UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the QUARTERLY PERIOD ended March 31, 2007

or

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _________ to_________

Commission file number 333-110979

SOUTHERN STAR CENTRAL CORP.
(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	**04-3712210** (I.R.S. Employer Identification No.)
4700 Highway 56, Owensboro, Kentucky (Address of principal executive offices)	**42301** (Zip Code)

Registrant's telephone number, including area code: (270) 852-5000

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 or the Exchange Act. (Check one):
Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer ☒

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes ☐ No ☒

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date. *100 shares as of May 10, 2007.*

TABLE OF CONTENTS
2007 FORM 10-Q
FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2007
SOUTHERN STAR CENTRAL CORP.

PART I. Financial Information

PART II. Other Information

PART I. FINANCIAL INFORMATION

Item 1. Consolidated Financial Statements and Supplementary Data

SOUTHERN STAR CENTRAL CORP. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	March 31, 2007 (Unaudited)	December 31, 2006
	(In thousands)	
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 32,627	$ 37,989
Receivables:		
Trade	15,350	16,700
Income taxes	259	591
Transportation, exchange and fuel gas	2,885	5,425
Other	775	523
Inventories	6,684	6,458
Deferred income taxes	8,478	7,876
Costs recoverable from customers	20,269	10,589
Prepaid expenses	3,239	3,951
Other	785	643
Total current assets	91,351	90,745
Property, Plant and Equipment, at cost:		
Natural gas transmission plant	541,829	535,034
Other natural gas plant	25,647	25,743
	567,476	560,777
Less – Accumulated depreciation and amortization	(23,208)	(16,507)
Property, plant and equipment, net	544,268	544,270
Other Assets:		
Goodwill	324,580	324,580
Costs recoverable from customers	43,408	44,007
Prepaid expenses	1,251	1,327
Postretirement benefits other than pensions	10,448	10,165
Other deferred and noncurrent assets	9,139	9,230
Total other assets	388,826	389,309
Total Assets	$ 1,024,445	$ 1,024,324

The accompanying Notes to the Consolidated Financial Statements are an integral part of these statements.

SOUTHERN STAR CENTRAL CORP. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	March 31, 2007 (Unaudited)	December 31, 2006
	(In thousands)	
LIABILITIES AND STOCKHOLDER'S EQUITY		
Current Liabilities:		
Payables:		
Trade	$ 1,754	$ 4,834
Transportation, exchange and fuel gas	22,154	15,014
Other	3,675	9,245
Accrued taxes, other than income taxes	7,022	5,733
Accrued interest	5,885	5,927
Accrued payroll and employee benefits	7,674	11,809
Capitalized lease obligation due in one year	725	765
Other accrued liabilities	4,154	3,914
Total current liabilities	53,043	57,241
Long-Term Debt:		
Capitalized lease obligation	6,795	7,135
Other long-term debt	431,845	431,811
Total long-term debt	438,640	438,946
Other Liabilities and Deferred Credits:		
Deferred income taxes	48,330	43,328
Postretirement benefits other than pensions	9,626	9,437
Asset retirement obligations	2,336	2,299
Costs refundable to customers	10,528	10,279
Environmental remediation	2,671	2,736
Accrued pension	24,681	25,234
Other	270	129
Total other liabilities and deferred credits	98,442	93,442
Stockholder's Equity:		
Common stock, $.01 par value, 100 shares issued, 100 shares outstanding, March 31, 2007 and December 31, 2006	—	—
Paid-in capital	426,895	426,895
Retained earnings	7,425	7,800
Total stockholder's equity	434,320	434,695
Total Liabilities and Stockholder's Equity	$ 1,024,445	$ 1,024,324

The accompanying Notes to the Consolidated Financial Statements are an integral part of these statements.

SOUTHERN STAR CENTRAL CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	For the Three Months Ended March 31, 2007	For the Three Months Ended March 31, 2006
	(In thousands)	
Operating Revenues:		
Transportation	$ 42,422	$ 41,546
Storage	4,388	5,229
Other revenue	208	246
Total operating revenues	47,018	47,021
Operating Costs and Expenses:		
Operations and maintenance	9,531	10,020
Administrative and general	8,358	8,962
Depreciation and amortization	6,756	7,174
Taxes, other than income taxes	3,450	3,471
Total operating costs and expenses	28,095	29,627
Operating Income	18,923	17,394
Other (Income) Deductions:		
Interest expense	7,177	7,333
Interest income	(399)	(564)
Miscellaneous other income, net	(160)	(34)
Total other deductions	6,618	6,735
Income Before Income Taxes	12,305	10,659
Provision for Income Taxes	4,867	4,209
Net Income	$ 7,438	$ 6,450

Reconciliation of net income to total comprehensive income:

	For the Three Months Ended March 31, 2007	For the Three Months Ended March 31, 2006
	(In thousands)	
Net income	$ 7,438	$ 6,450
Change in value of interest rate swaps	—	(135)
Related tax benefit	—	54
Total comprehensive income	$ 7,438	$ 6,369

The accompanying Notes to the Consolidated Financial Statements are an integral part of these statements.

SOUTHERN STAR CENTRAL CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	For the Three Months Ended March 31, 2007	For the Three Months Ended March 31, 2006
	(In thousands)	
OPERATING ACTIVITIES:		
Net income	$ 7,438	$ 6,450
Adjustments to reconcile to net cash provided from operations:		
Depreciation and amortization	6,756	7,174
Deferred income taxes	4,539	3,972
Amortization of debt discount/premium and expense	264	(385)
Receivables	1,456	222
Inventories	(226)	(326)
Other current assets	551	714
Payables and accrued liabilities	(11,344)	(7,259)
Other, including changes in noncurrent assets and liabilities	283	(413)
Net cash provided by operating activities	9,717	10,149
INVESTING ACTIVITIES:		
Property, plant and equipment:		
Capital expenditures, net of allowance for funds used during construction	(6,558)	(4,153)
Proceeds from sales and salvage values, net of costs of removal	(325)	(44)
Net cash used in investing activities	(6,883)	(4,197)
FINANCING ACTIVITIES:		
Payments of notes payable	—	(7,250)
Common dividends	(7,799)	(5,785)
Capital lease payments	(380)	(365)
Other financing	(17)	(1,994)
Net cash used in financing activities	(8,196)	(15,394)
Decrease in cash and cash equivalents	(5,362)	(9,442)
Cash and cash equivalents at beginning of period	37,989	62,287
Cash and cash equivalents at end of period	$ 32,627	$ 52,845
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the period for:		
Interest (net of amounts capitalized)	$ 7,003	$ 8,438
Income tax refund, net	(11)	—

The accompanying Notes to the Consolidated Financial Statements are an integral part of these statements.

1. Description of Business

Southern Star

Southern Star Central Corp., or Southern Star, is a wholly-owned subsidiary of EFS-SSCC Holdings, LLC, or Holdings, which is owned by GE Energy Financial Services, Inc., or GE, and Caisse de depot et placement du Quebec, or CDP.

Southern Star was incorporated in Delaware in September 2002 and operates as a holding company for its regulated natural gas pipeline operations and development opportunities. Southern Star Central Gas Pipeline, Inc., or Central, is Southern Star's only operating subsidiary and the sole source of its operating revenues and cash flows.

The term "the Company" denotes Southern Star Central Corp. and its subsidiaries.

Central

Central is an interstate natural gas transportation company that owns and operates a natural gas pipeline system located in Colorado, Kansas, Missouri, Nebraska, Oklahoma, Texas and Wyoming. The system serves customers in these seven states, including major metropolitan areas in Kansas and Missouri, its main market areas.

Central's system has a mainline delivery capacity of approximately 2.4 billion cubic feet, or Bcf, of natural gas per day and is composed of approximately 6,000 miles of mainline and branch transmission and storage pipelines including 40 compressor stations with approximately 206,000 certificated horsepower.

Central's principal service is the delivery of natural gas to local natural gas distribution companies in the major metropolitan areas it serves. At March 31, 2007, Central had transportation customer contracts with approximately 130 shippers. Transportation shippers include natural gas distribution companies, municipalities, intrastate pipelines, direct industrial users, electrical generators and natural gas marketers and producers. Central transports natural gas to approximately 561 delivery points, including distribution companies and municipalities, power plants, interstate and intrastate pipelines, and large and small industrial and commercial customers.

Central operates eight underground storage fields with an aggregate natural gas storage capacity of approximately 43 Bcf and aggregate delivery capacity of approximately 1.2 Bcf of natural gas per day. Central's customers inject natural gas into these fields when demand is low and withdraw it to supply their peak requirements. During periods of peak demand, approximately half of the natural gas delivered to customers is supplied from these fields. Storage capacity enables Central's system to operate more uniformly and efficiently during the year, as well as allowing it to offer storage services in addition to its transportation services.

Central is subject to regulation by the Federal Energy Regulatory Commission, or FERC, under the Natural Gas Act of 1938, or NGA, and under the Natural Gas Policy Act of 1978, or NGPA, and as such, its rates and charges for the transportation of natural gas in interstate commerce, the extension, enlargement or abandonment of jurisdictional facilities, and its accounting, among other things, are subject to regulation. Central holds certificates of public convenience and necessity issued by the FERC authorizing the siting, ownership and operation of its pipelines and related facilities, including storage fields, which are considered jurisdictional and for which certificates are required or available under the NGA.

2. Basis of Presentation

The 2005 acquisition of Southern Star, discussed in Note 3 was accounted for under the purchase method of accounting, as required by Statement of Financial Accounting Standards, or SFAS, 141, "Business Combinations." The purchase price has been "pushed down" and allocated to the assets and liabilities of the Company.

All accounting and reporting policies contained herein conform with accounting principles generally accepted in the United States, or GAAP. The financial information contained herein has been prepared in accordance with rules and regulations of the Securities and Exchange Commission, or SEC.

3. Acquisition

On August 11, 2005, GE and CDP, through their indirect ownership of Holdings, acquired all of the outstanding capital stock of Southern Star.

The total purchase price was $454.8 million, including $389.1 million paid in cash and acquisition costs of $1.2 million. Additionally, a GE affiliate contributed all of its ownership to Holdings at a total market value of $64.5 million. The purchase price allocation is reflected on the accompanying Consolidated Balance Sheets.

As Central's rates are regulated by the FERC, and the FERC does not generally allow recovery in rates of amounts in excess of original cost, Central's historical assets and liabilities equaled fair value at the acquisition date. The total purchase price including acquisition costs exceeded the fair value of the Company's net assets and liabilities by $324.6 million. This excess has been classified as "Goodwill" on the accompanying Consolidated Balance Sheets. The goodwill is not amortized and is subject to an annual impairment test in accordance with SFAS 142, "Goodwill and Other Intangible Assets."

4. Accounting Policies

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Southern Star and its subsidiaries, all of which are wholly-owned. All material intercompany balances and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of the accompanying consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported on the accompanying consolidated financial statements and notes. Actual results could differ from those estimates.

Reclassifications

Certain prior period amounts have been reclassified to conform with current period presentation with no effect on previously reported earnings or equity.

Goodwill

The Company has recorded $324.6 million of Goodwill as discussed in Note 3. Goodwill is not amortized and is subject to an annual impairment test in accordance with SFAS 142.

Income Taxes

Deferred taxes are recorded under the liability method and are provided on all temporary differences between the book and tax basis of the assets and liabilities pursuant to SFAS 109, "Accounting for Income Taxes."

Southern Star and Central operate under a Federal and State Income Tax Policy which provides that Southern Star will file consolidated tax returns on behalf of itself and Central and pay all taxes shown thereon to be due. Central makes payments to Southern Star as though it were filing a separate return for its federal income tax liability. Southern Star has an obligation to indemnify Central for any liability that Central incurs for taxes of the affiliated group of which Southern Star and Central are members under Treasury Regulations Section 1.1502-6.

Asset Retirement Obligations

In 2005, in accordance with FIN 47, Central recorded an asset retirement obligation, or ARO, for the remediation of asbestos existing on its system. The asbestos existing on Central's system is primarily in building materials and pipe coatings used prior to the Clean Air Act of 1973 that established the National Emission Standard for Hazardous Air Pollutants, or NESHAPs, that regulated the use of asbestos. The initial recognition of the ARO in 2005 resulted in an increase in net Property, plant and equipment of $0.1 million, an increase in regulatory assets of $2.1 million, and the recognition of an ARO liability of $2.2 million. The amount of the regulatory asset and the related ARO liability on the accompanying Consolidated Balance Sheet at March 31, 2007 was $2.3 million and $2.3 million, respectively. The amount of the regulatory asset and the related ARO liability on the accompanying Consolidated Balance Sheet at December 31, 2006 was $2.2 million and $2.3 million, respectively.

5. Financing

The following table sets forth the components of debt (expressed in thousands):

	March 31, 2007	December 31, 2006
8.5% Senior Secured Notes due 2010	$ 3,080	$ 3,080
6.75% Senior Notes due 2016	200,000	200,000
6.0% Senior Notes due 2016	230,000	230,000
Capitalized lease obligation	7,520	7,900
Unamortized discount, net	(1,235)	(1,269)
Total debt	439,365	439,711
Less current capitalized lease obligation	725	765
Total long-term debt	$ 438,640	$ 438,946

8.5% Notes

Prior to April 13, 2006, Southern Star had outstanding $180.0 million of 8.5% Senior Secured Notes due August 1, 2010, or 8.5% Notes. Interest on the 8.5% Notes is payable semi-annually in February and August. The 8.5% Notes were subject to certain covenants that restricted, among other things, the Company or its subsidiaries' ability to make investments; incur additional indebtedness; pay dividends on, or redeem capital stock; create liens; sell assets; or engage in certain other business activities.

As a result of the acquisition described in Note 3, the fair value of the 8.5% Notes was calculated and a premium of $15.7 million was recorded in Long-term debt in 2005. This premium was being amortized over the remaining life of the 8.5% Notes.

On March 23, 2006, Southern Star launched a tender offer pursuant to which it offered to purchase all of its outstanding 8.5% Notes. As part of this tender offer, Southern Star solicited consents to amend the indenture governing the 8.5% Notes to eliminate substantially all of the covenants and certain events of default contained in the indenture.

As a result of the tender, Southern Star accepted for payment $176.9 million principal amount of the 8.5% Notes, which represented 98.29% of the outstanding aggregate principal amount of the 8.5% Notes. On April 6, 2006, Southern Star paid $190.7 million to reacquire the debt, which had a carrying value of $190.5 million; and a loss of $0.2 million was recorded. Fees of approximately $0.5 million associated with the tender were also charged to expense. In addition, Southern Star entered into a supplemental indenture for the 8.5% Notes on April 10, 2006, which eliminated substantially all of the original covenants and certain events of default. At March 31, 2007, Southern Star's outstanding balance of the 8.5% Notes was $3.1 million. The 8.5% Notes are callable on or after August 1, 2007.

6.75% Notes

On April 13, 2006, Southern Star completed a private offering of $200.0 million aggregate principal amount of 6.75% Senior Notes due 2016, or 6.75% Notes, the proceeds of which were used to retire the 8.5% Notes tendered, including related premiums and expenses, and to pay the issuance costs of the new offering. In connection with the offering, Southern Star entered into an indenture, or 6.75% Notes Indenture, dated April 13, 2006 by and between Southern Star and The Bank of New York Trust Company, N.A., as trustee.

Interest is payable semi-annually on March 1 and September 1 of each year, and began on September 1, 2006. The 6.75% Notes mature on March 1, 2016. The 6.75% Notes are Southern Star's senior unsecured obligations and rank equal in right of payment to all of its existing and future unsecured indebtedness, including Southern Star's 8.5% Notes that remain outstanding following Southern Star's tender offer and are effectively junior to any secured indebtedness of Southern Star to the extent of the value of the assets securing such indebtedness, if any.

In connection with the issuance of the 6.75% Notes, Southern Star entered into a registration rights agreement dated as of April 13, 2006, whereby Southern Star agreed to offer to exchange the 6.75% Notes for a new issue of substantially identical notes registered under the Securities Act of 1933, as amended. The registration statement was filed on June 30, 2006 and was declared effective on August 2, 2006. The exchange offer was consummated on September 11, 2006, at which time all notes were accepted for exchange.

The declaration and payments of dividends or distributions to equity holders, under the 6.75% Notes Indenture, is subject to, with certain limited exceptions, a minimum fixed charge coverage ratio and cumulative available cash flows from operations or a leverage ratio, subject to certain conditions, as defined in the indenture.

Central Credit Facility

Prior to April 13, 2006, Central had in place a secured credit facility, or Central Credit Facility, with Union Bank of California, providing for, among other things, a term loan of $50.0 million that matured on May 1, 2006. The Central Credit Facility was secured by certain customer contracts and physical assets of Central.

In connection with Central's 2006 refinancing discussed below, the term loan was repaid in full on April 13, 2006 and the related agreements were terminated.

Central's 7.375% Notes

Prior to April 13, 2006, Central had outstanding $175.0 million of 7.375% Senior Notes due November 15, 2006, or 7.375% Notes.

On March 23, 2006, Central launched a tender offer pursuant to which it offered to purchase all of its outstanding 7.375% Notes. As a result of the tender offer, Central accepted for payment $155.1 million aggregate principal amount of the 7.375% Notes. On April 25, 2006, Central called for redemption the remainder of its 7.375% Notes, settlement of which was made on May 1, 2006. Central paid $177.6 million to reacquire the debt, which had a carrying value of $174.9 million. The premiums and expenses related to the tender and call will be amortized over the life of the new debt, as permitted by FERC accounting regulations.

Central's 6.0% Notes

On April 13, 2006, Central completed a private offering of $230.0 million aggregate principal amount of 6.0% Senior Notes due 2016, or 6.0% Notes, the proceeds of which were used to pay issuance costs of the offering, to pay amounts outstanding under the Central Credit Facility, and to retire its 7.375% Notes, including related premiums and expenses. In connection with the offering, Central entered into an indenture, or 6.0% Notes Indenture, dated April 13, 2006 by and between Central and The Bank of New York Trust Company, N.A., as trustee. The 6.0% Notes Indenture contains customary restrictive covenants and events of default.

Interest on the 6.0% Notes is payable on June 1 and December 1 of each year, and began on December 1, 2006. The 6.0% Notes mature on June 1, 2016. The 6.0% Notes are Central's senior unsecured obligations and rank equal in right of payment to all of its existing and future unsecured indebtedness and are effectively junior to the secured indebtedness of Central to the extent of the value of the assets securing such indebtedness, if any.

Capital Lease

In 2004, Central entered into a 20-year capital lease with the Owensboro-Daviess County Industrial Development Authority for use of a headquarters building. Ownership of the facility will transfer to Central for a nominal fee upon expiration of the lease. The assets are included in Property, plant and equipment on the accompanying Consolidated Balance Sheets as a capital lease and are being amortized over the same life as similar assets. Amortization of the assets is included in Depreciation and amortization on the accompanying Consolidated Statements of Operations. The overall effective interest rate on the obligation is 6.29%. Principal and interest are paid semi-annually.

Other

In connection with the acquisition, Southern Star issued a non-interest bearing promissory note to Highstar in the aggregate principal amount of approximately $7.3 million, classified in Current liabilities as of December 31, 2005. The promissory note was paid in full by Southern Star on March 30, 2006.

As of March 31, 2007, the Company was in compliance with the covenants of all outstanding debt instruments.

6. Commitments and Contingencies

Regulatory and Rate Matters and Related Litigation

General Rate Issues

On April 30, 2004, Central filed a general rate case under FERC Docket No. RP04-276 which became effective November 1, 2004. The case was settled and became final in 2005. The terms of the settlement require Central to file a rate case to be effective no later than November 1, 2008. The general rate proceeding increased Central's transportation, storage, and related rates, and also provided for changes to a number of the terms and conditions of customer service in Central's tariff.

Environmental and Safety Matters

Environmental

Central has identified polychlorinated biphenyl, or PCB, contamination in air compressor systems, soils and related properties at certain compressor station sites and has been involved in negotiations with the U.S. Environmental Protection Agency, or EPA, and state agencies to develop screening, sampling and cleanup programs. In addition, negotiations with certain environmental agencies concerning investigative and remedial actions relative to potential mercury contamination at certain natural gas metering sites have commenced. Central had accrued a liability of approximately $3.7 million at March 31, 2007 representing the current estimate of future environmental cleanup costs, most of which is expected to be incurred over the next three to four years.

Central is subject to federal, state and local statutes, rules and regulations relating to environmental protection, including the National Environmental Policy Act, the Clean Water Act, the Clean Air Act and the Resource Conservation and Recovery Act. These laws and regulations can result in increased capital, operating and other costs. These laws and regulations generally subject Central to inspections and require it to obtain and comply with a wide variety of environmental licenses, permits and other approvals. Under the Clean Air Act, the EPA has recently promulgated regulations addressing emissions from equipment present at typical natural gas compressor stations. These regulations include NESHAPs for reciprocating internal combustion engines, stationary turbines, and glycol dehydration equipment in addition to regulations that address regional transport of ozone (i.e. NOx SIP Call). Based on analysis of these regulations, management does not expect there to be a material impact to Central's existing operations. The EPA has also promulgated a new ambient air quality standard for ozone, or the eight-hour standard, which is generally more stringent than the one-hour standard it replaces. Presently, all of Central's facilities are located in areas designated as in "attainment" for compliance with the eight-hour standard. Therefore, the new standard does not impact Central's existing operations at this time.

Central considers environmental assessment, remediation costs and costs associated with compliance with environmental standards to be recoverable through rates, as they are prudent costs incurred in the ordinary course of business.

The actual costs incurred will depend on the actual amount and extent of contamination discovered, the final cleanup standards mandated by the EPA or other governmental authorities, and other factors.

Legal Issues

United States ex rel, Grynberg v. Williams Natural Gas Company, et al., MDL Docket No. 1293 (99 MD 1614), Civil Action No. 97 D 1478, (District of Colorado), or Grynberg Litigation

In 1998, Jack Grynberg, an individual, sued Central and approximately 300 other energy companies, purportedly on behalf of the federal government, or *qui tam*. Invoking the False Claims Act, Grynberg alleged that the defendants had mismeasured the volume and wrongfully analyzed the heating content of natural gas, causing underpayments of royalties to the United States. The relief sought was an unspecified amount of royalties allegedly not paid to the federal government, treble damages, or civil penalty, attorney fees and costs. Thus far, the Department of Justice has declined to intervene in Grynberg's *qui tam* cases, which were consolidated for pretrial purposes before a single judge in the United States District Court, or Trial Court, for the District of Wyoming. Initial discovery was limited to public disclosure/original source jurisdictional issues. On June 4, 2004, motions, with supporting briefs, were filed by the Joint Defendants requesting the Trial Court to dismiss Grynberg's claims based on lack of subject matter jurisdiction. Those motions were fully briefed and oral arguments occurred on March 17 and 18, 2005. On May 13, 2005, the Special Master appointed to adjudicate procedural issues and help manage the consolidated litigation for the Trial Court Judge, issued his "Report and Recommendations" addressing which Grynberg claims against which defendants should be dismissed. Central was one of the defendants as to which the Special Master recommended that Grynberg's claims be dismissed on jurisdictional grounds. Both Grynberg and a number of the defendants filed objections to the Special Master's report. On October 20, 2006, the Trial Court Judge entered his "Order on Report and Recommendations of Special Master" dismissing Grynberg's claims against Central and substantially all of the other defendants. The relator's counsel has filed notices of appeal with the trial court for the Tenth Circuit, and the clerk's office has indicated that it will be entering a preliminary case management order in the near future. On April 24, 2007, the Trial Court held a hearing on various motions pertaining to attorneys' fees and costs, but has not yet issued an opinion or order as a result of that hearing.

Will Price, et al. v. El Paso Natural Gas Co., et al., Case No. 99 C 30, District Court, Stevens County, Kansas, or Price Litigation I

In this putative class action filed May 28, 1999, the named plaintiffs, or Plaintiffs, have sued over 50 defendants, including Central. Asserting theories of civil conspiracy, aiding and abetting, accounting and unjust enrichment, their Fourth Amended Class Action Petition alleges that the defendants have undermeasured the volume of, and therefore have underpaid for, the natural gas they have obtained from or measured for Plaintiffs. Plaintiffs seek unspecified actual damages, attorney fees, pre- and post-judgment interest, and reserved the right to plead for punitive damages. On August 22, 2003, an answer to that pleading was filed on behalf of Central. Despite a denial by the court on April 10, 2003 of their original motion for class certification, the Plaintiffs continue to seek the certification of a class. The Plaintiffs' motion seeking class certification for a second time was fully briefed and the court heard oral argument on this motion on April 1, 2005. In January 2006, the court heard oral argument on a motion to intervene filed by a third party who is claiming entitlement to a portion of any recovery obtained by Plaintiffs. It is unknown when the court will rule on the pending motions.

Will Price, et al. v. El Paso Natural Gas Co., et al., Case No. 03 C 23, District Court, Stevens County, Kansas, or Price Litigation II

In this putative class action filed May 12, 2003, the named Plaintiffs from Case No. 99 C 30 (discussed above) have sued the same defendants, including Central. Asserting substantially identical legal and/or equitable theories, as in Price Litigation I, this petition alleges that the defendants have undermeasured the British thermal units, or Btu, content of, and therefore have underpaid for, the natural gas they have obtained from or measured for Plaintiffs. Plaintiffs seek unspecified actual damages, attorney fees, pre- and post-judgment interest, and reserved the right to plead for punitive damages. On November 10, 2003, an answer to that pleading was filed on behalf of Central. The Plaintiffs' motion seeking class certification, along with Plaintiff's second class certification motion in Price Litigation I, was fully briefed and the court heard oral argument on this motion on April 1, 2005. In January 2006, the court heard oral argument on a motion to intervene filed by a third party who is claiming entitlement to a portion of any recovery obtained by Plaintiffs. It is unknown when the court will rule on the pending motions.

Summary of Commitments and Contingencies

In connection with the purchase of Central by Southern Star from The Williams Companies, Inc., or Williams, in 2002, a Litigation Cooperation Agreement was executed pursuant to which Williams agreed to cooperate in and assist with the defense of Central with respect to the Grynberg Litigation and the Price Litigation. Pursuant to that agreement, Williams agreed to provide information and data to Central, make witnesses available as necessary, assist Central in becoming a party to certain Joint Defense Agreements, and to cooperate in general with Central in the preparation of its defense.

The Company is subject to claims and legal actions in the normal course of business in addition to those disclosed above. While no assurances can be given, management believes, based on advice of counsel and after consideration of amounts accrued, insurance coverage, potential recovery from customers and other indemnification arrangements, that the ultimate resolution of these matters will not have a material adverse effect upon the Company's future financial position, results of operations, or cash flow requirements. Costs incurred to date of defending pending cases have not been material.

7. Income Taxes

The use of net operating loss carryforwards occurring prior to the acquisition has annual limitations under Section 382 of the Internal Revenue Code, based upon the product of the value of Southern Star at the date of acquisition times the federal long-term tax-exempt interest rate (4.2%), as generally defined under Section 1274(d) of the Internal Revenue Code. The limitation on the use of pre-acquisition net operating losses is $18.6 million computed on an annual basis.

In June 2006, the Financial Accounting Standards Board, or FASB, issued Interpretation, or FIN, 48, "Accounting for Uncertainty in Income Taxes." This interpretation clarifies the accounting for uncertainty in income taxes recognized in an entity's financial statements in accordance with SFAS 109. FIN 48 prescribes a recognition threshold and measurement attribute for financial statement disclosure of tax positions taken or expected to be taken on a tax return. The Company adopted the provisions of this interpretation during the first quarter of 2007. The adoption of FIN 48 did not have a material impact on the Company's cumulative earnings, consolidated financial position, or results of operations.

The Company records interest related to uncertain tax positions as a part of Interest expense on the accompanying Statement of Operations. Any penalties are recognized as part of miscellaneous expense on the accompanying Statement of Operations. For both March 31, 2007 and January 1, 2007, the Company had an accrued liability for interest related to uncertain tax positions. The total amount of accrued interest from such unrecognized tax benefits was not material. The Company currently does not have a liability for tax penalties.

As of January 1, 2007, the Company remained subject to examination by Federal and State jurisdictions for the tax years beginning November 16, 2002 and forward, in some cases due to net operating losses carried forward. There are currently no income tax audits in process or scheduled in the future.

8. Dividends and Related Restrictions

Certain notes of the Company contain restrictions on declaration and payments of dividends or distributions to equity holders, subject to a minimum fixed charge coverage ratio and cumulative available cash flows from operations or a leverage ratio, subject to certain conditions, as defined in the indenture.

9. Employee Benefit Plans

The Company adopted SFAS 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment of FASB Statements No. 87, 88, 106, and 132(R)" in December 2006. SFAS 158 requires companies to recognize the funded status of their defined benefit pension and other postretirement benefit plans as a net liability or asset in their balance sheets and to recognize changes in that funded status in the year in which changes occur through comprehensive income. As it is appropriate for Central to apply the accounting prescribed by SFAS 71, the Company will not recognize changes in the funded status in comprehensive income but as changes to the related regulatory asset or liability, pending future recovery or refund through its rates. Pursuant to SFAS 158, the Company recognized the previously unrecognized gains and losses of its pension and welfare benefit plans.

Pursuant to SFAS 158, no portion of the pension liability is classified as a current liability because plan assets exceed the value of benefit obligations expected to be paid within the 12 months ending March 31, 2008. No plan assets are expected to be returned to the Company during the 12 months ending March 31, 2008.

Pursuant to the terms of Central's RP04-276 rate settlement, Central recovers $7.5 million annually to fund pension and postretirement benefits for all eligible participants. This amount must be funded no less frequently than quarterly into irrevocable trusts. This amount also includes a recovery for the amortization of the regulatory asset related to the difference in prior period costs and corresponding funding amounts.

Retirement Plan

Pension expense for the Company's pension plans was $1.9 million for the three months ended March 31, 2007 and 2006.

Components of the Company's net periodic pension expense for the indicated plans are as follows (expressed in thousands):

Union Retirement Plan

	For the Three Months Ended March 31, 2007	For the Three Months Ended March 31, 2006
Components of net periodic pension expense:		
Service cost	$ 363	$ 378
Interest cost	512	540
Expected return on plan assets	(334)	(358)
Amortization of net loss	—	5
Regulatory recovery of costs	960	965
Net periodic pension expense	$ 1,501	$ 1,530

Non-Union Retirement Plan

	For the Three Months Ended March 31, 2007	For the Three Months Ended March 31, 2006
Components of net periodic pension expense:		
Service cost	$ 589	$ 562
Interest cost	114	82
Expected return on plan assets	(113)	(83)
Amortization of net loss	—	9
Regulatory accrual of costs	(216)	(225)
Net periodic pension expense	$ 374	$ 345

During the first three months of 2007, the Company made contributions to the pension plans totaling $1.7 million.

Postretirement Benefits Other than Pensions

Central's Group Medical-Health Plan, or Welfare Plan, provides medical and life insurance benefits to certain employees who retire under Central's retirement plans. The Welfare Plan is contributory for medical and contributory for some retired employees for life insurance benefits in excess of specified limits. Eligible employees under the Welfare Plan are those hired prior to various qualifying dates, the latest of which is December 31, 1995, who qualify for retirement benefits, and who meet certain service and other requirements.

The benefits for qualified union employees are funded through a trust agreement under the Southern Star Voluntary Employees' Beneficiary Association for Collectively Bargained Employees, or Union VEBA, and the benefits for qualified non-union employees are funded through a separate trust agreement under the Southern Star Voluntary Employees'

Beneficiary Association for Non-Collectively Bargained Employees, or Non-Union VEBA. Funding is made in accordance with the requirements under Central's latest rate settlement with the FERC.

The following table sets forth the components of net periodic postretirement benefit costs for the periods indicated (expressed in thousands):

	For the Three Months Ended March 31, 2007	For the Three Months Ended March 31, 2006
Components of net periodic benefit expense:		
Service cost	$ 117	$ 141
Interest cost	449	461
Expected return on plan assets	(659)	(455)
Recognized actuarial gain	(1)	(84)
Regulatory (accrual) recovery of costs	94	(63)
Net periodic benefit expense	$ —	$ —

During the first three months of 2007, the Company did not make any contributions to this plan.

10. Related Party Transactions

On August 11, 2005, Central entered into an Operating Company Services Agreement, or Operating Services Agreement, with EFS Services, LLC, an affiliate of GE. Pursuant to the Operating Services Agreement, EFS Services, LLC provides certain consulting services to Central for a service fee of $1.0 million per year, plus the reimbursement of reasonable expenses up to $0.2 million in a 12-month period incurred by EFS Services, LLC in providing such services. During the first quarter of 2007, Central paid approximately $0.3 million for service fees and expenses to EFS Services, LLC. The Operating Services Agreement terminates at such time as GE or any of its affiliates ceases to beneficially own any securities of Holdings.

In addition, on August 11, 2005, Southern Star entered into an Administrative Services Agreement, or Services Agreement, with EFS Services, LLC to provide certain administrative services to Southern Star and Holdings. Pursuant to the terms of the Services Agreement, EFS Services, LLC is not paid a fee for its services; however, it is entitled to be reimbursed for the reasonable expenses it incurs in providing such services.

Central makes purchases of goods and services from various affiliates of GE on an arms-length basis in the normal course of its operations.

11. Employee Retention Agreements

Prior to the acquisition described in Note 3, the Company entered into employee retention agreements with the officers of Central. These agreements require annual payments to those employees totaling $9.3 million over a five-year period for their continued employment. The Company is accruing the expenses associated with these payments ratably over the period services are being provided. These accrued expenses totaled $1.2 million at March 31, 2007 and 2006, and are included in Accrued payroll and employee benefits on the accompanying Consolidated Balance Sheets.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

References to "Southern Star" refer to Southern Star Central Corp. and references to "we," "us," "our," and "the Company," refer to Southern Star Central Corp. and to its wholly-owned subsidiary, Southern Star Central Gas Pipeline, Inc., or Central.

This management's discussion and analysis of our financial condition and results of operations should be read in conjunction with our annual report on Form 10-K. This discussion contains forward-looking statements about our business, operations and industry that involve risks and uncertainties such as statements regarding our plans, objectives, expectations and intentions. Our future results and financial condition may differ materially from those we currently anticipate as a result of the factors we describe under "Forward Looking Statements," "Risk Factors," and elsewhere in this document.

FORWARD-LOOKING STATEMENTS

The information in this report includes forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements relate to anticipated financial performance, management's plans and objectives for future operations, business prospects, outcome of regulatory proceedings, market conditions and other matters. Words such as "anticipate," "believe," "estimate," "expect," "intend," "plan," "objective," and other similar expressions identify some of the statements that are forward-looking. These statements are based on management's beliefs and assumptions and on information currently available to management. Actual results could differ materially from those contemplated by the forward-looking statements. In addition to any assumptions and other factors referred to specifically in connection with such statements, factors that could cause actual results to differ materially from those contemplated in any forward-looking statement include, among others, the following:

- future utilization of pipeline capacity, which can depend on energy prices and the prices for natural gas available on Central's system, competition from other pipelines and alternative fuels, the general level of natural gas demand, decisions by customers not to renew expiring natural gas transportation contracts, adequate supplies of natural gas, the construction or abandonment of natural gas customer facilities, weather conditions and other factors beyond our control;
- operational risks and limitations of Central's pipeline system and of interconnected pipeline systems;
- the ability to raise capital and fund capital expenditures in a cost-effective manner;
- changes in federal, state or local laws and regulations to which we are subject, including allowed rates of return and related regulatory matters, regulatory disclosure obligations, the regulation of financial dealings between us and our affiliates, and tax, environmental and employment laws and regulations;
- the ability to manage costs;
- the ability of our customers to pay for our services;
- environmental liabilities that are not covered by an indemnity or insurance;
- the ability to expand into new markets as well as the ability to maintain existing markets;
- the ability to obtain governmental and regulatory approval of various expansion projects;
- the cost and effects of legal and administrative proceedings;
- the effect of accounting interpretations and changes in accounting policies;
- restrictive covenants contained in various instruments applicable to us and our subsidiaries which may restrict our ability to pursue our business strategies;
- changes in general economic, market or business conditions; and
- economic repercussions from terrorist activities and the government's response to such terrorist activities.

Other factors and assumptions not identified above, including without limitation, those described under "Risk Factors" as discussed in Item 1A herein may also impact these forward-looking statements. The failure of those other assumptions to be realized, as well as other factors, which may or may not occur, may also cause actual results to differ materially from those projected. Except as required by law, we assume no obligation to update forward-looking statements to reflect actual results, changes in assumptions or changes in other factors affecting forward-looking statements.

General

All accounting and reporting policies contained herein conform with accounting principles generally accepted in the United States, or GAAP. The financial information contained herein has been prepared in accordance with the rules and regulations of the SEC.

The Acquisition

In 2005, GE and CDP, through their indirect ownership of Holdings, acquired all of our outstanding capital stock. This transaction is hereinafter referred to as the acquisition. Our acquisition has been accounted for under the purchase method of accounting, as required by SFAS 141, "Business Combinations." The purchase price of our acquisition has been "pushed down" and allocated to our assets and liabilities.

As Central's rates are regulated by the FERC and the FERC does not allow recovery in rates of amounts in excess of original cost, Central's historical assets and liabilities equaled fair value at the acquisition date. The final purchase price including acquisition costs exceeded the fair value of our net assets and liabilities, including a working capital settlement, by $324.6 million. This excess has been classified as "Goodwill" on the accompanying Consolidated Balance Sheets. The goodwill is not amortized and is subject to an annual impairment test in accordance with SFAS 142, "Goodwill and Other Intangible Assets."

The Business

We are the parent company of Central, our only operating subsidiary and the sole source of our operating revenues and cash flows. Central owns and operates an approximately 6,000 mile natural gas pipeline and associated natural gas storage facilities in the Midwest. Central's primary markets are regulated local natural gas distribution companies, municipalities, intrastate pipelines, electric generation plants and industrial customers in Missouri, Kansas, Oklahoma, and parts of Colorado, Nebraska, Wyoming, and Texas.

Central is an interstate natural gas pipeline engaged in the transportation and storage of natural gas. As such, Central's rates, facilities and services are regulated by the FERC. Central's services are provided under both short-term and long-term contracts, subject to a FERC-accepted tariff which governs substantially all terms and conditions of service. The substantial majority of Central's business is conducted under long-term contracts ranging from one to 29 years. Total average remaining contract life on a volume-weighted basis at March 31, 2007 was approximately six years.

On April 30, 2004, Central filed a general rate case under FERC Docket No. RP04-276 which became effective November 1, 2004. The case was settled and became final in 2005. Pursuant to the terms of its settlement, Central is required to file a new rate case to be effective on or before November 1, 2008.

Central's rates are regulated by the FERC and are designed to provide an allowed rate of return on equity after recovering its costs of service, assuming that its service and contract levels remain constant. As such, Central's opportunities to grow profits and cash flows are generally limited to its ability to acquire new business on its existing pipeline system or expand into new areas or services. Expansion of its pipeline system or provision of new services generally requires authorization from the FERC. Our risk of declining profits or cash flows are primarily related to Central's ability to maintain its current service levels at its current rates, including the renewal of long-term contracts on substantially equivalent terms, and our ability to prudently manage our costs. We expect to continue to manage our operating costs and to renew expiring contracts on favorable terms.

Pipeline and storage integrity regulations continue to increase our operating costs for integrity testing, permitting, and other compliance with new regulations. Central remains on schedule to meet all compliance regulations and expects that operating costs associated with such regulations will continue to be recovered in the rates it charges for its services.

Central's ability to maintain current service levels at its current rates is impacted by both its access to natural gas supplies and competition. Central's access to multiple sources of natural gas supply and its unique storage capabilities, due to the strategic location of its storage facilities within its major market areas, are strengths that aid in limiting our downside risks. Central's focus on offering flexibility to customers in regard to supply access is evidenced by its recent and current supply initiatives. The competing interstate pipelines generally offer less diverse geographic access to natural gas supply and less competitively priced, flexible on-system storage.

We proactively seek growth opportunities that will further strengthen our financial position and results of operations. The costs we incur for many of our growth opportunities are reimbursed by the operator of the gas supply or delivery point. Expansion projects are generally supported through cost reimbursement or through long-term firm contract commitments. The Ozark Trails Expansion Project was placed in service on December 1, 2006. In 2007, we are constructing the Midwest

& Westar Expansion projects as well as the Waynoka Supply project. These projects are more fully described in our 2006 annual report on Form 10-K filed with the SEC.

Critical Accounting Policies

Our discussion and analysis of our financial condition, results of operations, liquidity, and capital resources is based on our financial statements, which have been prepared in accordance with GAAP. GAAP requires that we make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and the related disclosure of contingent assets and liabilities. We base these estimates on historical experience and on various other assumptions that we consider reasonable under the circumstances. We evaluate our estimates on an on-going basis. Actual results may differ from these estimates. We believe that, of our significant accounting policies, the following may involve a higher degree of judgment or complexity.

Accounting for the Effects of Regulation

Like all interstate natural gas pipeline operators, Central is subject to regulation by the FERC. SFAS 71, "Accounting for the Effects of Certain Types of Regulation," provides that rate-regulated public utilities account for and report regulatory assets and liabilities consistent with the economic effect of the way in which regulators establish rates if the rates established are designed to recover the costs of providing the regulated service and if the competitive environment makes it reasonable to assume that such rates can be charged and collected. Accounting for businesses that are regulated and apply the provisions of SFAS 71 can differ from the accounting requirements for non-regulated businesses. Transactions that are recorded differently as a result of regulatory accounting requirements include the capitalization of an equity return component on regulated capital projects, and the deferral of employee related benefits and other costs and taxes included in, or expected to be included in, future rates. As a rate-regulated entity, we have determined that it is appropriate to apply the accounting prescribed by SFAS 71 to the operations of Central and, accordingly, the accompanying consolidated financial statements include the effects of the types of transactions described above that result from regulatory accounting requirements.

Goodwill

We have recorded $324.6 million of Goodwill, as a result of our 2005 acquisition, as discussed in Note 3 of the accompanying Notes to the Consolidated Financial Statements. Goodwill is not amortized and is subject to an annual impairment test in accordance with SFAS 142.

Revenues Subject to Refund

The FERC regulatory processes and procedures govern, among other matters, Central's tariff and rates that Central is permitted to charge to customers for its services. Key determinants in the ratemaking process are (1) contracted capacity assumptions, (2) costs of providing service, including depreciation expense, and (3) allowed rate of return, including the equity component of a pipeline's capital structure and related income taxes. Accordingly, at any given time, some of the collected revenues may be subject to possible refunds required by final order of the FERC. Central records estimates of rate refund liabilities based on its and other third-party regulatory proceedings, advice of counsel and estimated total exposure, as discounted and risk weighted. If the actual refunds differ from the estimated refund liability, revenues would be impacted by the difference between estimated and actual refunds.

Loss Contingencies and Operating Expenses

We establish reserves for estimated loss contingencies when assessments determine that a loss is probable and the amount of the loss can be reasonably estimated. Adjustments to contingent liabilities are reflected in income in the period in which different facts or information become known or circumstances change that affect previous assumptions with respect to the likelihood or estimation of loss. Reserves for contingent liabilities are based upon our assumptions and estimates, and advice of legal counsel or other third parties regarding the probable outcome. Should the outcome differ from the assumptions and estimates, revisions to estimated reserves for contingent liabilities would be required, which may impact our results of operations.

We also estimate accruals for certain operating expenses, primarily depreciation, employee benefit costs, unbilled professional fees, and ad valorem taxes. The estimates are based on historical experience, our assumptions about current period activities, and other information gathered within an accounting period. Actual results could differ from those estimated. Such estimates are adjusted as facts become known or circumstances change that affect the assumptions used or amounts accrued. See the accompanying Notes to the Consolidated Financial Statements for further discussion of our accounting policies and methods that may include estimates.

Other

Please refer to the accompanying Notes to the Consolidated Financial Statements and our 2006 Annual Report on Form 10-K filed on March 15, 2007 for a complete discussion of significant accounting policies and recent accounting standards.

Results of Operations

Results of operations for all periods presented include the operations of Central, our only operating subsidiary. The following discussion relating to the changes in our results of operations includes only material line items from the accompanying Consolidated Statements of Operations or line items with a material change.

Comparison of the Three Months Ended March 31, 2007 and 2006

Operating revenues were $47.0 million for both three month periods ended March 31, 2007 and 2006. Revenues are comparable for the two periods due to the increase in transportation revenues being offset by a decrease in storage revenues. Higher transportation revenues in 2007 are primarily the result of a business development project being placed in service in December 2006. Lower storage revenues in 2007 are the result of decreased inventories in storage.

Operations and maintenance expenses for the three months ended March 31, 2007 decreased by $0.5 million, or 4.9%, to $9.5 million from $10.0 million for the prior year period, principally due to the timing of expenses for contractual services.

Administrative and general expenses were $8.4 million and $9.0 million for the quarters ended March 31, 2007 and 2006, respectively, a decrease of $0.6 million, or 6.7%. The decrease is primarily due to lower employee medical expenses, and lower property and liability insurance premiums.

Depreciation expense was $6.8 million in the first quarter of 2007 as compared to $7.2 million in the first quarter 2006, a $0.4 million, or 5.8%, decrease. The decrease is primarily attributable to a decrease in the amortizable base for computer software.

Interest expense was $7.2 million for the quarter ended March 31, 2007, a decrease of $0.2 million, or 2.2%, from the comparable period in 2006. The decrease is primarily due to lower interest rates and amortization of debt issuance expenses resulting from the refinancing of our long-term debt in April 2006. The decrease is partially offset by the elimination of a premium as a result of our debt refinancing.

Interest income decreased by $0.2 million, or 29.3%, to $0.4 million for the three months ended March 31, 2007 from $0.6 million for the quarter ended March 31, 2006. The decrease is primarily due to lower cash balances held in the first quarter of 2007 than held in 2006.

The provision for income taxes was $4.9 million for the first quarter 2007, an increase of $0.7 million, or 15.6%, from the comparable period in 2006. The increase is commensurate with higher pre-tax income. Our effective tax rate for both periods was 39.5%.

Liquidity and Capital Resources

We believe we have sufficient liquidity to satisfy our capital and other liquidity requirements over the next 12 to 18 months. We expect to fund our capital and other liquidity requirements with cash flows from operating activities and by accessing capital markets as needed to support operations and capital expenditures.

As of May 1, 2007, we had senior long-term debt ratings of Ba2 from Moody’s Investors Service and BB+ from Standard & Poor’s, and Central had senior long-term debt ratings of Baa3 from Moody’s Investors Service and BBB- from Standard & Poor’s. Any downgrades in these ratings may increase our borrowing costs or limit our access to capital.

Net cash provided by operating activities for the three months ended March 31, 2007 and 2006 was $9.7 million and $10.1 million, respectively. Cash from operating activities was lower in 2007 primarily due to a higher amount of year-end account payables being paid in the first quarter of 2007 as compared to the first quarter of 2006. The decrease was partially offset by lower disbursements for interest on our long-term debt due to our 2006 debt refinancing.

Net cash used in financing activities was $8.2 million for the three months ended March 31, 2007, as compared to $15.4 million for the same period in 2006. Cash used for financing activities was lower in 2007 primarily due to the payment of $7.3 million notes payable and a $2.0 million working capital settlement to Highstar in 2006 as a result of the 2005 acquisition. The decrease is partially offset by higher dividend payments in the first quarter of 2007.

Net cash used in investing activities for the three months ended March 31, 2007 and 2006 was $6.9 million and $4.2 million, respectively. Cash used in investing activities was higher in 2007 principally due to higher capital expenditures.

8.5% Notes

Prior to April 13, 2006, we had outstanding $180.0 million of 8.5% Notes. Interest on the 8.5% Notes is payable semi-annually in February and August. The 8.5% Notes were subject to certain covenants that restricted, among other things, our or our subsidiaries' ability to make investments; incur additional indebtedness; pay dividends on, or redeem capital stock; create liens; sell assets; or engage in certain other business activities. See Note 9 of the accompanying Notes to the Consolidated Financial Statements for further discussion of dividends and related restrictions.

As a result of the acquisition described in Note 3 of the accompanying Notes to the Consolidated Financial Statements, the fair value of the 8.5% Notes was calculated and a premium of $15.7 million was recorded in Long-term debt. This premium was being amortized over the remaining life of the 8.5% Notes.

On March 23, 2006, we launched a tender offer pursuant to which we offered to purchase all of our outstanding 8.5% Notes. As part of this tender offer, we solicited consents to amend the indenture governing the 8.5% Notes to eliminate substantially all of the covenants and certain events of default contained in the indenture.

As a result of the tender, we accepted for payment $176.9 million principal amount of the 8.5% Notes, which represented 98.29% of the outstanding aggregate principal amount of the 8.5% Notes. On April 6, 2006, we paid $190.7 million to reacquire the debt, which had a carrying value of $190.5 million; and a loss of $0.2 million was recorded. Fees of approximately $0.5 million associated with the tender were also charged to expense. In addition, we entered into a Supplemental Indenture for the 8.5% Notes on April 10, 2006, which eliminated substantially all of the original covenants and certain events of default. At March 31, 2007, our outstanding balance of the 8.5% Notes was $3.1 million. The 8.5% Notes are callable on or after August 1, 2007.

6.75% Notes

On April 13, 2006, we completed a private offering of $200.0 million aggregate principal amount of 6.75% Notes, the proceeds of which were used to retire the 8.5% Notes tendered, including related premiums and expenses, and to pay the issuance costs of the new offering. In connection with the offering, we entered into a 6.75% Notes Indenture, dated April 13, 2006 by and between us and The Bank of New York Trust Company, N.A., as trustee.

Interest is payable semi-annually on March 1 and September 1 of each year, and began on September 1, 2006. The 6.75% Notes mature on March 1, 2016. The 6.75% Notes are our senior unsecured obligations and rank equal in right of payment to all of our existing and future unsecured indebtedness, including our 8.5% Notes that remain outstanding following our tender offer and are effectively junior to any secured indebtedness of ours to the extent of the value of the assets securing such indebtedness, if any.

In connection with the issuance of the 6.75% Notes, we entered into a registration rights agreement dated as of April 13, 2006, whereby we agreed to offer to exchange the 6.75% Notes for a new issue of substantially identical notes registered under the Securities Act of 1933, as amended. The registration statement was filed on June 30, 2006 and was declared effective on August 2, 2006. The exchange offer was consummated on September 11, 2006, at which time all notes were accepted for exchange.

The declaration and payments of dividends or distributions to equity holders, under the 6.75% Notes Indenture, is subject to, with certain limited exceptions, a minimum fixed charge coverage ratio and cumulative available cash flows from operations or a leverage ratio, subject to certain conditions, as defined in the indenture.

Central Credit Facility

Prior to April 13, 2006, Central had in place the Central Credit Facility with Union Bank of California, providing for, among other things, a term loan of $50.0 million that matured on May 1, 2006. The Central Credit Facility was secured by certain customer contracts and physical assets of Central.

In connection with Central's 2006 refinancing discussed below, the term loan was repaid in full on April 13, 2006 and the related agreements were terminated.

Central's 7.375% Notes

Prior to April 13, 2006, Central had outstanding $175.0 million of 7.375% Notes.

On March 23, 2006, Central launched a tender offer pursuant to which it offered to purchase all of its outstanding 7.375% Notes. As a result of the tender offer, Central accepted for payment $155.1 million aggregate principal amount of the 7.375% Notes. On April 25, 2006, Central called for redemption the remainder of its 7.375% Notes, settlement of which was made on May 1, 2006. Central paid $177.6 million to reacquire the debt, which had a carrying value of $174.9 million. The premiums and expenses related to the tender and call will be amortized over the life of the new debt, as permitted by FERC accounting regulations.

Central's 6.0% Notes

On April 13, 2006, Central completed a private offering of $230.0 million aggregate principal amount of 6.0% Notes, the proceeds of which were used to pay issuance costs of the offering, to pay amounts outstanding under the Central Credit Facility, and to retire its 7.375% Notes, including related premiums and expenses. In connection with the offering, Central entered into an indenture, or 6.0% Notes Indenture, dated April 13, 2006 by and between Central and The Bank of New York Trust Company, N.A., as trustee. The 6.0% Notes Indenture contains customary restrictive covenants and events of default.

Interest on the 6.0% Notes is payable on June 1 and December 1 of each year, and began on December 1, 2006. The 6.0% Notes mature on June 1, 2016. The 6.0% Notes are Central's senior unsecured obligations and rank equal in right of payment to all of its existing and future unsecured indebtedness and are effectively junior to any secured indebtedness of Central to the extent of the value of the assets securing such indebtedness, if any.

Capital Lease

Central has a 20-year capital lease with the Owensboro-Daviess County Industrial Development Authority for use of a headquarters building. Ownership of the facility will transfer to Central for a nominal fee upon expiration of the lease in 2024. The overall effective interest rate on the obligation is 6.29%. Principal and interest are paid semi-annually.

Other

We operate under a Federal and State Income Tax Policy which provides that Southern Star will file consolidated tax returns on behalf of ourselves and Central and pay all taxes shown thereon to be due. Central makes payments to Southern Star as though it were filing a separate return for its federal income tax liability. Southern Star has an obligation to indemnify Central for any liability that Central incurs for taxes of the affiliated group of which we are members under Treasury Regulations Section 1.1502-6.

On April 30, 2004, Central filed a general rate case under FERC Docket No. RP04-276 which became effective November 1, 2004. The case was settled and became final in 2005. The terms of the settlement require Central to file a rate case to be effective no later than November 1, 2008.

Prior to the acquisition, we entered into employee retention agreements with the officers of Central. These agreements require annual payments to those employees totaling $9.3 million over a five-year period for their continued employment. We are accruing the expenses associated with these payments ratably over the period services are being provided. These accrued expenses totaled $1.2 million for each of the periods ended as of March 31, 2007 and 2006, and are included in Accrued payroll and employee benefits on the accompanying Consolidated Balance Sheets.

At March 31, 2007, we were in compliance with the covenants of all outstanding debt instruments. See Note 5 of the accompanying Notes to the Consolidated Financial Statements for further discussion of our debt instruments.

Other

Contractual Obligations and Commitments

We have estimated capital expenditures of $50.3 million in 2007 including $11.2 million for the Waynoka Supply Project and approximately $10.9 million for the Westar Emporia and the Midwest Goodman Expansion Projects. The two expansion projects will be completed at an additional estimated cost of $7.2 million which is expected to be incurred in 2008.

In addition to the contractual obligations and commitments listed above, Central expects to contribute $7.5 million to its Union and Non-Union Retirement Plans in 2007. See Note 9 of the accompanying Notes to the Consolidated Financial Statements for further discussion of our employee benefit plans.

Contractual obligations and commitments are expected to be funded with cash flows from operating activities, and by accessing capital markets as needed.

Contingencies

See Note 5 and Note 6 of the accompanying Notes to the Consolidated Financial Statements for further information that may cause operating and financial uncertainties.

Effects of Inflation

Central generally has experienced increased costs in recent years due to the effect of inflation on the cost of labor, materials and supplies, and property, plant and equipment. A portion of the increased labor, materials and supplies costs can directly affect income through increased operating and administrative costs. The cumulative impact of inflation over a number of years has resulted in increased costs for current replacement of productive facilities. The majority of Central's property, plant, equipment and inventory is subject to ratemaking treatment, and under current FERC practices, recovery is limited to authorized historical costs. While amounts in excess of historical cost are not recoverable under current FERC practices, we believe Central will be allowed to recover and earn a return based on the increased actual costs incurred when existing facilities are replaced. Cost-based regulation, along with competition and other market factors, limits Central's ability to price services or products based upon the effect of inflation on costs.

Seasonality

Substantially all of Central's operating revenues are generated from the collection of fixed monthly reservation fees for transportation and/or storage services. As a result, fluctuations in natural gas prices and actual volumes transported and stored have a limited impact on Central's operating revenues. Since the fixed monthly reservation fees are generally consistent from month to month, Central's operating revenues do not fluctuate materially from season to season.

Generally, construction and maintenance on Central's pipeline occurs during May through October when volume throughput is usually lower than during the winter heating season. As such, operating and maintenance expenses are generally higher in the second and third quarters and the majority of our capital expenditures are incurred during this time.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Our market risk is limited to interest rate risk on our long-term debt. All interest is fixed. Our long-term debt at March 31, 2007, had a carrying value of $431.8 million and a fair value of $431.2 million. The weighted-average interest rate of our long-term debt was 6.60%. Our $200.0 million (6.75%) and $230.0 million (6.0%) long-term debt issues mature in 2016 and the $3.1 million of 8.5% Notes outstanding at March 31, 2007 matures in 2010.

The $7.5 million balance of our capital lease obligation matures serially through 2024 and carries a fixed effective interest rate of 6.29%.

Item 4. Controls and Procedures

Our management, with the participation of our Chief Executive Officer, or CEO, and Chief Financial Officer, or CFO, has evaluated the effectiveness of our disclosure controls and procedures as of March 31, 2007. Based on that evaluation, our CEO and CFO concluded that our disclosure controls and procedures were effective as of March 31, 2007. There were no material changes in our internal control over financial reporting during the first three months of 2007 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings

United States ex rel, Grynberg v. Williams Natural Gas Company, et al., MDL Docket No. 1293 (99 MD 1614), Civil Action No. 97 D 1478, (District of Colorado), or Grynberg Litigation

In 1998, Jack Grynberg, an individual, sued Central and approximately 300 other energy companies, purportedly on behalf of the federal government, or *qui tam*. Invoking the False Claims Act, Grynberg alleged that the defendants had mismeasured the volume and wrongfully analyzed the heating content of natural gas, causing underpayments of royalties to the United States. The relief sought was an unspecified amount of royalties allegedly not paid to the federal government, treble damages, or civil penalty, attorney fees and costs. Thus far, the Department of Justice has declined to intervene in Grynberg's *qui tam* cases, which were consolidated for pretrial purposes before a single judge in the United States District Court, or Trial Court, for the District of Wyoming. Initial discovery was limited to public disclosure/original source jurisdictional issues. On June 4, 2004, motions, with supporting briefs, were filed by the Joint Defendants requesting the Trial Court to dismiss Grynberg's claims based on lack of subject matter jurisdiction. Those motions were fully briefed and oral arguments occurred on March 17 and 18, 2005. On May 13, 2005, the Special Master appointed to adjudicate procedural issues and help manage the consolidated litigation for the Trial Court Judge, issued his "Report and Recommendations" addressing which Grynberg claims against which defendants should be dismissed. Central was one of the defendants as to which the Special Master recommended that Grynberg's claims be dismissed on jurisdictional grounds. Both Grynberg and a number of the defendants filed objections to the Special Master's report. On October 20, 2006, the Trial Court Judge entered his "Order on Report and Recommendations of Special Master" dismissing Grynberg's claims against Central and substantially all of the other defendants. The relator's counsel has filed notices of appeal with the trial court for the Tenth Circuit, and the clerk's office has indicated that it will be entering a preliminary case management order in the near future. On April 24, 2007, the Trial Court held a hearing on various motions pertaining to attorneys' fees and costs, but has not yet issued an opinion or order as a result of that hearing.

Will Price, et al. v. El Paso Natural Gas Co., et al., Case No. 99 C 30, District Court, Stevens County, Kansas, or Price Litigation I

In this putative class action filed May 28, 1999, the named plaintiffs, or Plaintiffs, have sued over 50 defendants, including Central. Asserting theories of civil conspiracy, aiding and abetting, accounting and unjust enrichment, their Fourth Amended Class Action Petition alleges that the defendants have undermeasured the volume of, and therefore have underpaid for, the natural gas they have obtained from or measured for Plaintiffs. Plaintiffs seek unspecified actual damages, attorney fees, pre- and post-judgment interest, and reserved the right to plead for punitive damages. On August 22, 2003, an answer to that pleading was filed on behalf of Central. Despite a denial by the court on April 10, 2003 of their original motion for class certification, the Plaintiffs continue to seek the certification of a class. The Plaintiffs' motion seeking class certification for a second time was fully briefed and the court heard oral argument on this motion on April 1, 2005. In January 2006, the court heard oral argument on a motion to intervene filed by a third party who is claiming entitlement to a portion of any recovery obtained by Plaintiffs. It is unknown when the court will rule on the pending motions.

Will Price, et al. v. El Paso Natural Gas Co., et al., Case No. 03 C 23, District Court, Stevens County, Kansas, or Price Litigation II

In this putative class action filed May 12, 2003, the named Plaintiffs from Case No. 99 C 30 (discussed above) have sued the same defendants, including Central. Asserting substantially identical legal and/or equitable theories, as in Price Litigation I, this petition alleges that the defendants have undermeasured the British thermal units, or Btu, content of, and therefore have underpaid for, the natural gas they have obtained from or measured for Plaintiffs. Plaintiffs seek unspecified actual damages, attorney fees, pre- and post-judgment interest, and reserved the right to plead for punitive damages. On November 10, 2003, an answer to that pleading was filed on behalf of Central. The Plaintiffs' motion seeking class certification, along with Plaintiff's second class certification motion in Price Litigation I, was fully briefed and the court heard oral argument on this motion on April 1, 2005. In January 2006, the court heard oral argument on a motion to intervene filed by a third party who is claiming entitlement to a portion of any recovery obtained by Plaintiffs. It is unknown when the court will rule on the pending motions.

Item 1A. Risk Factors

Our 2006 Annual Report on Form 10-K includes a detailed discussion of our risk factors. No updates to this information are necessary.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None

Item 3. Defaults Upon Senior Securities

None

Item 4. Submission of Matters to a Vote of Security Holders

None.

Item 5. Other Information

(a) Effective May 9, 2007, Vandana (Vann) McCaw resigned as director of the Company. Ms. McCaw did not resign because of any disagreement with our Company or on any matter related to its operations, policies or practices.

Item 6. Exhibits

(a) Exhibits

31.1 —Certificate of Jerry L. Morris, Chief Executive Officer of Southern Star Central Corp., pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

31.2 —Certificate of Susanne W. Harris, Chief Financial Officer of Southern Star Central Corp., pursuant to Section 302 of the Sarbanes-Oxley Act 2002.

32 —Certificate of Jerry L. Morris, Chief Executive Officer of Southern Star Central Corp., and Susanne W. Harris, Chief Financial Officer of Southern Star Central Corp., pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

SOUTHERN STAR CENTRAL CORP.

May 10, 2007

By: /s/ JERRY L. MORRIS

Jerry L. Morris
President and Chief Executive Officer

May 10, 2007

By: /s/ SUSANNE W. HARRIS

Susanne W. Harris
Vice President, Chief Financial Officer & Treasurer

No annual report or proxy material has been sent to security holders.

INDEX TO EXHIBITS

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Exhibit 31.1

CERTIFICATION

Statement Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 by Chief Executive Officer Regarding Facts and Circumstances Relating to Exchange Act Filings.

I, Jerry L. Morris, Chief Executive Officer of Southern Star Central Corp., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Southern Star Central Corp.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13(a) - 15(e) and 15(d) - 15(e)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's Board of Directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Signature	Title	Date
By: /s/ Jerry L. Morris Jerry L. Morris	Chief Executive Officer	May 10, 2007

Exhibit 31.2

CERTIFICATION

Statement Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 by Chief Financial Officer Regarding Facts and Circumstances Relating to Exchange Act Filings.

I, Susanne W. Harris, Chief Financial Officer of Southern Star Central Corp., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Southern Star Central Corp.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13(a) - 15(e) and 15(d) - 15(e)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's Board of Directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Signature	Title	Date
By: /s/ Susanne W. Harris Susanne W. Harris	Chief Financial Officer	May 10, 2007

Exhibit 32

CERTIFICATION PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
(18 U.S.C. SECTION 1350)

In connection with the Quarterly Report on Form 10-Q of Southern Star Central Corp. (the Company), a Delaware corporation, for the quarter ended September 30, 2006 as filed with the Securities and Exchange Commission on the date hereof (the Report), each of the undersigned, Jerry L. Morris, Chief Executive Officer of the Company, and Susanne W. Harris, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of his knowledge, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of and for the periods presented in the Report.

The foregoing certification is provided solely for purposes of complying with the provisions of Section 906 of the Sarbanes-Oxley Act of 2002 and is not intended to be used or relied upon for any other purpose.

Signature	Title	Date
By: /s/ Jerry L. Morris Jerry L. Morris	Chief Executive Officer	May 10, 2007
By: /s/ Susanne W. Harris Susanne W. Harris	Chief Financial Officer	May 10, 2007

A signed original of this written statement required by Section 906 has been provided to Southern Star Central Corp. and will be retained by Southern Star Central Corp. and furnished to the Securities and Exchange Commission or staff upon request.