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## Sunoco, Inc., Q4 2008 Earnings Call Transcript

### Question-and-Answer Session

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#### Operator

(Operator Instructions) Your first question comes from the line of Erik Mielke with Merrill Lynch.

#### Erik Mielke – Merrill Lynch

Yeah. Good afternoon, my first question will be for Mike, I guess on the coke business and Mike in your new guidance of \$175 million to \$200 million for 2009, can you help us understand what would be the difference between the \$200 million and \$175 million, is that purely on the volumes we have price risk for using operating risk factor for the distance we have more of a cost pass-through arrangement?

#### Mike Thomson

This is really about coal pricing. Again, we have two sources of the income sensitivity to change in coal prices. So first area is changes the price and volume with respect to our third-party sales. A metallurgical coal from our joule coal mine has relative small recent history that's been 200,000 tons plus or minus in any one year. The second area of our variability due to coal prices is the transfer price for joule coal production and is utilized to produce the requirements behind our joule coke contract.

In this case, we utilize a basket of coals at the Haverhill 1 operation, which serves as the surrogate for the market price of that coal flowing through the joule operation into the coke contract. And what's uncertain at this point in time is that basket of coals is yet to be finalized with respect to determining price.

Last December if you remember in the analyst report, we were talking about estimates for metallurgical coal and a \$150 to \$160 per ton range. If you look at current forecast out there, they seem to be projecting the possibility of \$120 to a \$150, and we have used that basis to just calibrate this range.

#### Erik Mielke – Merrill Lynch

Thank you. So the \$175 we should think of as the almost more like a base case and would I be right to understand you therefore are comfortable then you take-or-pay contracts there isn't any material risk?

#### Mike Thomson

Yeah. We are still standing behind our take-or-pay contracts, and they remain firm. And if you remember the sensitivity we talked about in December about \$25 per ton of change in coal prices equates to this \$20 million to \$25 million. Yeah.

**Erik Mielke – Merrill Lynch**

Can I also, I am not sure who will be the right person to ask this question. In the commentary on both the Refining and Supply segment and the Retail Marketing segments, you indicated that the margin benefited from the very significant drop in crude and wholesale prices during the quarter.

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