

# 2011 Financial Outlook

February 25, 2011

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# Company Overview

# Highlights



- **Focus on natural gas infrastructure**
  - Attractive industry outlook
  - Natural gas is key to America's energy future
  - High-quality assets with diverse supply and strong markets
- **Principally regulated asset base**
  - Provides earnings and cash flow stability through long-term contracts
  - Business model proven to weather economic cycles
- **Organic growth projects provide low-risk growth trajectory**

# Financial Highlights



NYSE: SUG – December 31, 2010			
Total Revenue (TTM)		\$2.5 billion	
Total Assets		\$8.2 billion	
Total Debt		\$3.8 billion	
Total Stockholder's Equity		\$2.5 billion	
Total Capitalization		\$6.3 billion	
Market Capitalization		\$3.0 billion	
Shares Outstanding		124.6 million	
Annual Dividend/Yield		\$.60 per share/2.5%	
Credit Ratings	Moody's	S&P	Fitch
Southern Union Company	Baa3	BBB-	BBB-
<i>Outlook</i>	<i>Stable</i>	<i>Stable</i>	<i>Stable</i>
Panhandle Eastern	Baa3	BBB-	BBB-
<i>Outlook</i>	<i>Stable</i>	<i>Stable</i>	<i>Stable</i>
Florida Gas Transmission	Baa2	BBB	-
<i>Outlook</i>	<i>Stable</i>	<i>Stable</i>	-

# Map of Operations



Portfolio of Stable, High-Quality Assets





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# Business Segments

# Transportation & Storage Segment



- Vast pipeline network with access to diverse supply sources and growing markets
- Approximately 15,000 miles of interstate pipelines with transportation capacity of 7.8 Bcf/d
- One of North America's largest liquefied natural gas (LNG) import terminals with peak send out of 2.1 Bcf/d and storage of 9 Bcf
- Owns/leases approximately 100 Bcf of storage

Provides Stable Earnings and Cash Flow



# Transportation & Storage Assets



- **Panhandle Eastern Pipe Line**
  - 6,200 mile, 4-line system
  - 2.8 Bcf/d capacity
  - Supply – Rocky Mountains and mid continent
  - Primary Markets – Midwest including IN, IL and MI
- **Trunkline Gas Company**
  - 3,600 mile, 2-line system
  - 1.7 Bcf/d capacity
  - Supply – Gulf Coast and LNG
  - Primary Markets – TX, LA, & Midwest including IN and IL
- **Sea Robin**
  - 400 mile offshore gathering system
  - 1.0 Bcf/d capacity
- **Florida Gas Transmission (50% interest)**
  - 5,000 mile, system
  - 2.3 Bcf/d capacity
  - Supply – Gulf Coast and LNG
  - Primary Market – peninsular Florida
- **Storage Assets**
  - Includes Southwest Gas Storage, Panhandle Eastern and Trunkline Gas Company
  - Owns/leases ≈ 100 Bcf of storage in IL, KS, LA, MI and OK
- **Trunkline LNG**
  - One of nation's largest import terminals; located in Lake Charles, LA
  - 2.1 Bcf/d of peak send out capacity
  - 9 Bcf of storage
  - 1 Bcf/d processing capacity

# Gathering & Processing Segment



- Located in prolific, long-lived Permian Basin
- Approximately 5,500 miles of natural gas and natural gas liquids pipelines covering 16 counties in West Texas/Southeast New Mexico
- Fully-integrated midstream system interconnected via high-pressure transfer system
- Five cryogenic processing plants with 475 MMcf/d of capacity
  - Expect to place Halley phase II expansion in service during 3Q 2011 adding 50 MMcf/d of processing capacity
- Five active treating plants with 585 MMcf/d of treating capacity
- Attractive downstream markets
- Attractive contract mix: 68% POP; 32% Fee + Conditioning

# Distribution Segment

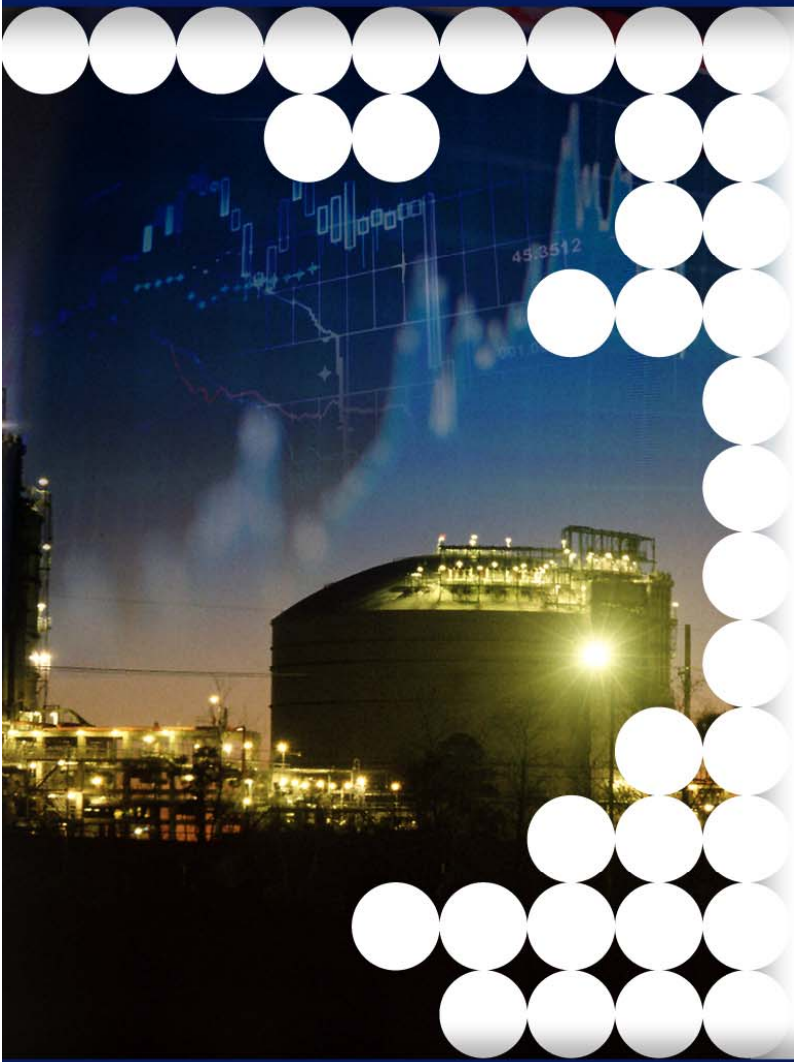


- **Missouri Gas Energy**
  - Provides natural gas to over 500,000 customers
  - Nearly 13,000 miles of main and service lines
- **New England Gas Company**
  - Provides natural gas to 50,000 customers
  - Nearly 2,000 miles of main and service lines
  - Requested a \$6.2 million annual increase in base rates including a revenue decoupling mechanism
  - New rates to become effective April 1, 2011

# Corporate & Other Activities



- Corporate segment provides administrative and support functions to business segments and allocates expenses as appropriate
- Other segment primarily consists of PEI Power Corporation which owns interests in and operates 75 MW of generating assets in the PJM ISO and Fall River Gas Appliance



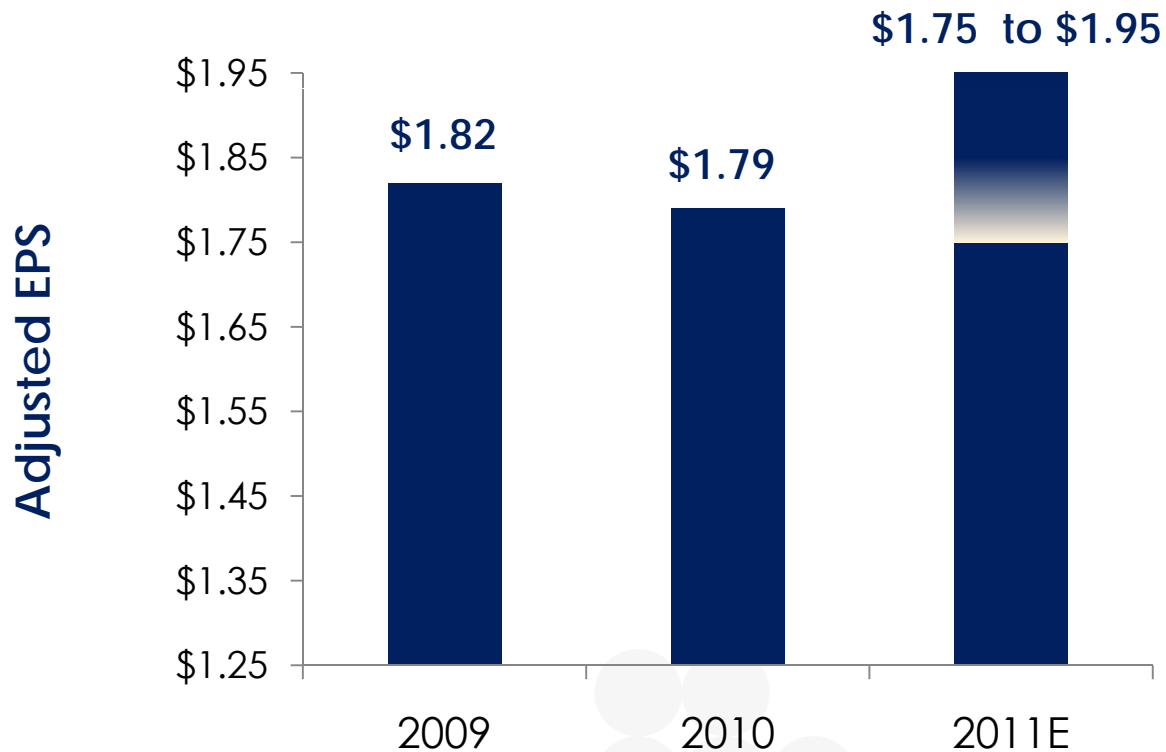
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# 2011 Financial Outlook

# 2011 Outlook



- 2011 adjusted net earnings per share of \$1.75 to \$1.95
- 2011 reported net earnings per share of \$1.87 to \$2.07



\* - See the reconciliation of EPS to Adjusted EPS on the following slide.

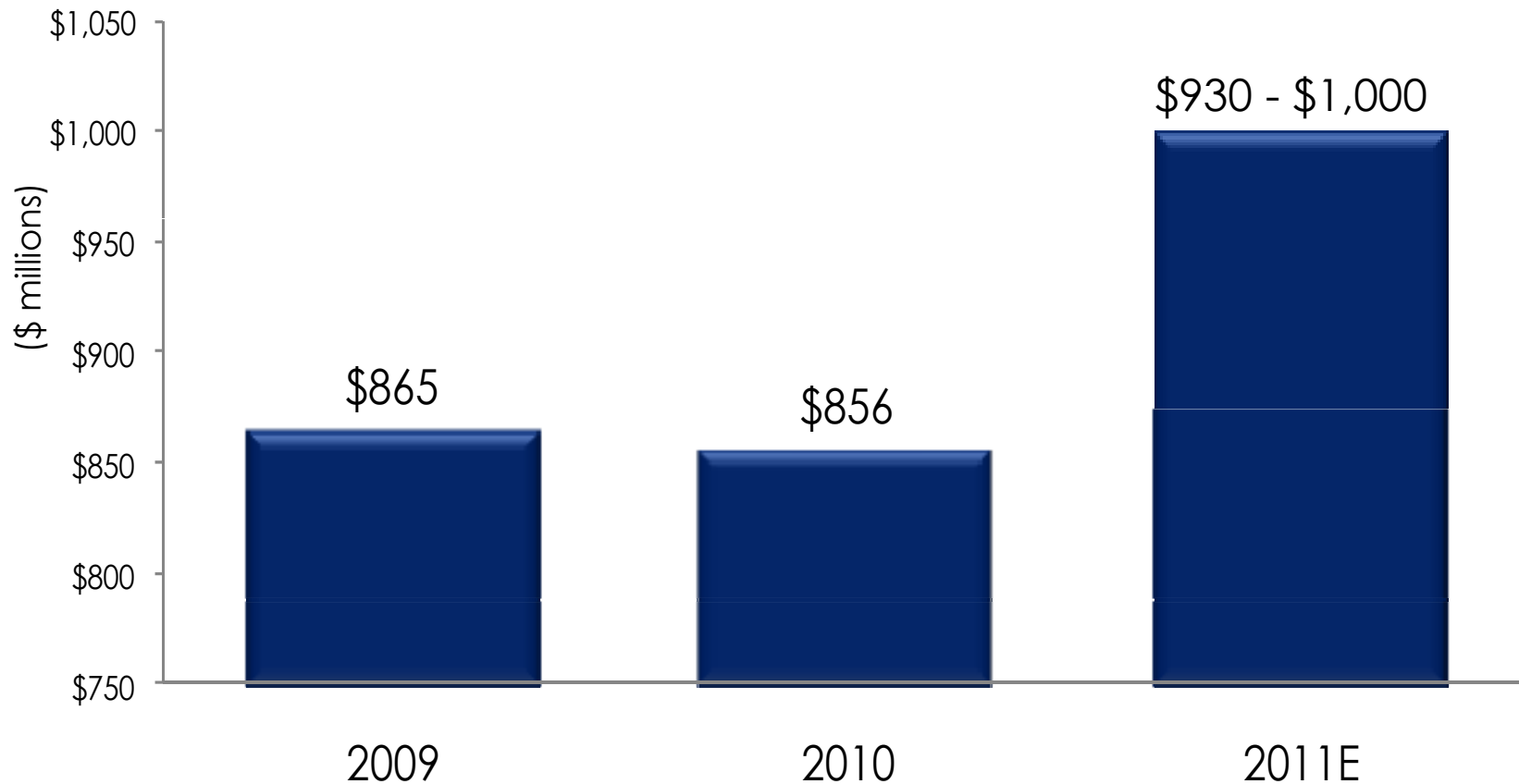


# EPS Reconciliation



	Year ended December 31,		
	2011E	2010	2009
<b>Reported earnings per share</b>	\$1.87 to \$2.07	\$ 1.73	\$ 1.37
<b>Adjustments:</b>			
Loss on discontinued operations	-	0.14	-
Mark to market loss on open economic hedges	-	0.09	0.23
Mark to market gain (loss) recorded in prior period	(0.12)	(0.17)	0.30
Provision for hurricane related costs	-	(0.06)	0.05
Environmental insurance settlements	-	-	(0.10)
Reversal of provision for take-or-pay obligations	-	-	(0.03)
Loss on extinguishment of preferred stock	-	0.03	-
Tax expense related to elimination of Medicare Part D subsidy	-	0.03	-
<b>Adjusted earnings per share</b>	\$1.75 to \$1.95	\$ 1.79	\$ 1.82

# 2011 Consolidated Adjusted EBITDA

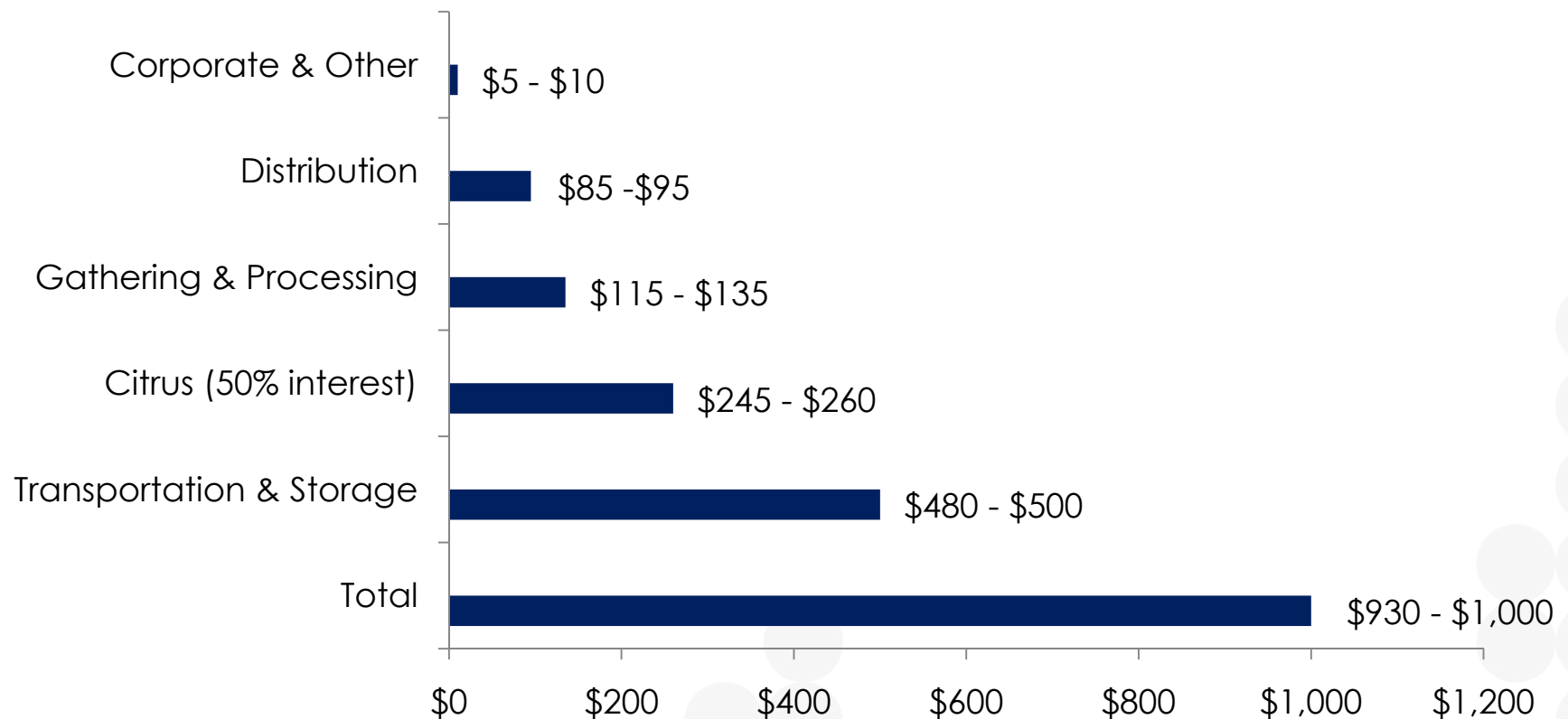


Note: See Appendix for definition of Adjusted EBITDA and Regulation G reconciliation of non-GAAP measures.

# 2011 Adjusted Segment EBITDA

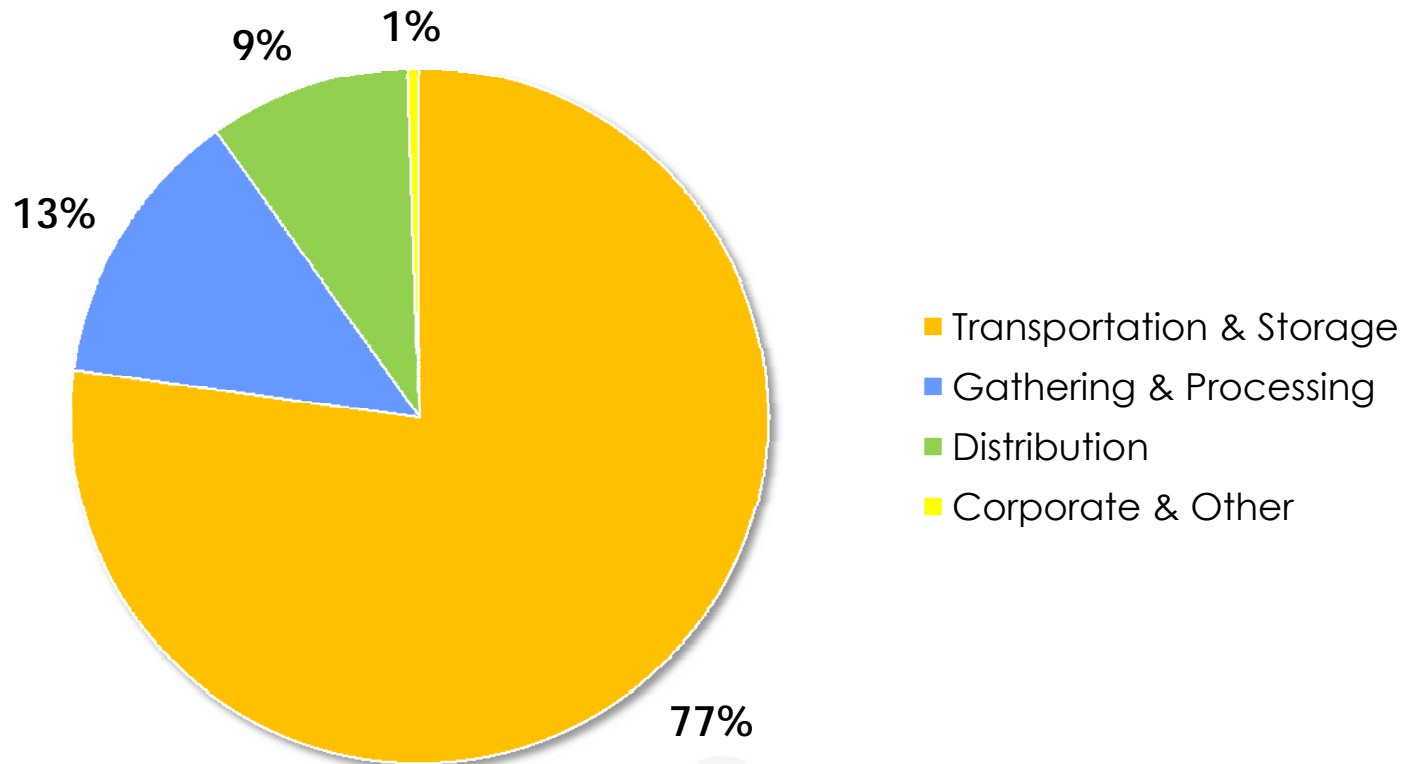


(\$millions)



Note: See Appendix for definition of Adjusted EBITDA and Regulation G reconciliation of non-GAAP measures.

# 2011 Adjusted EBITDA by Segment



Note: Transportation & Storage segment includes Southern Union's 50% interest in Citrus.

## Regulated Assets Provide Stability to Cash Flows

# 2011 Net Capital Expenditure Guidance



Business Segment	Maintenance	Growth	Total
<b>Southern Union Company</b>		(\$ millions)	
Transportation & Storage <sup>(1)</sup>	\$ 140 - 145	\$ 30 - 35	\$ 170 - 180
Gathering & Processing	25 - 30	65 - 75	90 - 105
Distribution	45 - 50	0 - 5	45 - 55
Corporate & Other	0 - 5	0	0 - 5
SUG Consolidated	<u>\$ 210 - 230</u>	<u>\$ 95 - 115</u>	<u>\$ 305 - 345</u>
Citrus Corp. <sup>(2)</sup>	<u>\$ 75 - 85</u>	<u>\$ 140 - 150</u>	<u>\$ 215 - 235</u>

(1) Transportation and storage excludes Citrus Corp.

(2) Represents SUG's 50% interest in Citrus Corp.

# 2011 Free Cash Flow



\$ millions	SUG <sup>(1)</sup>	Citrus <sup>(2)</sup>	Total
<b>Adjusted EBITDA</b>	<b>\$685 to \$740</b>	<b>\$245 to \$260</b>	<b>\$930 to \$1,000</b>
Interest expense <sup>(3)</sup>	(230)	(88)	(318)
Federal income taxes	-	-	-
State income taxes	(1)	(1)	(2)
Maintenance capital <sup>(3)</sup>	(220)	(80)	(300)
<b>Free cash flow before dividends</b>	<b>\$234 to \$289</b>	<b>\$76 to \$91</b>	<b>\$310 to \$380</b>

(1) Excludes Southern Union's interest in Citrus Corp.

(2) Represents Southern Union's 50% interest in Citrus Corp.

(3) Interest expense and maintenance capital are reflected at the middle of their respective guidance ranges.



# SUG General Assumptions



- Approximately 125 million weighted average diluted shares outstanding
- Effective income tax rate of 30.5%
- Bonus depreciation eliminates federal income tax payments for SUG and Citrus in 2011
- Interest expense, net of capitalized interest, approximately \$225 to \$235 million
- Depreciation expense between \$235 and \$245 million

# Gathering & Processing Assumptions

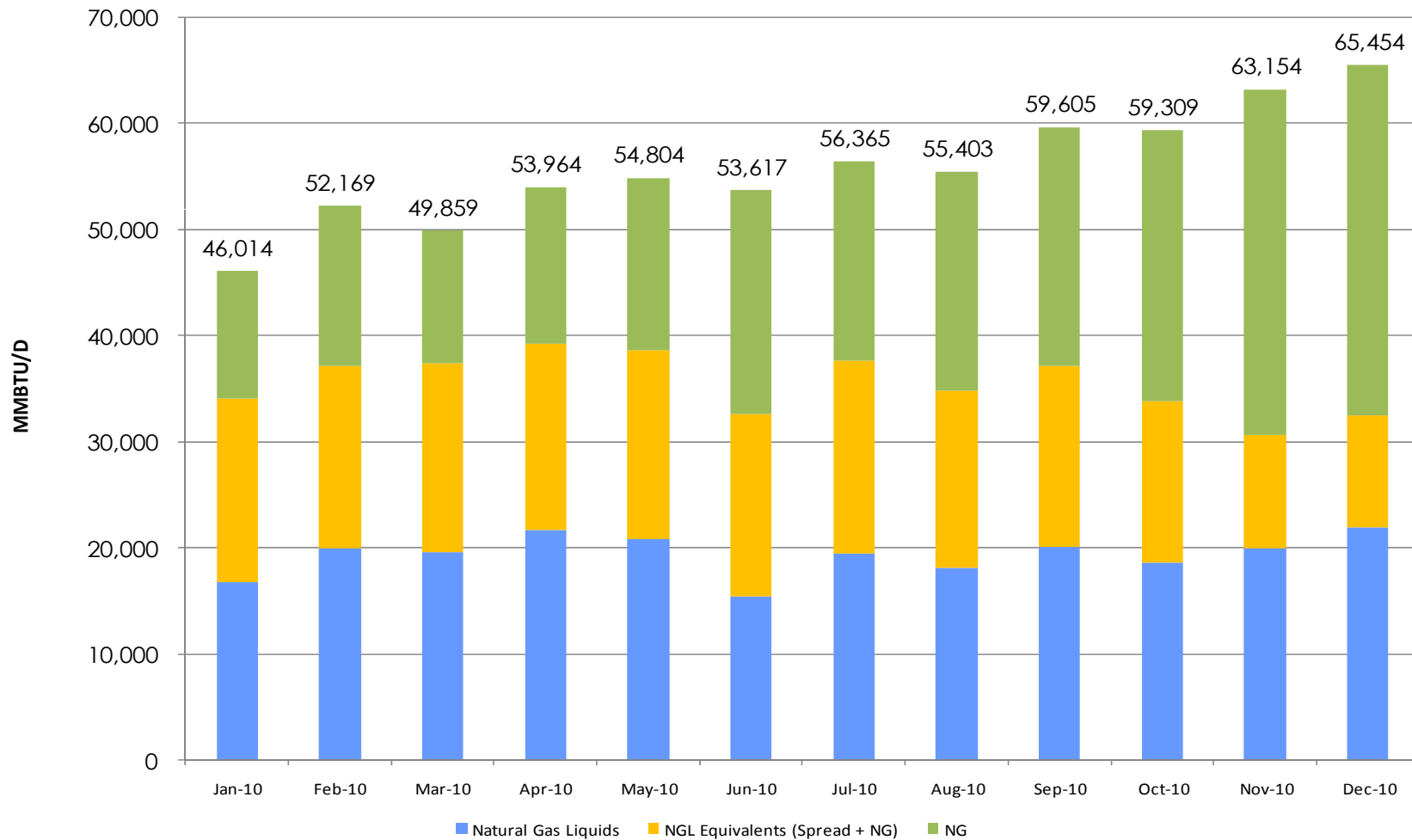


- Positive processing spread environment encourages optimal natural gas liquid recoveries; market-driven POP contracts for new and re-contracted volumes
- 2011 projected average equity volumes
  - Natural gas liquids of 20,000 to 25,000 MMBtu/d
  - Natural gas of 40,000 to 50,000 MMBtu/d
  - Spread equity of 7,500 to 12,500 MMBtu/d
- 2011 hedge positions
  - 25,000 MMBtu/d of natural gas at \$6.12 per MMBtu
  - 10,000 MMBtu/d of natural gas at \$4.42 per MMBtu from April 2011 through December 2011
  - 25,000 MMBtu/d of processing spread at \$5.51 per MMBtu

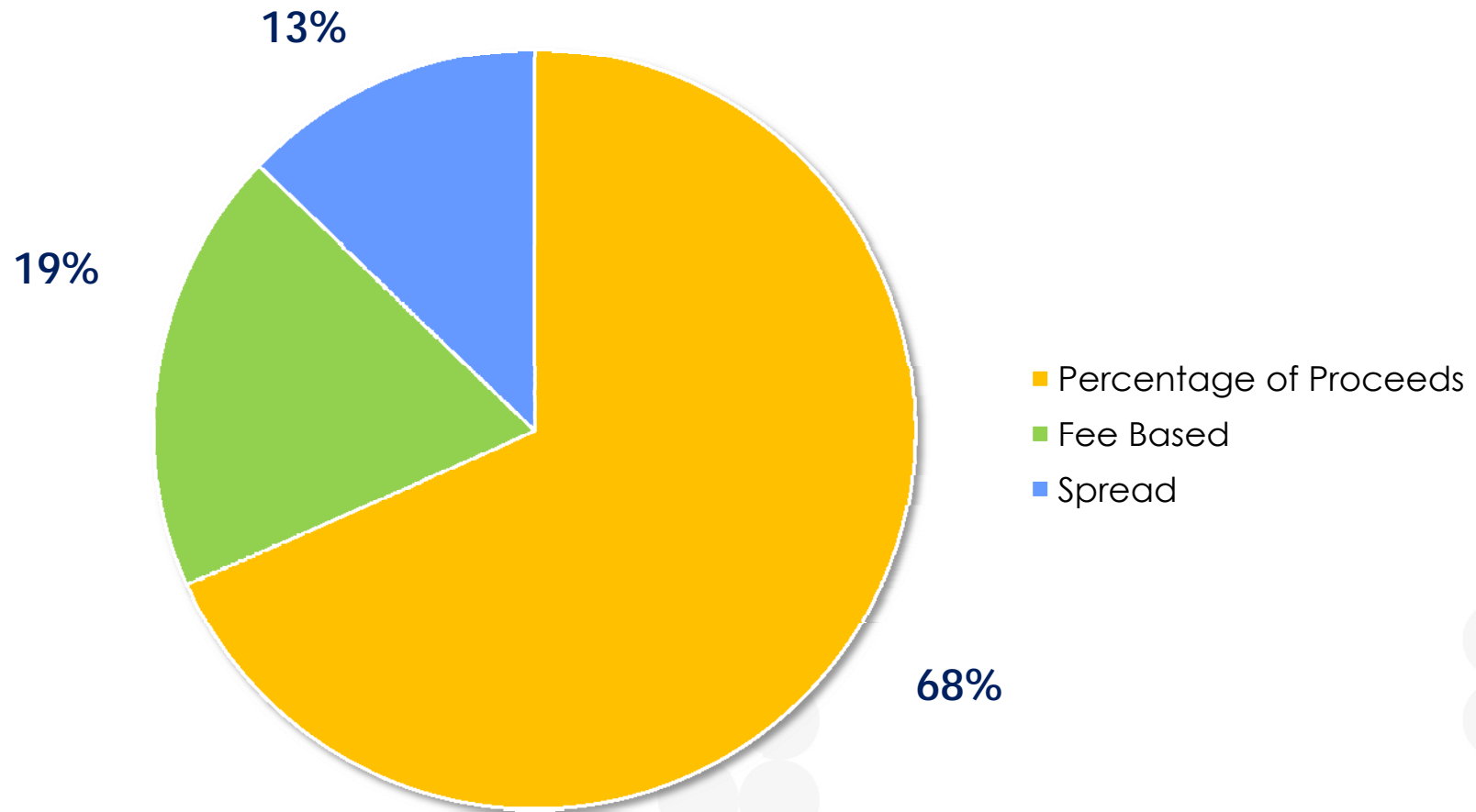
# 2010 SUGS Equity Volumes



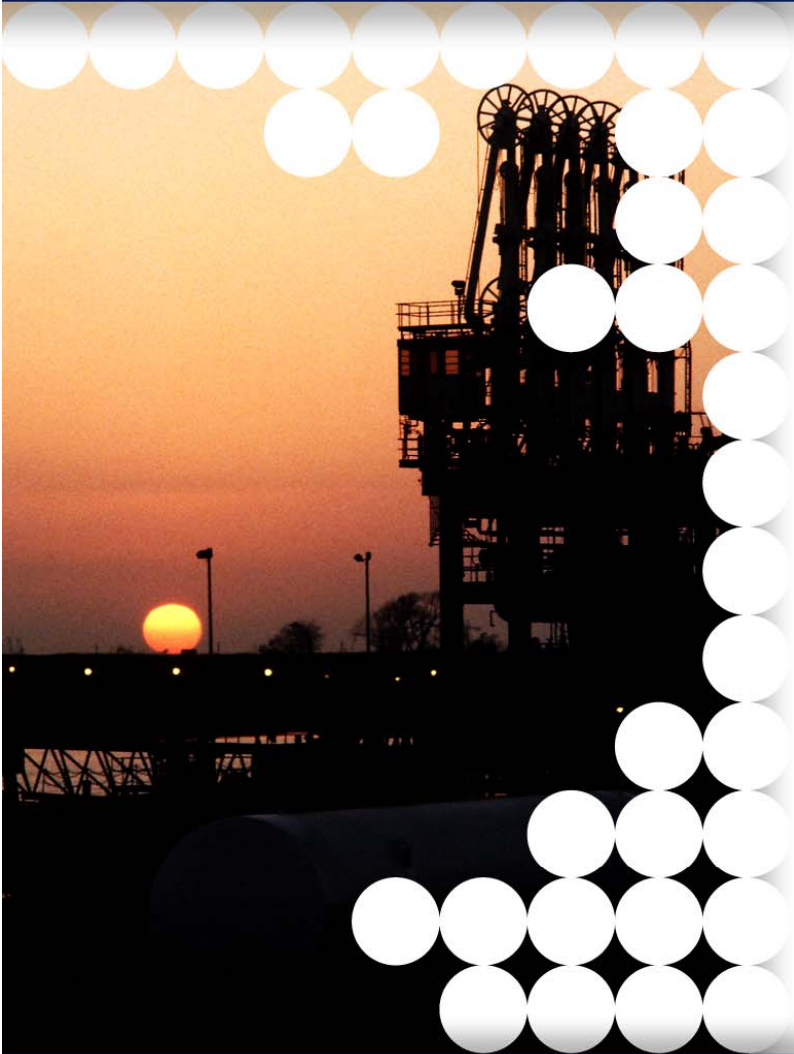
## Equity Volume by Type



# Contract Mix – Wellhead Volumes



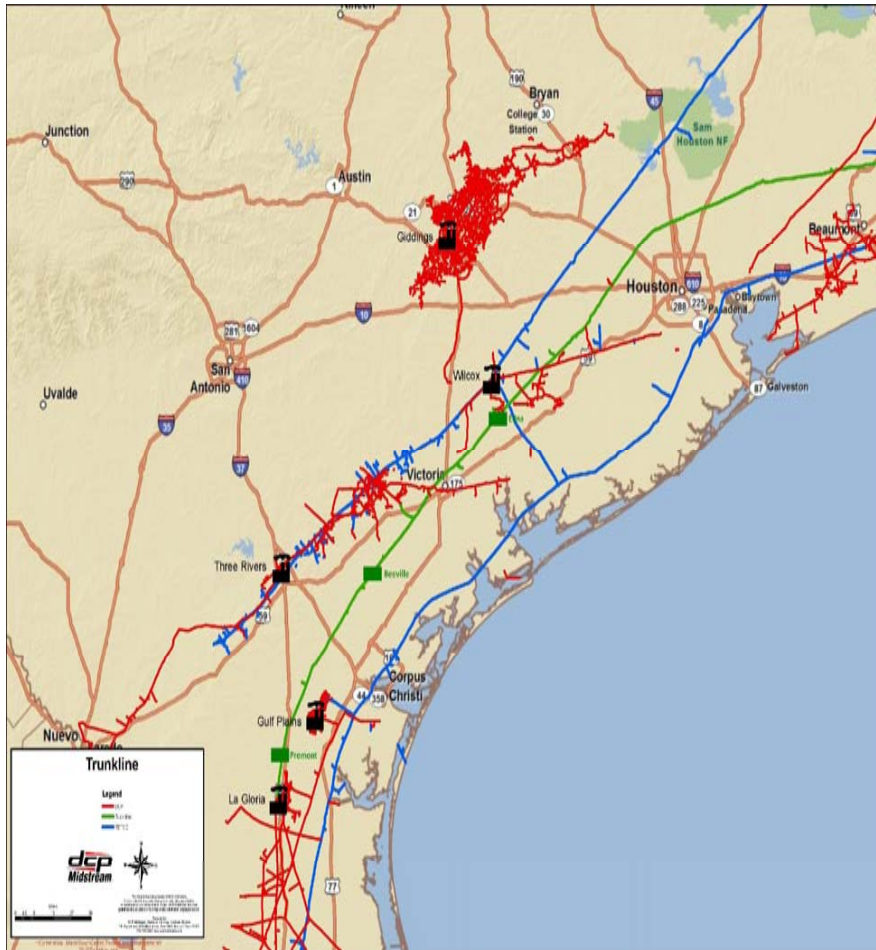
Note: Spread volumes include conditioning fee, margin upgrade and keep-whole contracts. Contract mix as of December 2010.



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# 2011 Growth Projects

# Trunkline South Texas Project

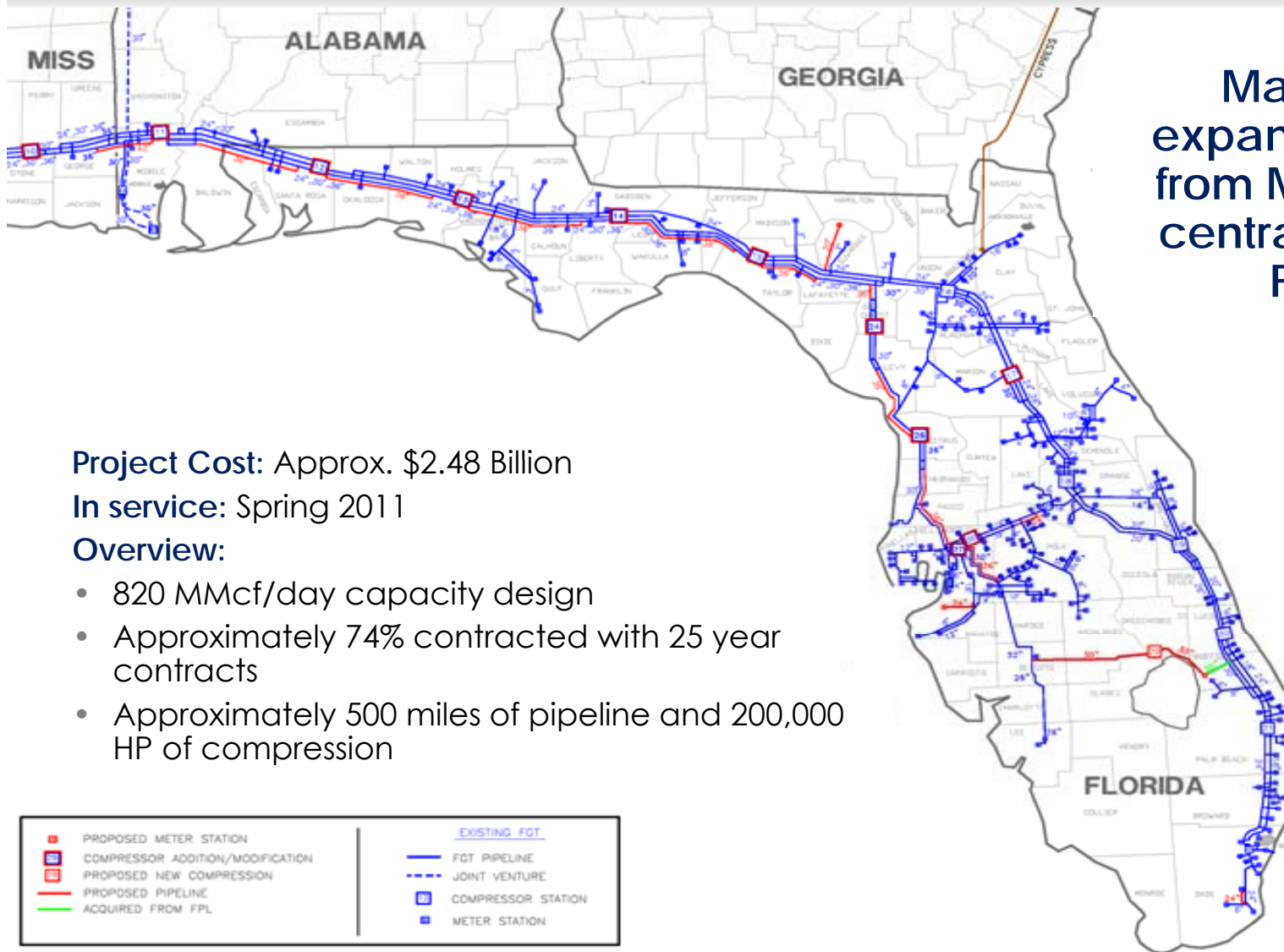


## Project Overview:

- Conversion of 185 miles of Trunkline into a “rich-gas” pipeline
- Filed for FERC approval in October 2010
- Entered 15 year transportation agreement with DCP Midstream
- Expect South Texas project to be in service in 3Q 2011
- Capital cost of approximately \$30 million
- Expect annual EBITDA between \$7 and \$9 million (annual operating income of \$6 to \$8 million; D&A of \$1 million)



# FGT Phase VIII Expansion



Major scale expansion project from Mississippi to central and south Florida.

**Project Cost:** Approx. \$2.48 Billion

**In service:** Spring 2011

## Overview:

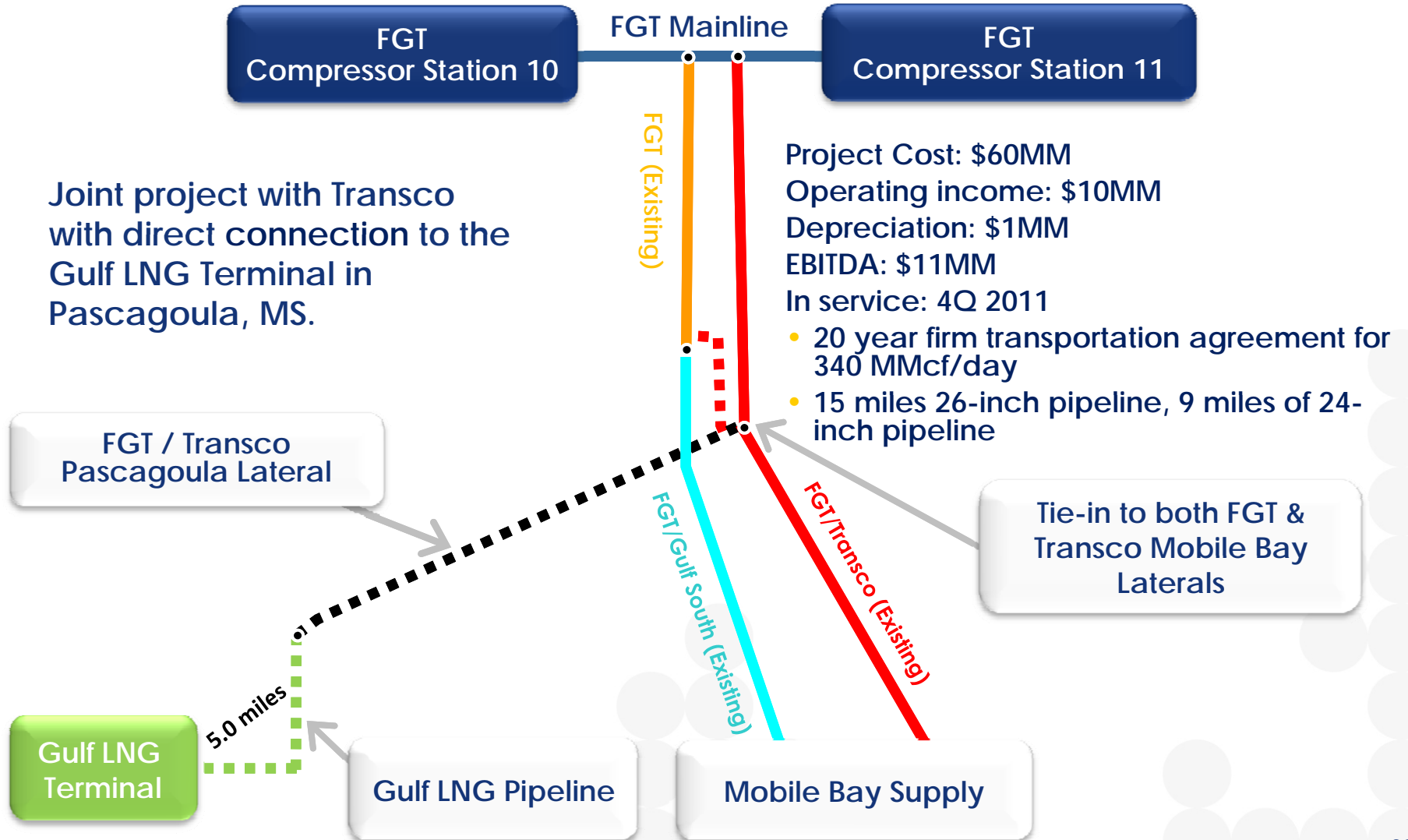
- 820 MMcf/day capacity design
- Approximately 74% contracted with 25 year contracts
- Approximately 500 miles of pipeline and 200,000 HP of compression

# FGT Phase VIII Expansion Timeline



- Construction commenced 1Q 2010
- Target In-Service Date – spring 2011
- Expect operating income of \$240 to \$260 million, depreciation of \$50 million and EBITDA of approximately \$290 to \$310 million when fully subscribed
- FPL Capital provided Citrus with a 20 year, \$500MM fixed-rate term loan at 9.39%
- FGT issued \$600MM of 10 year senior notes on May 8, 2009 yielding 7.926%
- On July 19, 2010, FGT issued \$500MM of 10 year senior notes yielding 5.47% and \$350MM of 5 year senior notes yielding 4.0%; proceeds used primarily for the Phase VIII expansion and repayment of maturing debt

# FGT Pascagoula Lateral



# Midstream Growth Opportunities



## Grayburg, Drinkard and San Andres Formations

- Substantial infill drilling activity
- Apache and Range Resources currently active

## Avalon, Bone Spring and Penn Shales

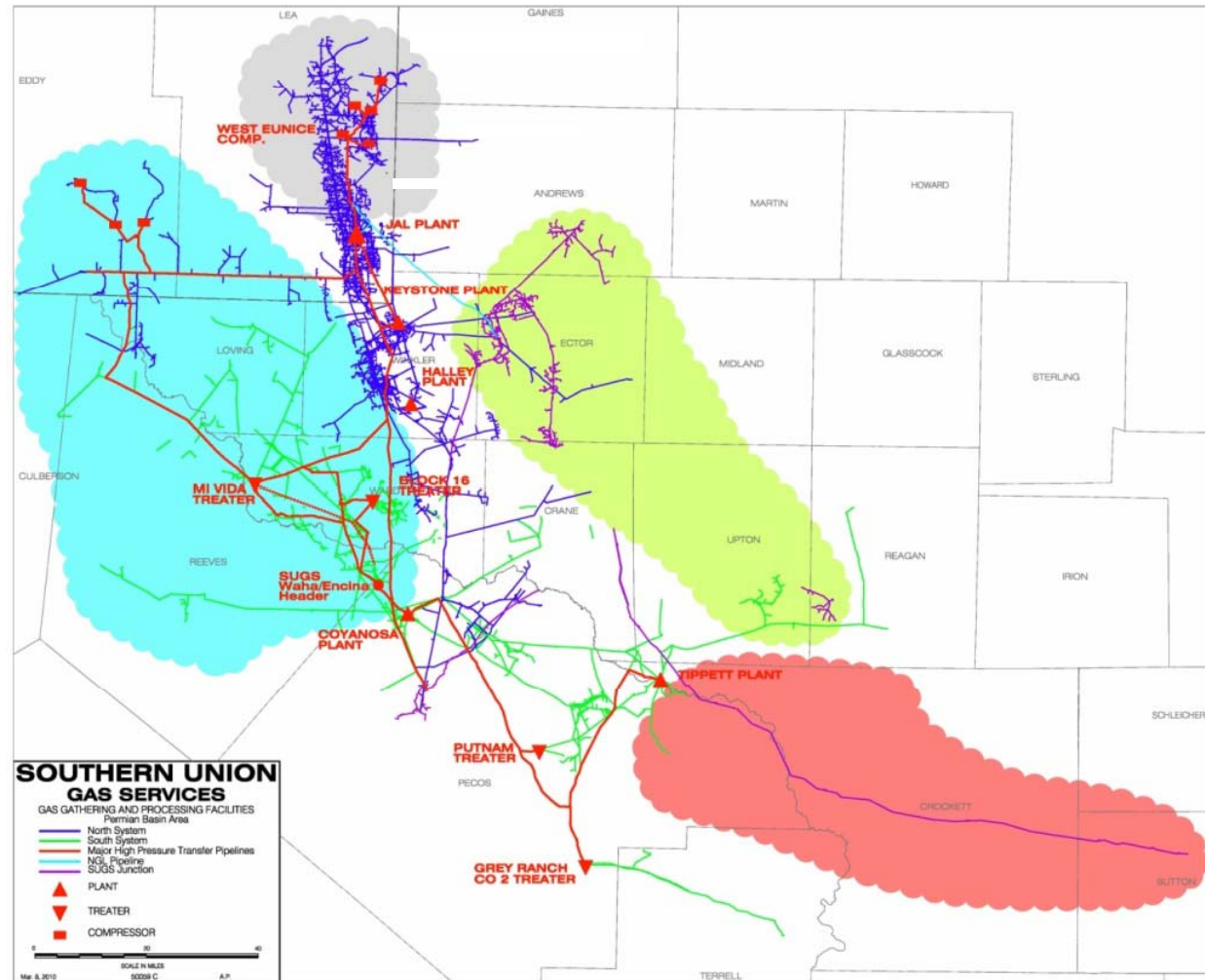
- Horizontal, oil- and NGL-directed drilling area
- Devon, Chesapeake, Bass, Oxy, Cimarex, EOG, Anadarko, COG, Yates, et al

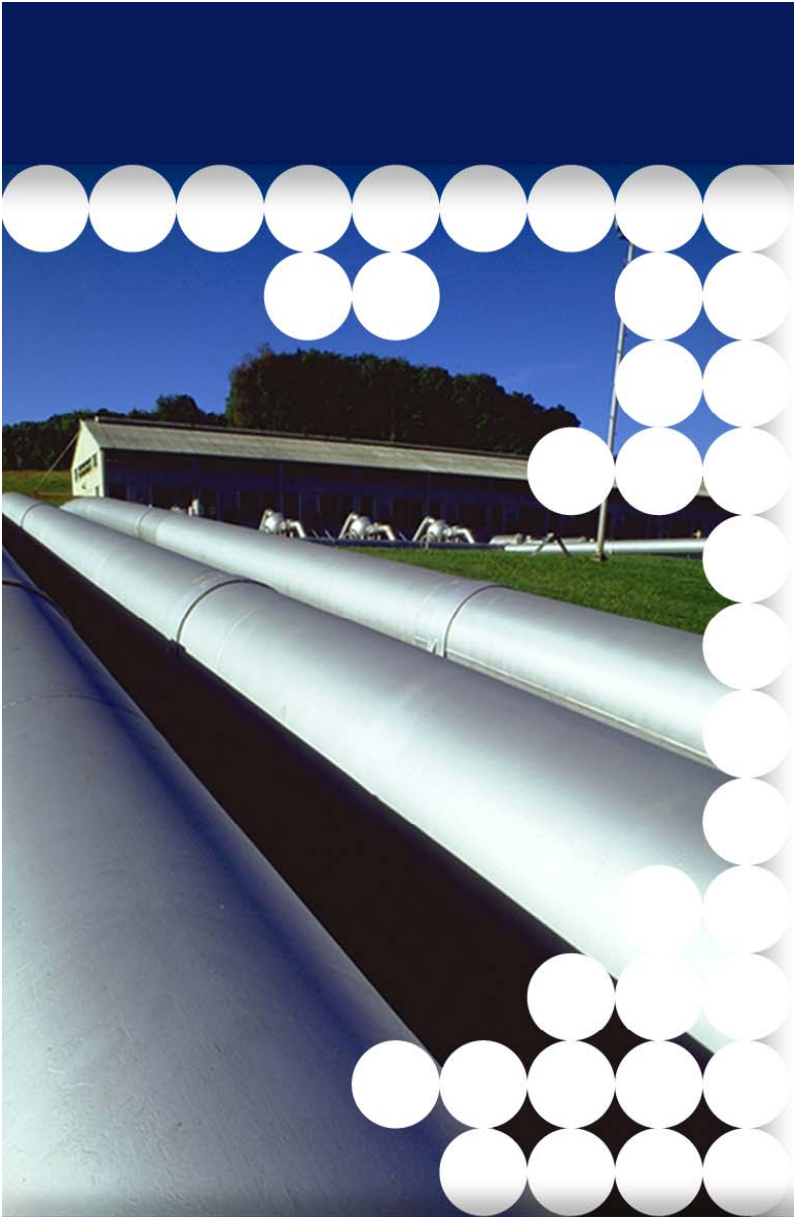
## Clearfork and Wolfberry Formations

- Horizontal, oil-directed drilling area
- SandRidge, Conoco, COG, Mariner, Pioneer

## Ozona / Sonora Area Pipeline Expansion

- Low-cost conversion of idle crude line to gathering service
- Access to known production
- EOG





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# Appendix

# Definitions



- EBITDA – earnings before interest taxes, depreciation and amortization.
- Adjusted EBITDA – EBITDA adjusted for Southern Union’s 50% interest in the EBITDA of Citrus Corp., the mark to market impact of economic hedges on processing spreads, non-cash equity allowance for funds used during construction (AFUDC) and other items management feels are unusual, not likely to recur or are not indicative of the company’s ongoing operating results.



# Reg. G Reconciliation



Segment (\$ millions)		2009	2010	2011E
Transportation & Storage <sup>(1)</sup> :	Operating income	\$ 335	\$ 358	\$ 350 - 370
	Other income	2	0	-
	Adjustments:			
	Depreciation & amortization	114	123	130
	Provision for hurricane repair costs	10	(12)	-
	Take-or-pay provision reversal	(6)	-	-
	Environmental insurance settlements	(1)	-	-
	Adjusted EBITDA	\$ 454	\$ 469	\$ 480 - 500
Citrus Corp. (50%):	Operating income	\$ 136	\$ 135	\$ 180 - 195
	Other income	28	70	30
	Adjustments:			
	Depreciation & amortization	55	54	65
	Equity AFUDC <sup>(2)</sup>	(30)	(70)	(30)
	Adjusted EBITDA	\$ 189	\$ 189	\$ 245 - 260
Gathering & Processing:	Operating income	\$ (45)	\$ 37	\$ 65 - 85
	Other income	4	4	0
	Adjustments:			
	Depreciation & amortization	67	70	75
	MTM accounting adjustments <sup>(3)</sup>	105	(16)	(25)
	Adjusted EBITDA	\$ 131	\$ 95	\$ 115 - 135

# Reg. G Reconciliation – continued



Segment (\$ millions)		2009	2010	2011E
Distribution:	Operating income	\$ 60	\$ 64	\$ 50 - 60
	Other income	7	-	-
	Adjustments:			
	Depreciation & amortization	31	33	35
	Environmental insurance settlements	(8)	-	-
	Adjusted EBITDA	\$ 90	\$ 97	\$ 85 - 95
Corporate & Other <sup>(4)</sup> :	Operating income	\$ (3)	\$ 3	\$ 1 - 6
	Other income	13	-	2
	Adjustments:			
	Depreciation & amortization	2	3	2
	Environmental insurance settlements	(11)	-	-
	Adjusted EBITDA	\$ 1	\$ 6	\$ 5 - 10
Total Adjusted EBITDA:		\$ 865	\$ 856	\$ 930 - 1,000

(1) Excludes Citrus Corp. which is separately listed for presentation purposes. Southern Union's 50% interest in Citrus Corp. is recorded in equity earnings from unconsolidated investments for GAAP purposes.

(2) Adjusts for non-cash equity AFUDC and related tax gross-up for the Phase VIII expansion.

(3) Adjusts for the mark-to-market impact of economic hedges.

(4) Other includes the Company's investment in PEI Power Corp. and Fall River Gas Appliance.

# Forward Looking Information



*This presentation contains “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements are based on management’s beliefs and assumptions. These forward-looking statements, which address the Company’s expected business and financial performance, among other matters, are identified by terms and phrases such as: anticipate, believe, intend, estimate, expect, continue, should, could, may, plan, project, predict, will, potential, forecast and similar expressions. Forward-looking statements involve risks and uncertainties that may or could cause actual results to be materially different from the results predicted.*

*Factors that could cause actual results to differ materially from those indicated in any forward-looking statement include, but are not limited to: changes in demand for natural gas or NGL and related services by customers, in the composition of the Company’s customer base and in the sources of natural gas or NGL 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 or NGL as well as electricity, oil, coal and other commodities, bulk materials and chemicals; adverse weather conditions, such as warmer or colder than normal weather in the Company’s service territories, as applicable, and the operational impact of natural disasters; changes in laws or regulations, third-party relations and approvals, and decisions of courts, regulators and/or 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 speed and degree to which additional competition, including competition from alternative forms of energy, is introduced to the Company’s business and the resulting effect on revenues; the impact and outcome of pending and future litigation and/or regulatory investigations, proceedings or inquiries; the ability to comply with or to successfully challenge existing and/or or new environmental, safety and other laws and regulations;*

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# Forward Looking Information



*unanticipated environmental liabilities; the uncertainty of estimates, including accruals and costs of environmental remediation; the impact of potential impairment charges; exposure to highly competitive commodity businesses and the effectiveness of the Company's hedging program; the 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 timely receipt of required approvals by applicable governmental entities for the construction and operation of pipelines and other projects; the ability to complete expansion projects on time and on budget; the 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, natural gas pipeline system constraints and relations with labor unions representing bargaining-unit employees; the performance of contractual obligations by customers, service providers and contractors; exposure to customer concentrations 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; the risk of a prolonged slow-down in growth or decline in the United States economy or the risk of delay in growth or decline in the United States economy, including liquidity risks in United States credit markets; the impact of unsold pipeline capacity being greater than expected; changes in interest rates and other general market and economic conditions, and in the Company's ability to continue to access its revolving credit facility and to obtain additional financing on acceptable terms, whether in the capital markets or otherwise; declines in the market prices of equity and debt securities and resulting funding requirements for defined benefit pension plans and other postretirement benefit plans; acts of nature, sabotage, terrorism or other similar acts that cause damage to the Company's facilities or the Company's suppliers' or customers' facilities; market risks beyond the Company's control affecting its risk management activities including market liquidity, commodity price volatility and counterparty creditworthiness;*

Continued....

# Forward Looking Information



*the availability/cost of insurance coverage and the ability to collect under existing insurance policies; the risk that material weaknesses or significant deficiencies in internal controls over financial reporting could emerge or that minor problems could become significant; changes in accounting rules, regulations and pronouncements that impact the measurement of results of operations, the timing of when such measurements are to be made and recorded, and the disclosures surrounding these activities; the effects of changes in governmental policies and regulatory actions, including changes with respect to income and other taxes, environmental compliance, climate change initiatives and authorized rates of recovery of costs (including pipeline relocation costs); and other risks and unforeseen events, including other financial, operational and legal risks and uncertainties detailed from time to time in filings with the SEC.*

*These factors are not necessarily all of the important factors that could cause actual results to differ materially from those expressed in any of the Company's forward-looking statements. Other factors could also have material adverse effects on the Company's future results. These and other risks are described in greater detail in the Company's Annual Report on Form 10-K for the year ended December 31, 2010 and its other reports filed with the Securities and Exchange Commission. In light of these risks, uncertainties and assumptions, the events described in forward-looking statements might not occur or might occur to a different extent or at a different time than the Company has described. The Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required by law.*