interest-rate derivatives	$ 15,664	$ -	$ -	$ 15,664
Total	$ 15,664	$ -	$ -	$ 15,664

The Company's Level 3 instruments include interest-rate swap derivatives for which the Company does not have sufficient corroborative market evidence to support classifying the related liability as Level 2, due to the limited market data available in the form of binding broker quotes or quoted prices for similar liabilities in various markets. The financial liabilities that the Company has categorized in Level 3 may later be reclassified to Level 2 when the Company is able to obtain additional observable market data to corroborate non-binding broker quotes used to measure the fair value of these liabilities.

PANHANDLE EASTERN PIPE LINE COMPANY, LP
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

The following tables present a reconciliation of the change in the Company's financial liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the periods indicated.

	Level 3 Financial Liabilities Three Months Ended June 30, 2008	
	Interest-rate Derivatives	
	(In thousands)	
Balance March 31, 2008	$	33,570
Total gains or losses (realized and unrealized):		
Included in earnings		-
Included in other comprehensive income		(15,400)
Purchases and settlements, net		(2,506)
Balance June 30, 2008	$	15,664

	Level 3 Financial Liabilities Six Months Ended June 30, 2008	
	Interest-rate Derivatives	
	(In thousands)	
Balance January 1, 2008	$	17,121
Total gains or losses (realized and unrealized):		
Included in earnings		-
Included in other comprehensive income		1,049
Purchases and settlements, net		(2,506)
Balance June 30, 2008	$	15,664

10. Taxes on Income

The company's estimated annual consolidated federal and state effective income tax rate (*EITR*) for each of the six-month periods ended June 30, 2008 and 2007 was 39 percent.

The Company is no longer subject to U.S. federal, state or local examinations for the tax year ended June 30, 2004 and prior years. The Company's parent, Southern Union Company, settled the IRS examination of the year ended June 30, 2003 in November 2006. Generally, the state impact of the federal change remains subject to state and local examination for a period of up to one year after formal notification to the state and local jurisdictions. In 2007, Southern Union Company filed all required state amended returns as a result of the federal change. Therefore, the state and local statutes will expire with respect to the tax year ended June 30, 2003 in 2008.

11. Regulatory Matters

The Company has commenced construction of an enhancement at its Trunkline LNG terminal. This infrastructure enhancement project, which was originally expected to cost approximately $250 million, plus capitalized interest, will increase send out flexibility at the terminal and lower fuel costs. Recent cost projections indicate the construction costs will likely be approximately $365 million, plus capitalized interest. The revised costs reflect increases in the quantities and cost of materials required, higher contract labor costs and an allowance for additional contingency funds, if needed. The negotiated rate with the project's customer, BG LNG Services, will be adjusted based on final capital costs pursuant to a contract-based formula. The project is currently expected to be in operation in the second quarter of 2009. In addition, Trunkline LNG and BG LNG Services agreed to extend the existing terminal and pipeline services agreements to coincide with the infrastructure enhancement project contract, which runs 20 years from the in-service date. Approximately $276.4 million and $178.3 million of costs are included in the line item *Construction work-in-progress* at June 30, 2008 and December 31, 2007, respectively.

Sea Robin filed a rate case with FERC in June 2007, requesting an increase in its maximum rates. Several parties submitted protests to the rate increase filing with FERC. On July 30, 2007, FERC suspended the effectiveness of the filed rate increase until January 1, 2008. The filed rates were put into effect on January 1, 2008, subject to refund. On February 14, 2008, at the request of the participants in the proceeding, the procedural schedule was suspended to facilitate the filing of a settlement. On April 29, 2008, Sea Robin submitted to FERC a Stipulation and Agreement (Settlement) that would resolve all issues in the proceeding. The Administrative Law Judge certified the Settlement to the FERC on June 3, 2008. The Settlement is currently pending further FERC action. Customer refund liability provisions of approximately $2.7 million, including interest, have been recorded as of June 30, 2008.

ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Management's Discussion and Analysis of Financial Condition and Results of Operations is provided as a supplement to the accompanying unaudited interim condensed consolidated financial statements and notes to help provide an understanding of the Company's financial condition, changes in financial condition and results of operations. The following section includes an overview of the Company's business as well as recent developments that management of the Company believes are important in understanding its results of operations and to anticipate future trends in those operations. Subsequent sections include an analysis of the Company's results of operations on a consolidated basis and information relating to the Company's liquidity and capital resources and other matters. The information required by this Item is presented in a reduced disclosure format pursuant to General Instruction H to Form 10-Q.

Overview

The Company is primarily engaged in the interstate transportation and storage of natural gas and also provides LNG terminalling and regasification services, with rates and services regulated by FERC. The Company's entities include PEPL, Trunkline, Sea Robin, Trunkline LNG and Southwest Gas Storage. Collectively, the pipeline assets include approximately 10,000 miles of interstate pipelines that transport natural gas from the Gulf of Mexico, South Texas and the panhandle regions of Texas and Oklahoma to major U.S. markets in the Midwest and Great Lakes region. The pipelines have a combined peak day delivery capacity of 5.5 Bcf/d and approximately 68 Bcf of owned underground storage capacity. Trunkline LNG, located on Louisiana's Gulf Coast, operates one of the largest LNG import terminals in North America, based on current send out capacity, and has 9.0 Bcf of above ground LNG storage capacity.

The Company earns the majority of its revenue by entering into firm transportation and storage contracts, providing capacity for customers to transport or store natural gas in its facilities. The Company provides firm transportation services under contract to local distribution company customers and their affiliates, gas marketers, producers, other pipelines, electric power generators and a variety of end-users. In addition, the Company's pipelines offer both firm and interruptible transportation to customers on a short-term or seasonal basis. Demand for gas transmission on the Company's pipeline systems is seasonal, with the highest throughput and a higher portion of annual total operating revenues and net earnings occurring in the traditional winter heating season in the first and fourth calendar quarters. Average reservation revenue rates realized by the Company are dependent on certain factors, including but not limited to rate regulation, customer demand for reserved capacity, capacity sold levels for a given period and, in some cases, utilization of capacity. Commodity revenues are also dependent upon a number of variable factors including weather, storage levels, and customer demand for firm interruptible and parking services. The majority of Panhandle's revenues are related to firm capacity reservation charges. For the six-month periods ended June 30, 2008 and 2007, the Company's combined throughput, including supply area and market area deliveries, was 729 trillion British thermal units (*TBtu*) and 755 TBtu, respectively. For the years 2007, 2006 and 2005 the Company's combined throughput, including supply area and market area deliveries, was 1,454 TBtu, 1,180 TBtu and 1,214 TBtu, respectively.

The Company's regulated transportation and storage businesses periodically file (or may be required to file) for changes in their rates, which are subject to approval by FERC. Changes in rates and other tariff provisions resulting from these regulatory proceedings have the potential to negatively impact the Company's results of operations and financial condition.

Results of Operations

	Three Months Ended June 30, 2008	Three Months Ended June 30, 2007
	(In thousands)	
Operating revenue:		
Transportation and storage of natural gas	$ 134,722	$ 120,707
LNG terminalling revenue	30,891	37,219
Other revenue	2,720	3,780
Total operating revenue	168,333	161,706
Operating expenses:		
Operation, maintenance and general	62,661	64,574
Depreciation and amortization	25,691	21,062
Taxes, other than on income	7,544	7,301
Total operating expenses	95,896	92,937
Operating income	72,437	68,769
Other income (expense):		
Interest expense, net	(21,220)	(21,461)
Other, net	6,014	10,740
Total other expense, net	(15,206)	(10,721)
Earnings before income taxes	57,231	58,048
Income taxes	22,317	22,429
Net earnings	$ 34,914	$ 35,619

Operating Revenue. For the three-month period ended June 30, 2008, operating revenue increased $6.6 million versus the same time period in 2007 primarily as the result of:

- Increased transportation and storage revenue of $14 million attributable to:
  - Higher transportation reservation revenues of $11.4 million primarily due to the phased completion of the Trunkline Field Zone Expansion project during the period December 2007 to February 2008, reduced discounting resulting in higher average rates realized on contracts driven by higher customer demand and utilization of contract capacity;
  - Higher commodity revenues of $1.1 million primarily due to a rate increase on Sea Robin and higher utilization on the Sea Robin system, net of related customer liability refund provisions, partially offset by lower parking revenues; and
  - Higher storage revenues of $1.5 million due to increased contracted capacity.
- A $6.3 million decrease in LNG terminalling revenue due to lower volumes from decreased LNG cargoes during 2008.

Operating Expenses. Operating expenses for the three-month period ended June 30, 2008 increased $3 million versus the same period in 2007 primarily as the result of:

- Lower operation, maintenance and general expenses of $1.9 million primarily attributable to:
  - A $6.1 million decrease in LNG power costs resulting from decreased cargoes during 2008;
  - A $3.3 million decrease in fuel tracker costs primarily due to a net over-recovery in 2008;
  - A $2 million increase in contract storage costs resulting from an increase in leased capacity;
  - A $2.3 million increase in outside services costs related to field operations primarily attributable to hydrostatic testing and other pipeline system operating and maintenance costs;
  - A $1.9 million increase in benefits primarily due to higher medical costs and defined contribution savings plan expenses; and
  - A $500,000 increase in insurance primarily due to higher property premiums.

- Increased depreciation and amortization expense of $4.6 million due to a $577.7 million increase in property, plant and equipment placed in service after June 30, 2007. Depreciation and amortization expense is expected to continue to increase primarily due to higher capital spending, including the LNG terminal infrastructure enhancement and compression modernization construction projects and other capital expenditures.

Other Expense, Net. Other expense, net for the three-month period ended June 30, 2008 increased $4.5 million versus the same period in 2007 primarily due to lower interest income associated with the affiliate note receivables resulting from lower overall outstanding balances and lower LIBOR rates in the 2008 period compared to 2007.

Income Taxes. The Company's EITR was 39 percent and 39 percent for the three-month periods ended June 30, 2008 and 2007, respectively.

	Six Months Ended June 30, 2008	Six Months Ended June 30, 2007
	(In thousands)	
Operating revenue:		
Transportation and storage of natural gas	$ 288,104	$ 254,412
LNG terminalling revenue	61,781	70,121
Other revenue	5,499	6,203
Total operating revenue	355,384	330,736
Operating expenses:		
Operation, maintenance and general	123,353	120,854
Depreciation and amortization	50,752	41,771
Taxes, other than on income	16,193	15,096
Total operating expenses	190,298	177,721
Operating income	165,086	153,015
Other income (expense):		
Interest expense, net	(42,285)	(43,487)
Other, net	13,525	21,797
Total other expense, net	(28,760)	(21,690)
Earnings before income taxes	136,326	131,325
Income taxes	53,173	51,225
Net earnings	$ 83,153	$ 80,100

Operating Revenue. For the six-month period ended June 30, 2008, operating revenue increased $24.6 million versus the same time period in 2007 primarily as the result of:

- Increased transportation and storage revenue of $33.7 million attributable to:
  - Higher transportation reservation revenues of $23.2 million primarily due to the phased completion of the Trunkline Field Zone Expansion project during the period December 2007 to February 2008, reduced discounting resulting in higher average rates realized on contracts driven by higher customer demand, and utilization of contract capacity and approximately $1.2 million of additional revenues attributable to the extra day in the 2008 leap year;
  - Higher commodity revenues of $6.9 million primarily due to a rate increase on Sea Robin and higher utilization on the Sea Robin system, net of related customer liability refund provisions, and higher parking revenues; and
  - Higher storage revenues of $3.7 million due to increased contracted capacity.
- An $8.3 million decrease in LNG terminalling revenue due to lower volumes from decreased LNG cargoes during 2008.

Operating Expenses. Operating expenses for the six-month period ended June 30, 2008 increased $12.6 million versus the same period in 2007 primarily as the result of:

- Higher operation, maintenance and general expenses of $2.5 million primarily attributable to:
  - A $5.8 million increase in contract storage costs resulting from an increase in leased capacity;
  - A $2.9 million increase in outside services costs related to field operations primarily attributable to hydrostatic testing and other pipeline system operating and maintenance costs;
  - A $2.8 million increase in benefits primarily due to higher medical costs and defined contribution savings plan expenses;
  - A $2.5 million increase in insurance costs primarily due to higher property premiums;
  - A $1 million increase in salaries primarily due to merit increases;
  - An $8.4 million decrease in LNG power costs resulting from decreased cargoes during 2008; and
  - A $4.4 million decrease in fuel tracker costs primarily due to a net over-recovery in 2008.
- Increased depreciation and amortization expense of $9 million due to a $577.7 million increase in property, plant and equipment placed in service after June 30, 2007. Depreciation and amortization expense is expected to continue to increase primarily due to higher capital spending, including the LNG terminal infrastructure enhancement and compression modernization construction projects and other capital expenditures.

Other Expense, Net. Other expense, net for the six-month period ended June 30, 2008 increased $7.177.1 million versus the same period in 2007. Interest expense decreased $1.2 million primarily due to the higher level of interest costs capitalized attributable to higher capital expenditures and lower LIBOR rates in the 2008 period, partially offset by the impact of higher outstanding debt balances resulting from the $300 million 6.20% Senior Notes issued in October 2007 and the $400 million 7.00% Senior Notes issued in June 2008. Other, net income decreased $8.3 million primarily due to lower interest income associated with the affiliate note receivables resulting from lower overall outstanding balances and lower LIBOR rates in the 2008 period compared to 2007.

Income Taxes. The Company's EITR was 39 percent for both six-month periods ended June 30, 2008 and 2007. Income taxes during the six-month period ended June 30, 2008, versus the same period in 2007, increased $1.9 million due to higher pretax income.

OTHER MATTERS

Contingencies

See *Part I, Item 1. Financial Statements (Unaudited), Note 8 – Commitments and Contingencies* in this Quarterly Report on Form 10-Q.

Recently Issued Accounting Standards

See *Part I, Item 1. Financial Statements (Unaudited), Note 2 – New Accounting Principles*, in this Quarterly Report on Form 10-Q.

Liquidity and Capital Resources

Cash generated from internal operations constitutes the Company's primary source of liquidity. The $165.8 million working capital deficit at June 30, 2008 is expected to be funded by cash flows from operations and from repayments of intercompany loans with Southern Union. Based on the Company's current level of operations, management believes that cash flow from operations, available existing cash, and other sources, including liquid working capital and new borrowings, will be adequate to meet liquidity needs for the next several years, although no assurances can be given as to the sufficiency of cash flows or the ability to refinance existing obligations.

2008 Capital Expenditure Funding Sources. The Company intends to cover its 2008 cash requirements, resulting from planned capital expenditures, from various sources including cash flows from operations, repayments of intercompany loans made to Southern Union, loans or advances from other affiliates, or other borrowings, although no assurances can be given as to the sufficiency of cash flows, the availability of funds from Southern Union or other affiliates, or the ability to obtain financing.

Inflation

The Company believes that inflation has caused, and will continue to cause, increases in certain operating expenses, and will continue to require higher capital replacement and construction costs. The Company continually reviews the adequacy of its customer rates in relation to the impact of market conditions, the increasing cost of providing services and the inherent regulatory lag experienced in adjusting those rates.

ITEM 3. Quantitative and Qualitative Disclosures About Market Risk

Item 3, Quantitative and Qualitative Disclosures About Market Risk, has been omitted from this report pursuant to the reduced disclosure format permitted by General Instruction H to Form 10-Q.

ITEM 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

The Company has established disclosure controls and procedures to ensure that information required to be disclosed by the Company, including consolidated entities, in reports filed or submitted under the Securities Exchange Act of 1934, as amended (*Exchange Act*), is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. The Company's disclosure controls and procedures are designed to ensure that information required to be disclosed in the reports it files or submits under the Exchange Act is accumulated and communicated to management, including the Company's Chief Operating Officer (*COO*) and Chief Financial Officer (*CFO*), as appropriate, to allow timely decisions regarding required disclosure. The Company performed an evaluation under the supervision and with the participation of management, including its COO and CFO, and with the participation of personnel from its Legal, Internal Audit, Risk Management and Financial Reporting Departments, of the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Exchange Act Rule 13a-15(e)) as of the end of the period covered by this report. Based on that evaluation, Panhandle's COO and CFO concluded that the Company's disclosure controls and procedures were effective as of June 30, 2008.

Changes in Internal Controls

Management's assessment of internal control over financial reporting as of December 31, 2007 was included in Panhandle's Form 10-K filed on February 29, 2008.

There have been no changes in internal control over financial reporting that occurred during the first six months of 2008 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Cautionary Statement Regarding Forward-Looking Information

The disclosure and analysis in this Form 10-Q contains some forward-looking statements that set forth anticipated results based on management's plans and assumptions. From time to time, the Company also provides forward-looking statements in other materials it releases to the public as well as oral forward-looking statements. Such statements give the Company's current expectations or forecasts of future events; they do not relate strictly to historical or current facts. The Company has tried, wherever possible, to identify such statements by using words such as "anticipate," "estimate," "expect," "project," "intend," "plan," "believe," "will" and similar expressions in connection with any discussion of future operating or financial performance. In particular, these include statements relating to future actions, future performance or results of current and anticipated products, expenses, interest rates, the outcome of contingencies, such as legal proceedings, and financial results.

The Company cannot guarantee that any forward-looking statement will be realized, although management believes that the Company has been prudent in its plans and assumptions. Achievement of future results is subject to risks, uncertainties and potentially inaccurate assumptions. If known or unknown risks or uncertainties should materialize, or if underlying assumptions should prove inaccurate, actual results could differ materially from past results and those anticipated, estimated or projected. Readers should bear this in mind as they consider forward-looking statements.

The Company undertakes no obligation publicly to update forward-looking statements, whether as a result of new information, future events or otherwise. Readers are advised, however, to consult any further disclosures the Company makes on related subjects in its Form 10-K, 10-Q and 8-K reports to the SEC. Also note that the Company provides the following cautionary discussion of risks, uncertainties and possibly inaccurate assumptions relevant to its businesses. These are factors that, individually or in the aggregate, management believes could cause the Company's actual results to differ materially from expected and historical results. The Company notes these factors for investors as permitted by the Private Securities Litigation Reform Act of 1995. Readers should understand that it is not possible to predict or identify all such factors. Consequently, readers should not consider the following to be a complete discussion of all potential risks or uncertainties.

Factors that could cause actual results to differ materially from those expressed in the Company's forward-looking statements include, but are not limited to, the following:

- changes in demand for natural gas by the Company's customers, in the composition of the Company's customer base and in the sources of natural gas available to the Company;
- the effects of inflation and the timing and extent of changes in the prices and overall demand for and availability of natural gas as well as electricity, oil, coal and other bulk materials and chemicals;
- adverse weather conditions, such as warmer than normal weather in the Company's service territories, and the operational impact of natural disasters;
- changes in laws or regulations, third-party relations and approvals, decisions of courts, regulators and governmental bodies affecting or involving the Company, including deregulation initiatives and the impact of rate and tariff proceedings before FERC and various state regulatory commissions;
- the outcome of pending and future litigation;
- the Company's ability to comply with or to challenge successfully existing or new environmental regulations;
- unanticipated environmental liabilities;
- the Company's ability to acquire new businesses and assets and integrate those operations into its existing operations, as well as its ability to expand its existing businesses and facilities;
- the Company's ability to control costs successfully and achieve operating efficiencies, including the purchase and implementation of new technologies for achieving such efficiencies;
- the impact of factors affecting operations such as maintenance or repairs, environmental incidents, gas pipeline system constraints and relations with labor unions representing bargaining-unit employees;
- exposure to customer concentration with a significant portion of revenues realized from a relatively small number of customers and any credit risks associated with the financial position of those customers;
- changes in the ratings of the Company's debt securities or any of its subsidiaries;
- changes in interest rates and other general capital markets conditions, and in the Company's ability to continue to access the capital markets;
- acts of nature, sabotage, terrorism or other acts causing damage greater than the Company's insurance coverage limits;
- market risks beyond the Company's control affecting its risk management activities including market liquidity, commodity price volatility and counterparty creditworthiness; and
- other risks and unforeseen events.

PART II. OTHER INFORMATION

ITEM 1. Legal Proceedings

The Company and certain of its affiliates are occasionally parties to lawsuits and administrative proceedings incidental to their businesses involving, for example, claims for personal injury and property damage, contractual matters, various tax matters, and rates and licensing. The Company and its affiliates are also subject to various federal, state and local laws and regulations relating to the environment. Several of these companies have been named parties to various actions involving environmental issues. Based on our present knowledge and subject to future legal and factual developments, the Company's management believes that it is unlikely that these actions, individually or in the aggregate, will have a material adverse effect on its consolidated financial position, results of operations or cash flows. For additional information regarding various pending administrative and judicial proceedings involving regulatory, environmental and other legal matters, reference is made to *ITEM 1. Financial Statements (Unaudited), Note 8 – Commitments and Contingencies*, as well as to *ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations* included in *Part I. Financial Information*.

ITEM 1A. Risk Factors

There have been no material changes to the risk factors previously disclosed in the Company's Form 10-K filed with the SEC on February 29, 2008.

ITEM 2. Unregistered Sales of Equity Securities and Use of Proceeds

Item 2, Unregistered Sales of Equity Securities and Use of Proceeds, has been omitted from this report pursuant to the reduced disclosure format permitted by General Instruction H to Form 10-Q.

ITEM 3. Defaults Upon Senior Securities

Item 3, Defaults Upon Senior Securities, has been omitted from this report pursuant to the reduced disclosure format permitted by General Instruction H to Form 10-Q.

ITEM 4. Submission of Matters to a Vote of Security Holders

Item 4, Submission of Matters to a Vote of Security Holders, has been omitted from this report pursuant to the reduced disclosure format permitted by General Instruction H to Form 10-Q.

ITEM 5. Other Information

N/A

ITEM 6. Exhibits

Exhibit No.	Description
3(a)	Certificate of Formation of Panhandle Eastern Pipe Line Company, LP. (Filed as Exhibit 3.A to the Form 10-K for the year ended December 31, 2004 and incorporated herein by reference.)
3(b)	Limited Partnership Agreement of Panhandle Eastern Pipe Line Company, LP, dated as of June 29, 2004, between Southern Union Company and Southern Union Panhandle LLC. (Filed as Exhibit 3.B to the Form 10-K for the year ended December 31, 2004 and incorporated herein by reference.)
4(a)	Indenture dated as of March 29, 1999, among CMS Panhandle Holding Company, Panhandle Eastern Pipe Line Company and NBD Bank, as Trustee. (Filed as Exhibit 4(a) to the Form 10-Q for the quarter ended March 31, 1999, and incorporated herein by reference.)
4(b)	First Supplemental Indenture dated as of March 29, 1999, among CMS Panhandle Holding Company, Panhandle Eastern Pipe Line Company and NBD Bank, as Trustee, including a form of Guarantee by Panhandle Eastern Pipe Line Company of the obligations of CMS Panhandle Holding Company. (Filed as Exhibit 4(b) to the Form 10-Q for the quarter ended March 31, 1999, and incorporated herein by reference.)
4(c)	Second Supplemental Indenture dated as of March 27, 2000, between Panhandle, as Issuer and Bank One Trust Company, National Association, as Trustee. (Filed as Exhibit 4(e) to the Form S-4 filed on June 22, 2000, and incorporated herein by reference.)
4(d)	Third Supplemental Indenture dated as of August 18, 2003, between Panhandle, as Issuer and Bank One Trust Company, National Association, as Trustee (Filed as Exhibit 4(d) to the Form 10-Q for the quarter ended September 30, 2003, and incorporated herein by reference.)

4(e)	Fourth Supplemental Indenture dated as of March 12, 2004, between Panhandle, as Issuer and J.P. Morgan Trust Company, National Association, as Trustee. (Filed as Exhibit 4.E to the Form 10-K for the year ended December 31, 2004 and incorporated herein by reference.)
4(f)	Fifth Supplemental Indenture dated as of October 26, 2007, between Panhandle and The Bank of New York Trust Company, N.A., as Trustee (Filed as Exhibit 4.1 to Panhandle's Current Report on Form 8-K filed on October 29, 2007 and incorporated herein by reference.)
4(g)	Form of Sixth Supplemental Indenture, dated as of June 12, 2008, between Panhandle and The Bank of New York Trust Company, N.A., as Trustee (Filed as Exhibit 4.1 to Panhandle's Current Report on Form 8-K filed on June 11, 2008 and incorporated herein by reference.)
4(h)	Indenture dated as of February 1, 1993, between Panhandle and Morgan Guaranty Trust Company effective January 1, 1982, as amended December 3, 1999. (Filed as Exhibit 4 to the Form S-3 filed February 19, 1993, and incorporated herein by reference.)
10(a)	Amended and Restated Credit Agreement between Trunkline LNG Holdings, LLC, as borrower, Panhandle Eastern Pipe Line Company, LP and CrossCountry Citrus, LLC, as guarantors, the financial institutions listed therein and Bayerische Hypo-Und Vereinsbank AG, New York Branch, as administrative agent, dated as of June 29, 2007 (Filed as Exhibit 10.1 to Panhandle's Current Report on Form 8-K filed on July 6, 2007 and incorporated herein by reference.)
10(b)	Amendment Number 1 to the Amended and Restated Credit Agreement between Trunkline LNG Holdings, LLC, as borrower, Panhandle Eastern Pipe Line Company, LP and CrossCountry Citrus, LLC, as guarantors, the financial institutions listed therein and Bayerische Hypo-Und Vereinsbank AG, New York Branch, as administrative agent, dated as of June 13, 2008 (Filed herewith as Exhibit 10(b))
10(c)	Credit Agreement between Trunkline LNG Holdings, LLC, as borrower, Panhandle Eastern Pipe Line Company, LP and Trunkline LNG Company, LLC, as guarantors, the financial institutions listed therein and Bayerische Hypo- Und Vereinsbank AG, New York Branch, as administrative agent, dated as of March 15, 2007. (Filed as Exhibit 10.1 to Panhandle's Current Report on Form 8-K filed on March 21, 2007 and incorporated herein by reference.)
10(d)	Amended and Restated Promissory Note made by CrossCountry Citrus, LLC, as borrower, in favor of Trunkline LNG Holdings LLC, as holder, dated as of June 13, 2008. (Filed herewith as Exhibit 10(d))
12	Ratio of Earnings to Fixed Charges
31.1	Certificate by President and Chief Operating Officer pursuant to Rule 13a – 14(a) or 15d – 14(a) promulgated under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certificate by Senior Vice President and Chief Financial Officer pursuant to Rule 13a – 14(a) or 15d – 14(a) promulgated under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certificate by President and Chief Operating Officer pursuant to Rule 13a – 14(b) or 15d – 14(b) promulgated under the Securities Exchange Act of 1934 and Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350.

32.2	Certificate by Senior Vice President and Chief Financial Officer pursuant to Rule 13a – 14(b) or 15d – 14(b) promulgated under the Securities Exchange Act of 1934 and Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, Panhandle Eastern Pipe Line Company, LP has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

PANHANDLE EASTERN PIPE LINE COMPANY, LP

Date: August 7, 2008

By: /s/ ROBERT O. BOND
Robert O. Bond
President and Chief Operating Officer
(authorized officer)

/s/ GARY W. LEFELAR
Gary W. Lefelar
Senior Vice President and Chief Accounting Officer
(principal accounting officer)

Exhibit 10(b)

Execution Copy

FIRST AMENDMENT

This FIRST AMENDMENT dated as of June __, 2008 (this "**First Amendment**") to the AMENDED AND RESTATED CREDIT AGREEMENT dated as of June 29, 2007 (the "**Credit Agreement**") among TRUNKLINE LNG HOLDINGS LLC, a Delaware limited liability company (the "**Borrower**"), PANHANDLE EASTERN PIPE LINE COMPANY, LP, a Delaware limited partnership ("**Panhandle Eastern**"), CROSSCOUNTRY CITRUS, LLC, a Delaware limited liability company ("**CCC**"), the financial institutions parties thereto as Banks (collectively, the "**Banks**" and, individually, a "**Bank**"); BAYERISCHE HYPO- UND VEREINSBANK AG, NEW YORK BRANCH ("**HVB**"), in its capacity as administrative agent (together with its successors and assigns in such capacity, the "**Administrative Agent**") for the Banks, Bank of America, N.A. as the Syndication Agent, JP Morgan Chase Bank, N.A., Bayerische Landesbank, New York Branch and Mizuho Corporate Bank Ltd, as the Co-Document Agents and UniCredit Markets & Investment Bank acting through HVB and Banc of America Securities LLC as the joint lead arrangers and joint book managers.

RECITALS:

WHEREAS, the Borrower, Administrative Agent and the Majority Banks wish to amend the Credit Agreement as set forth herein;

NOW, THEREFORE, in consideration of the premises and the agreements, provisions and covenants herein contained, the parties hereto agree as follows:

ARTICLE 1. DEFINITIONS

1.1. Definitions. Terms used but not otherwise defined shall have the meanings given to such terms in the Credit Agreement.

ARTICLE 2. AMENDMENTS

2.1. Prepayments. Section 2.5(b) of the Credit Agreement is hereby amended by adding the following text at the end of the last sentence thereof, before the period ("."):

> ; *provided further* that Borrower shall receive a credit against any mandatory prepayments due under this Section 2.5(b) in the amount of, and any such mandatory prepayments shall be reduced by, the aggregate amount of voluntary prepayments made by Borrower pursuant to Section 2.5(a) hereof prior to the due date of any such mandatory prepayments, until such voluntary prepayments have been fully credited for such purpose.

2.2. Financial Statements and Information. Section 5.1 of the Credit Agreement is hereby amended by adding the following text after subsection 5.01(c) as a new subsection 5.01(d):

> (d) as soon as available, and in any event within 60 days after the end of each quarterly accounting period in each fiscal year of the Borrower, a reconciliation of its voluntary and mandatory

prepayments through the end of such period, substantially in the form of the attached Form of Prepayment Certificate attached as Exhibit C;

and existing subsections 5.01(d) and 5.01(e) shall change to subsections (e) and (f). Upon the execution of this First Amendment the Form of Prepayment Certificate attached hereto as Exhibit C shall become Exhibit C to the Credit Agreement.

ARTICLE 3. AMENDMENT TO INTER-COMPANY NOTE

The Administrative Agent and the Majority Banks hereby consent and agree, for the purposes of Section 7.11 of the Credit Agreement, to the amendment of the Inter-Company Note in the executed form attached hereto as Exhibit D. Upon the execution of this First Amendment Exhibit D hereto shall become Exhibit D to the Credit Agreement, and the Inter-Company Note as so amended shall become effective as of the date of effectiveness of this First Amendment pursuant to Article 4 hereof.

ARTICLE 4. CONDITIONS TO EFFECTIVENESS

The effectiveness of this First Amendment shall be subject to the satisfaction of each of the following conditions precedent:

4.1. Execution. The Administrative Agent shall have executed this First Amendment and the Borrower and representatives of the Majority Banks shall have delivered to the Administrative Agent duly executed counterparts of this First Amendment.

4.2. Representations and Warranties. The Borrower shall have confirmed to the Administrative Agent by its signature below that (a) all representations and warranties made by each Loan Party shall be true and correct as of the effective date of this First Amendment (unless such representation or warranty release solely to an earlier date, in which case it shall have been true and correct as of such earlier date); and (b) no Default or Event of Default has occurred and is continuing as of the effective date of this First Amendment.

ARTICLE 5. MISCELLANEOUS

5.1. Execution of the Amendment. This Amendment is executed and shall be construed as a First Amendment to the Credit Agreement and as provided in the Credit Agreement this First Amendment forms a part thereof as amended hereby in full force and execution.

5.2. Ratification. Each of the Loan Documents shall continue to be in full force and effect and are hereby ratified in all respects.

5.3. No Waiver. This First Amendment is made in amendment and modification of, but not extinguishment of, the obligations set forth in the Credit Agreement and the other Loan Documents, and except as specifically modified pursuant to the terms of this First Amendment, the terms and conditions of the Credit Agreement and the other Loan Documents remain in full force and effect. Nothing herein shall limit in any way the rights and remedies of the Administrative Agent and the Banks under the Credit Agreement and the other Loan Documents. The execution, delivery and performance by the Administrative Agent and the other parties hereto of this First Amendment shall not constitute a waiver, forbearance or other indulgence with respect to any Default or Event of Default (except as expressly set forth in Article 3 above) now existing or hereafter arising.

5.4. Severability. In case any provision in or obligation hereunder shall be invalid, illegal or unenforceable in any jurisdiction, the validity, legality and enforceability of the remaining provisions or obligations, or of such provision or obligation in any other jurisdiction, shall not in any way be affected or impaired thereby.

5.5. Headings. Section headings herein are included herein for convenience of reference only and shall not constitute a part hereof for any other purpose or be given any substantive effect.

5.6. APPLICABLE LAW. THIS FIRST AMENDMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER SHALL BE GOVERNED BY, AND SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK WITHOUT REGARD TO CONFLICT OF LAWS PRINCIPLES THEREOF.

5.7. Counterparts; Electronic Transmission of Signatures. This First Amendment may be signed in separate counterparts, each of which when taken together shall constitute but one and the same instrument. The parties agree that this First Agreement will be considered signed by a party when such party’s signature is delivered by facsimile or electronic mail transmission to the counterparty. Such facsimile or electronic mail signature shall be treated in all respects as having the same effect as an original signature.

[*Remainder of page intentionally left blank*]

IN WITNESS WHEREOF, the parties hereto, by their respective officers thereunto duly authorized, have executed this Agreement on the dates set forth below to be effective as of the date all signature pages are executed and delivered.

TRUNKLINE LNG HOLDINGS LLC
as Borrower
By:___________________________________
Name:
Title:

PANHANDLE EASTERN PIPE LINE COMPANY, LP
as a Guarantor
By:___________________________________
Name:
Title:

CROSSCOUNTRY CITRUS, LLC
as a Guarantor
By:___________________________________
Name:
Title:

[*Signature Page to the First Amendment*]

BAYERISCHE HYPO- UND VEREINSBANK AG, NEW YORK BRANCH
as a Bank and as the Administrative Agent for the Banks
By:____________________________________
Name:
Title:

By:____________________________________
Name:
Title:

[*Signature Page to the First Amendment*]

BANK OF AMERICA, N.A.,
as a Bank

By: ___________________________________
Name:
Title:

[*Signature Page to the First Amendment*]

JPMORGAN CHASE BANK, N.A.,
as a Bank
By: ___________________________________
Name:
Title:

[*Signature Page to the First Amendment*]

BAYERISCHE LANDESBANK, NEW YORK BRANCH,
as a Bank

By: ____________________________________
Name:
Title:

By: ____________________________________
Name:
Title:

[***Signature Page to the First Amendment***]

CALYON NEW YORK BRANCH,
as a Bank

By: ___________________________________
Name:
Title:

By: ___________________________________
Name:
Title:

[*Signature Page to the First Amendment*]

MIZUHO CORPORATE BANK, LTD.,
as a Bank

By: ___________________________________
Name:
Title:

[*Signature Page to the First Amendment*]

MALAYAN BANKING BERHAD, NEW YORK BRANCH,
as a Bank

By: ___________________________________
Name:
Title:

[*Signature Page to the First Amendment*]

SUNTRUST BANK,
as a Bank

By: ___________________________________

Name:

Title:

[*Signature Page to the First Amendment*]

THE BANK OF TOKYO-MITSUBISHI UFJ, LTD.,
as a Bank

By: ___________________________________
Name:
Title:

[*Signature Page to the First Amendment*]

NATIONAL BANK OF EGYPT, NEW YORK BRANCH,
as a Bank

By: ___________________________________
Name:
Title:

[*Signature Page to the First Amendment*]

WELLS FARGO BANK, N.A.,
as a Bank

By: ___________________________________
Name:
Title:

[*Signature Page to the First Amendment*]

UMB BANK, N.A.,
as a Bank

By: ___________________________________

Name:

Title:

[*Signature Page to the First Amendment*]

TAIPEI FUBON COMMERCIAL BANK CO., LTD.,
as a Bank

By: ___________________________________
Name:
Title:

[*Signature Page to the First Amendment*]

Exhibit C

Trunkline LNG Holdings LLC
Quarterly Certificate of Voluntary and Mandatory Prepayments
Delivered in compliance with Section 5.1 of the Amended and Restated Credit Agrement dated as of June 29, 2007

Fiscal Quarter Ending:	6/30/2008	9/30/2008	12/31/2008	3/31/2009	6/30/2009	9/30/2009	12/31/2009	3/31/2010	6/30/2010
Voluntary Prepayment Credit balance at beginning of quarter									
Voluntary Prepayments made during the quarter									
Mandatory Prepayment requirement per Section 2.5 b.									
Amount of Mandatory Prepayment paid in the quarter									
Amount of Mandatory Prepayment offset against Voluntary Prepayment Credit									
Voluntary Prepayment Credit balance at end of quarter									

Fiscal Quarter Ending:	9/30/2010	12/31/2010	3/31/2011	6/30/2011	9/30/2011	12/31/2011	3/31/2012	6/30/2012
Voluntary Prepayment Credit balance at beginning of quarter								
Voluntary Prepayments made during the quarter								
Mandatory Prepayment requirement per Section 2.5 b.								
Amount of Mandatory Prepayment paid in the quarter								
Amount of Mandatory Prepayment offset against Voluntary Prepayment Credit								
Voluntary Prepayment Credit balance at end of quarter								

Exhibit 10(d)

PROMISSORY NOTE

$465,000,000

; June __, 2008

FOR VALUE RECEIVED, CROSSCOUNTRY CITRUS, LLC, a Delaware limited liability company ("Borrower" or "CCC"), promises to pay to the order of TRUNKLINE LNG HOLDINGS LLC, a Delaware limited liability company ("Holder" or "Trunkline LNG"), the principal sum of Four Hundred Sixty-Five Million Dollars ($465,000,000), together with interest thereon at a rate per annum equal to the sum of (i) the interest rate payable from time to time by Trunkline LNG to the banks under that certain Credit Agreement, of even date herewith (the "Credit Agreement"), among Trunkline LNG, as borrower, Panhandle Eastern Pipe Line Company, LP and CCC, as guarantors, the financial institutions listed on the signature pages thereof, and Bayerische Hypo-Und Vereinsbank AG, New York Branch, as administrative agent for the banks thereunder, plus (ii) 112.5 basis points (the "Interest Rate").

No later than the thirtieth (30th) day after the end of each fiscal quarter of the Borrower (with the first payment due no later than July 30, 2008), the Borrower shall pay to Holder an amount equal to the sum of (i) accrued interest on the principal amount from time to time outstanding hereunder calculated at the Interest Rate plus (ii) the amount equal to the cash dividends received by Borrower from Citrus Corp. (only to the extent of Consolidated Net Income (as defined in the Credit Agreement) of Citrus Corp.) during such fiscal quarter less any expenses or other liabilities of Borrower (including, without limitation, the interest amounts required to be paid under this Note) for such fiscal quarter plus (iii) 25% of (a) special dividends or distributions received by Borrower in such period less (b) any special dividends or distributions that are required to be paid by Borrower to third parties under indemnification or refund arrangements with such third parties during such period, which amounts shall be deemed payments of principal hereunder; **provided however that the Borrower shall receive a credit against any payments due under either (ii) or (iii) above in the amount of, and any payments due under either (ii) or (iii) above shall be reduced by, the aggregate amount of voluntary prepayments made by Borrower prior to the due date of any payments due under (ii) or (iii) above, until such voluntary prepayments have been fully credited for such purpose.** Amounts due hereunder shall be payable by Borrower to Holder at 5444 Westheimer Road, Houston, TX 77056, or at such other place as Holder may designate in writing.

In the event Borrower fails to make any payment of principal or interest owing hereunder within ten (10) days of the date when such payment is due and payable, Borrower shall pay to Holder a late charge of two percent (2%) per annum of the amount of such overdue payment.

The entire principal amount outstanding, and all accrued and unpaid interest, under this Note shall be due and payable upon the earlier to occur of (i) demand by Holder and (ii) June 29, 2012. Upon payment or prepayment of the entire principal amount of this Note outstanding, and all accrued interest thereon, Holder shall surrender the original copy of this Note to Holder for cancellation. This Note may be prepaid at any time without premium or penalty (other than the reimbursement by CCC of any breakage fees owed by Holder to the lenders under the Credit Agreement).

Borrower expressly waives presentment, demand, protest and notice of every kind.

NOTWITHSTANDING ANY OTHER PROVISION CONTAINED IN THIS DOCUMENT TO THE CONTRARY, THIS NOTE IS FULLY NONRECOURSE AS TO THE MEMBER OF BORROWER, AND HOLDER HEREBY AGREES TO LOOK ONLY TO BORROWER TO DISCHARGE ALL OF ITS OBLIGATIONS UNDER THIS NOTE.

IN NO EVENT SHALL HOLDER LOOK TO THE MEMBER OF BORROWER, ITS AFFILIATES OR ANY ENTITY RELATED THERETO TO SATISFY THE OBLIGATIONS UNDER THIS NOTE.

If the debt hereby evidenced is not paid as it matures and is collected by suit or attorney, it is further agreed that Borrower shall pay all court costs and reasonable attorneys' fee incurred by Holder in connection therewith.

THIS NOTE shall be governed by and construed in accordance with the laws of the State of Texas, without giving effect to the principles of conflict of laws thereof.

IN WITNESS WHEREOF, Borrower has caused this Note to be duly executed by its authorized officer as of the date first written above.

CROSSCOUNTRY CITRUS, LLC

By:/s/ RICHARD N. MARSHALL
Richard N. Marshall
Senior Vice President and Chief Financial Officer

Exhibit 12

RATIO OF EARNINGS TO FIXED CHARGES

The following table sets forth the consolidated ratio of earnings to fixed charges on an historical basis for the six months ended June 30, 2008, the years ended December 31, 2007, 2006, 2005 and 2004, and for the periods June 12 through December 31, 2003 and January 1 through June 11, 2003. Post-acquisition financial statements reflect a new basis of accounting and pre-acquisition period and post-acquisition period financial results (separated by a heavy black line) are presented but are not comparable. The heavy black line separating January 1 through June 11, 2003 from June 12 through December 31, 2003 relates to the acquisition of Panhandle by Southern Union from CMS Energy, effective June 11, 2003.

For the purpose of calculating such ratios, “earnings” consist of pre-tax income from continuing operations before income or loss from equity investees, adjusted to reflect distributed income from equity investments, and fixed charges, less capitalized interest. “Fixed charges” consist of interest costs, amortization of debt discount, premiums and issuance costs and an estimate of interest implicit in rentals. No adjustment has been made to earnings for the amortization of capital interest for the periods presented as such amount is immaterial. Interest on FIN 48 liabilities is excluded from the computation of fixed charges as it is recorded by the Company in income tax expense versus interest expense.

	6 Months Ended June 30, 2008	Year Ended December 31, 2007	2006	2005	2004	June 12 - December 31, 2003	January 1 - June 11, 2003
				(In thousands)			
FIXED CHARGES:							
Interest Expense	$ 42,978	$ 83,748	$ 63,322	$ 49,578	$ 52,435	$ 29,098	$ 37,802
Net amortization of debt discount, premium and issuance expense	(693)	(1,197)	(1,333)	(1,293)	(4,006)	(3,561)	(2,386)
Capitalized Interest	8,886	14,203	4,645	8,838	4,812	1,624	987
Interest portion of rental expense	1,500	3,582	3,780	4,284	4,453	745	595
Total Fixed Charges	$ 52,671	$ 100,336	$ 70,414	$ 61,407	$ 57,694	$ 27,906	$ 36,998
EARNINGS:							
Consolidated pre-tax income (loss) from continuing operations	$ 136,326	$ 246,742	$ 225,794	$ 166,189	$ 143,989	$ 84,773	$ 78,543
Earnings of equity investments	(161)	(299)	(172)	(226)	(216)	(136)	(411)
Distributed income from equity investments	-	-	174	203	174	-	1,066
Capitalized interest	(8,886)	(14,203)	(4,645)	(8,838)	(4,812)	(1,624)	(987)
SFAS 145 Adjustment	-	-	-	-	-	-	-
Minority interest	-	-	-	-	-	-	-
Total fixed charges (from above)	52,671	100,336	70,414	61,407	57,694	27,906	36,998
Earnings Available for Fixed Charges	$ 179,950	$ 332,576	$ 291,565	$ 218,735	$ 196,829	$ 110,919	$ 115,209
Ratio of Earnings to Fixed Charges	3.4	3.3	4.1	3.6	3.4	4.0	3.1

Exhibit 31.1

CERTIFICATIONS

I, Robert O. Bond, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Panhandle Eastern Pipe Line Company, LP;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 7, 2008

/s/ ROBERT O. BOND
Robert O. Bond
President and Chief Operating Officer

Exhibit 31.2

CERTIFICATIONS

I, Richard N. Marshall, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Panhandle Eastern Pipe Line Company, LP;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 7, 2008

/s/ RICHARD N. MARSHALL
Richard N. Marshall
Senior Vice President and Chief Financial Officer

Exhibit 32.1

Certification Pursuant to
18 U.S.C. Section 1350,
as Adopted Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the quarterly report on Form 10-Q of Panhandle Eastern Pipe Line Company, LP (the "Company") for the quarter ended June 30, 2008 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Robert O. Bond, as President and Chief Operating Officer of the Company, hereby certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that (i) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and (ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ ROBERT O. BOND
Robert O. Bond
President and Chief Operating Officer

August 7, 2008

This Certification is being furnished solely to accompany the Report pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, and shall not be deemed “filed” by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and shall not be incorporated by reference into any filing of the Company under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, whether made before or after the date of this Report, irrespective of any general incorporation language contained in such filing.

A signed original of this written statement required by Section 906, or other documents authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32.2

Certification Pursuant to
18 U.S.C. Section 1350,
as Adopted Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the quarterly report on Form 10-Q of Panhandle Eastern Pipe Line Company, LP (the "Company") for the quarter ended June 30, 2008 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Richard N. Marshall, as Senior Vice President and Chief Financial Officer of the Company, hereby certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that (i) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and (ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/   RICHARD N. MARSHALL
Richard N. Marshall
Senior Vice President and Chief Financial Officer

August 7, 2008

This Certification is being furnished solely to accompany the Report pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, and shall not be deemed “filed” by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and shall not be incorporated by reference into any filing of the Company under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, whether made before or after the date of this Report, irrespective of any general incorporation language contained in such filing.

A signed original of this written statement required by Section 906, or other documents authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.