CH Energy Group, Inc. Q4 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions) Your first question comes from Analyst for Jack Moore – Harpswell Capital.

Analyst for Jack Moore – Harpswell Capital

With respect to Griffith Oil, can you give us a little more color on the earnings, what we might expect to be recurring versus what might have just been related to the commodity volatility?

Christopher M. Capone

I think when you look at the earnings profile for 2008, again it was certainly a tail of almost two separate years. As we had mentioned early on in the year with the high commodity prices it required significantly more working capital, that put pressure on earnings as you would imagine. Again, the cost that goes along with that capital but, that was all primarily returned in the second half of the year.

Griffith was actually able to upstream cash in the fourth quarter and return that working capital which is very unusual as you would expect during the fourth quarter which begins their peak season. You would expect them actually to just normally absorb working capital. When you look at the results again for 2008 I think that does reasonably represent more of a trend type of earnings.

We would expect to see modestly increasing earnings from there given just what the oil outlook is right now. Again, that can change pretty dramatically but we have had good success in incrementally expanding margins on a year-to-year basis primarily to address increases in costs but we believe those increasing margins even this year can just modestly add to the earnings profile.

Analyst for Jack Moore – Harpswell Capital

Any more color on the strategic fit of Griffith? And, any color you can provide I guess in value, would be helpful.

Christopher M. Capone

I'm not sure I'll be able to address the last part of your question but I can tell you some of the things we have completed and are currently undertaking. One of the things that we clearly saw was that given the level of conservation was prevalent among our customers and the reduced volumes that we would expect going forward that we needed to address our cost structure and we have done that and have taken approximately $4 million costs out of the business on an annualized basis.

Some of that was realized in the fourth quarter and was part of the reason why the fourth quarter's earnings were strong. Some of it will annualize in to '09. We're not done, I don't think we're ever done managing our cost structure. We want to continue to look at every element and see where efficiencies can be found.