

## Seeking Alpha $\alpha$

# Southern Union Q3 2007 Earnings Call Transcript

## Question-and-Answer Session

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### Operator

(Operator Instructions) Your first question comes from the line of Harry Mateer with Lehman Brothers. Please proceed.

### Harry Mateer - Lehman Bothers

Hi, guys. I have a couple of questions here from the fixed income side of things. First of all, I know in the past you've committed to investment grade ratings publicly both at the Southern Union level as well as Panhandle. But beyond that, can you give us a sense for your target leverage metrics and by that I mean debt to EBITDA, debt to cap at the actual Southern Union Company level?

### Rick Marshall

Well, right now we're at a debt to EBITDA ratio of a little south of four times. We're from a target standpoint; we don't expect that to materially, to get better in the short-term simply because of the capital expenditure projects that we have lined up for 2008.

But ultimately, we see over time as these projects fall off, we see the ratio dropping to like the 3.5 times range and I think that that puts us squarely in, it shows improvement to the rating agencies and I think it puts us where we need to be to certainly maintain our rating and hopefully have the negative outlooks removed and perhaps get an upgrade.

As far as the EBITDA interest coverage ratios, we see ourselves somewhere in the neighborhood of 3.5 times eventually. Again, to put us in squarely where our ratings are today. And from a total capitalization, account equity to capitalization ratio, not taking into consideration equity credit for some of the hybrid securities, we're looking at a range of 35 to 40% equity.

And one thing that will occur early in the year is there is an equity convert that comes on in February and that's going to help thicken our equity ratio, along with the earnings that we retain on an ongoing basis.

### Harry Mateer - Lehman Bothers

Okay. And so, even with the MLP formation, you guys still excite leverage to drop down a little bit? Because I know one of the key concerns for the rating agencies was with the formation of the MLP and putting assets down at that level and presumably some debt as well, you're going to be stripping some assets from the Southern Union level.

And so all else being equal if you need something of a lower leverage metric at SUG to compensate for the fact, that you have lower asset levels at that entity, so is that something you've run by the agencies?

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