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Southern Union Company Q4 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions). Our first question comes from the line of Carl of BMO Capital. Please proceed.

Carl Kirst - BMO Capital

Good morning. If I could start maybe, Rob, the update on Citrus, so it looks like we have dropped roughly 125 million a day. You said that was going to be at higher rates. Can you say what the increment is? I do not think you guys have ever sort of published what the actual average negotiated rate is. We have sort of backed into \$1.12.

But is there a way to kind of give us what the increment is on, so that we can kind of run our economics?

Rob Bond

Carl, I think we are under confidentiality agreement with the various customers at this stage. So I do not think I can give you too much more clarity on that. But I think it is safe to say, that based on the increase in rate and the reduced [CQ] together with what we think we can sell, the remaining capacity in the project; for that we are still looking to maintain the same EBITDA guidance that we had previously provided.

Carl Kirst - BMO Capital

Okay. And maybe switching over to the financing of Citrus for a second, Rick, if you want to take this. I guess the two questions there are: one, I was just curious how you see sort of the state of the project finance market right now. But now that we might have a little bit less volumes contracted, even if at a bit higher rates, does that change the ultimate level of project finance, which was expected to be fairly high on this pipeline; does that take that down at all?

Rick Marshall

Well, first of all, we were not looking to the project finance markets to finance the Phase VIII expansion, and as Rob mentioned, I think we still have a high degree of confidence that we can guide the lenders to the same level of EBITDA that we were assuming prior to this change of the contract that was recently announced.

So I do not think that that is going to be a major hurdle, as it relates to financing the project. We have been, as I think we have announced; at sometime this year we will be in the market for a debt financing at the FGT level. We have been obviously watching the markets of late and seen a nice rally, as it relates to corporate issuances in our space and are pleasantly surprised.

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