



NYSE: SUG

# **Lehman Brothers CEO Energy/Power Conference**

New York City  
September 7, 2005



# Management

- Tom Karam - President and Chief Operating Officer
- Rob Bond - President and Chief Operating Officer of Panhandle Energy
- Julie Edwards - SVP & Chief Financial Officer
- Jack Walsh - Director of Investor Relations



# Safe Harbor

This presentation and other Company reports and statements issued or made from time to time contain certain "forward-looking statements" concerning projected financial performance, expected plans or future operations. Southern Union Company cautions that actual results and developments may differ materially from such projections or expectations.

Investors should be aware of important factors that could cause actual results to differ materially from the forward-looking projections or expectations. These factors include, but are not limited to: cost of gas; gas sales volumes; gas throughput volumes and available sources of natural gas; discounting of transportation rates due to competition; customer growth; abnormal weather conditions in Southern Union's service areas; impact of relations with labor unions of bargaining-unit employees; the receipt of timely and adequate rate relief and the impact of future rate cases or regulatory rulings; the outcome of pending and future litigation; the speed and degree to which competition is introduced to Southern Union's natural gas distribution businesses; new legislation and government regulations and proceedings involving or impacting Southern Union; unanticipated environmental liabilities; ability to comply with or to challenge successfully existing or new environmental regulations; changes in business strategy and the success of new business ventures, including the risks that the business acquired and any other business or investment that Southern Union has acquired or may acquire may not be successfully integrated with the business of Southern Union; exposure to customer concentration 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; factors affecting operations - such as maintenance or repairs, environmental incidents or gas pipeline system constraints; Southern Union's or any of its subsidiaries debt security ratings; the economic climate and growth in the energy industry and service territories and competitive conditions of energy markets in general; inflationary trends; changes in gas or other energy market commodity prices and interest rates; current market conditions causing more customer contracts to be of shorter duration, which may increase revenue volatility; the possibility of war or terrorist attacks; the nature and impact of any extraordinary transactions, such as any acquisition or divestiture of a business unit or any asset.

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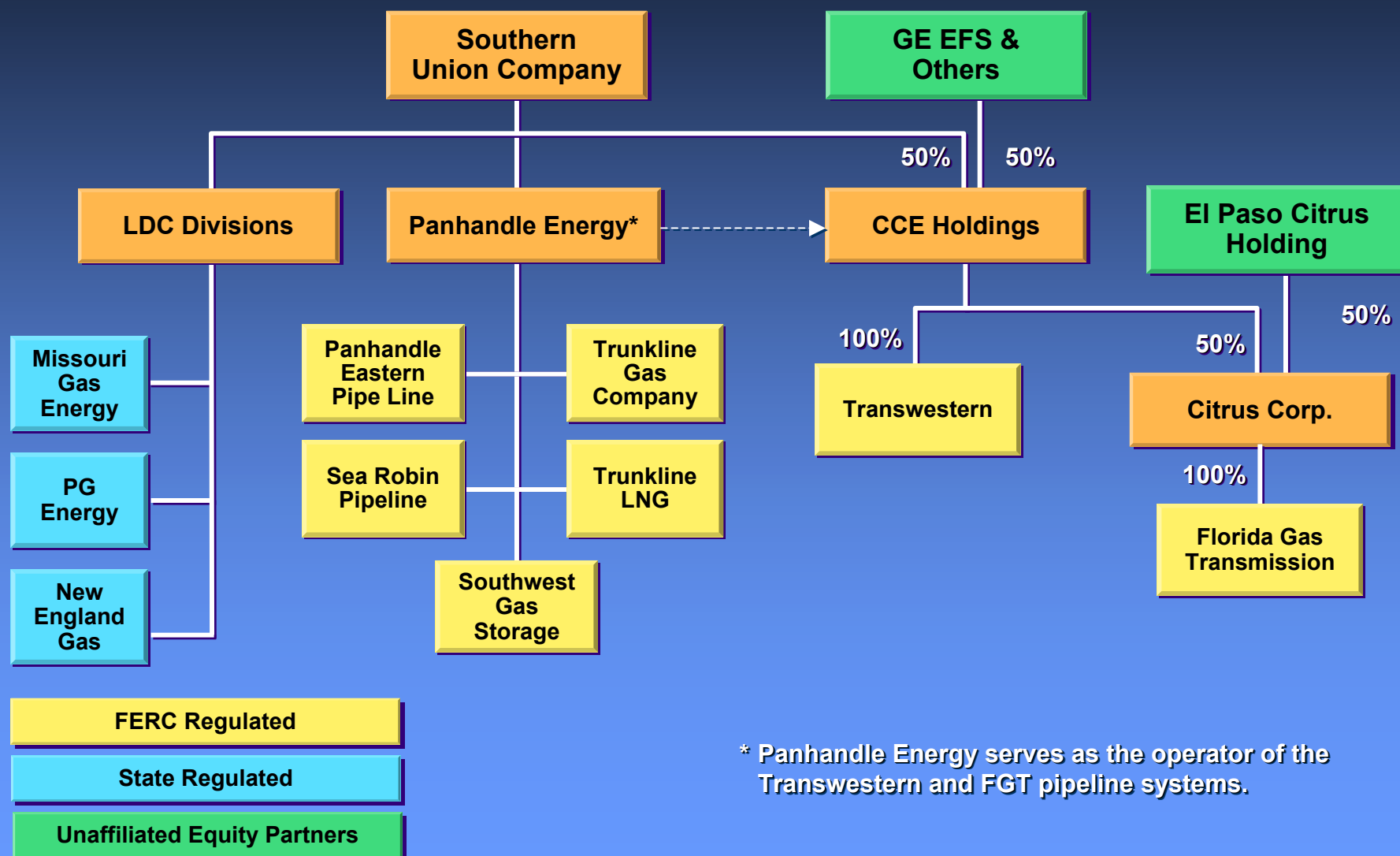


# Widespread Asset Base





# Organizational Structure

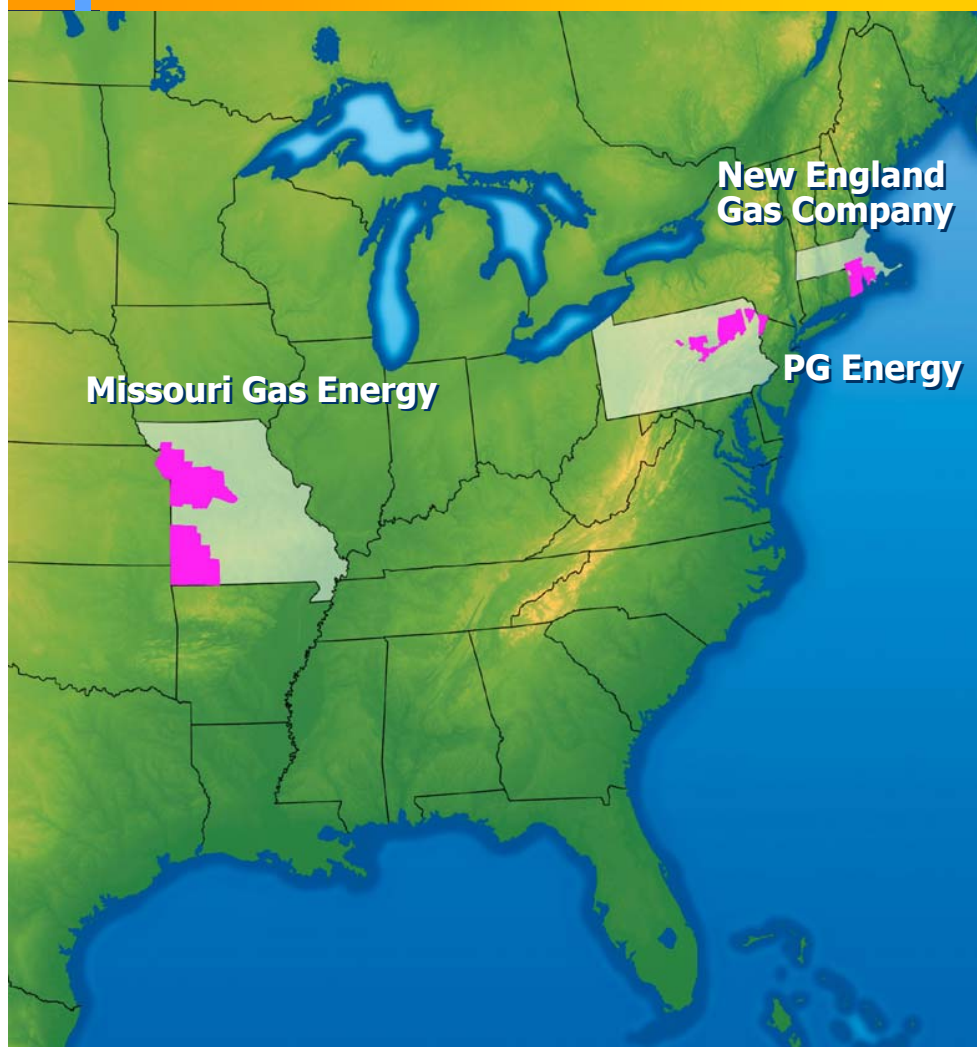




# Local Gas Distribution Divisions



# Natural Gas Distribution Assets Overview



- Limited commodity price risk
- History of constructive rate-making, sharing and recovery mechanisms
  - Weather normalization in Rhode Island
- Highlights:
  - Nearly one million customers
  - Retail sales: 112 Bcf
  - Transportation volumes: 61 Bcf
- New SVP of Utility operations to focus on:
  - Safe, efficient operations
  - Controlling costs & earning allowed returns
- EBIT of \$83.7MM through June 30, 2005

# Geographic Diversification Unified by Strong Operations



## Missouri Gas Energy



- Headquartered in Kansas City, MO
- Serves approximately 500,000 customers
- Serves 34 counties throughout MO
- Regulated by the Missouri Public Service Commission
- MGE received a \$22.5 million rate increase effective October 2004
- SUG appealed ROE and Capitalization

## PG Energy



- Headquartered in Wilkes-Barre, PA
- Serves approximately 160,000 customers
- Serves 13 counties in northeastern and central PA
- Regulated by the Pennsylvania Public Utility Commission

## New England Gas Co.



- Headquartered in Providence, RI
- Serves approximately 300,000 customers
- Serves the state of Rhode Island and southeastern Massachusetts
- Regulated by the RI Public Utilities Commission and the Massachusetts Department of Telecommunications & Energy





# Transportation, Storage & LNG



# Widespread Asset Base





# Growth Opportunities



# LNG Expansion Projects

## Overview

- Project costs of approx. \$264 million; \$200 million spent to date, \$64 million remaining
- All expansion capacity and sendout fully contracted to BG through 2023
- Projects to generate approx. \$80 million in annual revenues with a significant portion falling to EBITDA
- Projects will begin contributing to earnings in CY 2005 and will have full-year earnings impact in CY 2007

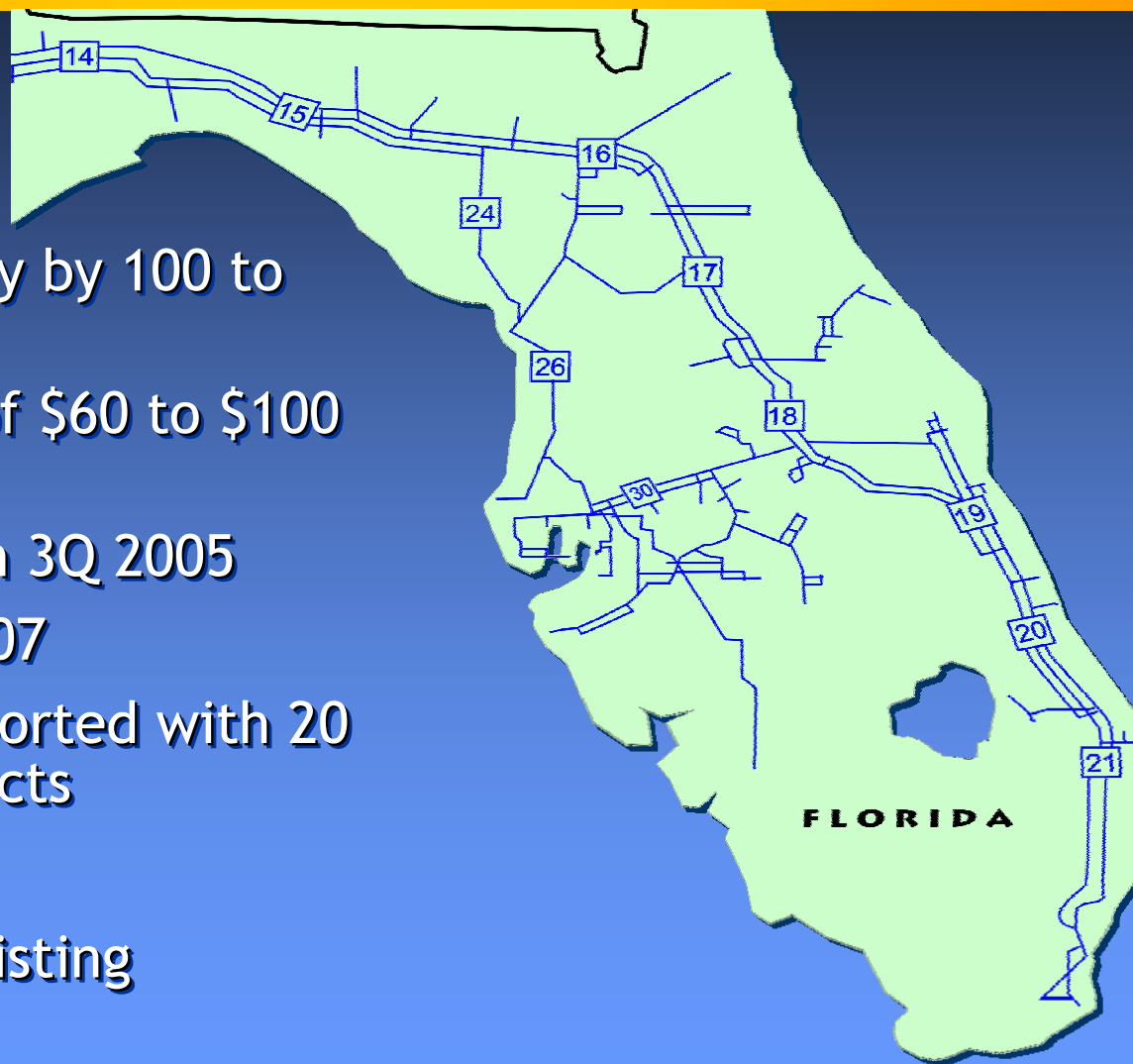
## Progress

- Phase I - \$137MM
  - Construction underway
  - Double sendout capacity to 1.2 Bcf/d
  - Increase storage capacity to 9.0 Bcf
  - In service by December 2005
- Phase II - \$77MM
  - FERC approved September 2004
  - Increase sendout capacity to 1.8 Bcf/d, with peak of 2.1 Bcf/d
  - Completion by mid-calendar 2006
- Trunkline Loop - \$50MM
  - FERC approved September 2004
  - Increase takeaway capacity to accommodate expansions
  - Completed July 2005

# Florida Gas Transmission Expansion Opportunities



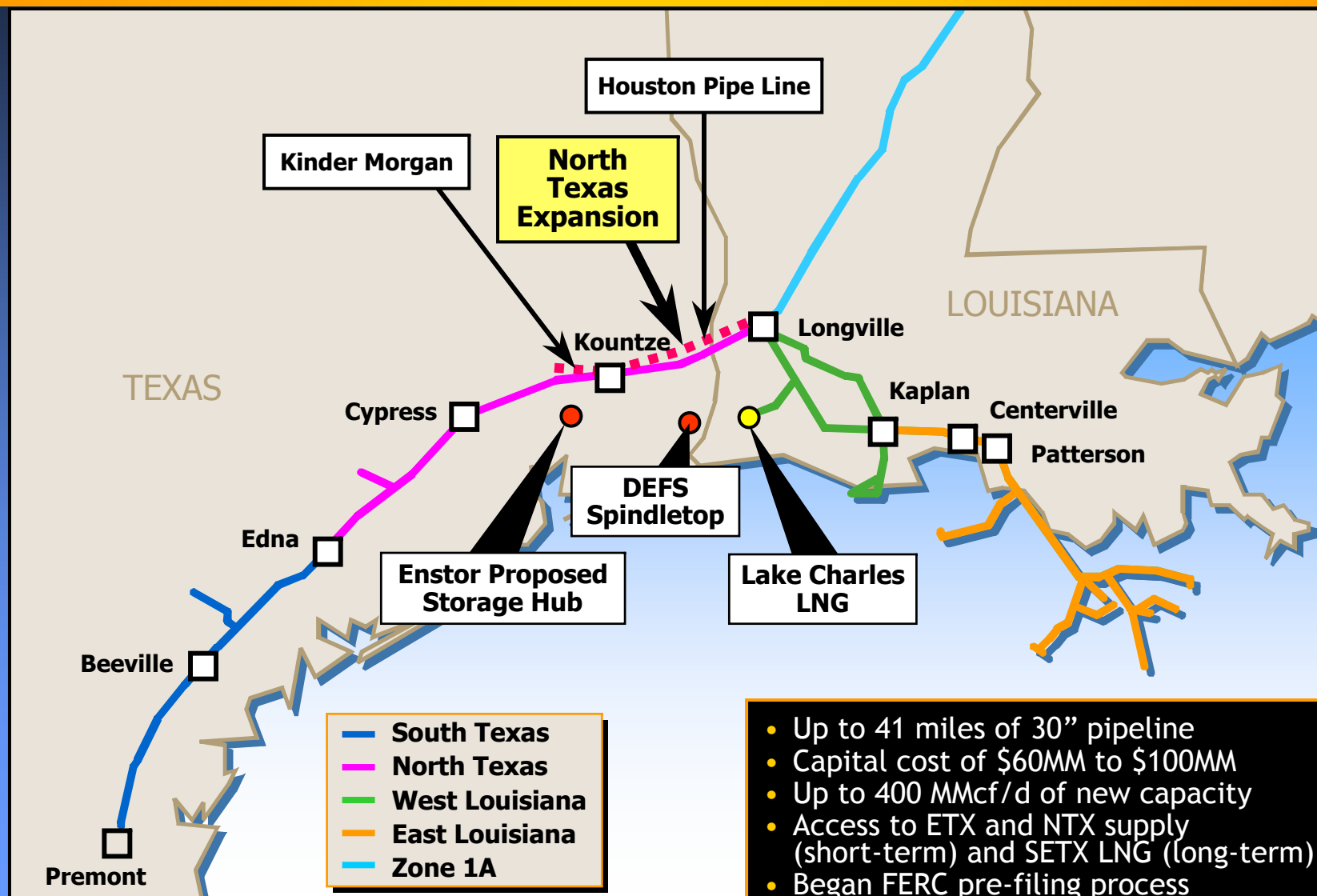
- Phase VII
  - Increase capacity by 100 to 160 MMcf/d
  - Projected cost of \$60 to \$100 million
  - FERC application 3Q 2005
  - In service 3Q 2007
  - Investment supported with 20 year firm contracts
- Phase VIII?
  - Capitalize on existing infrastructure



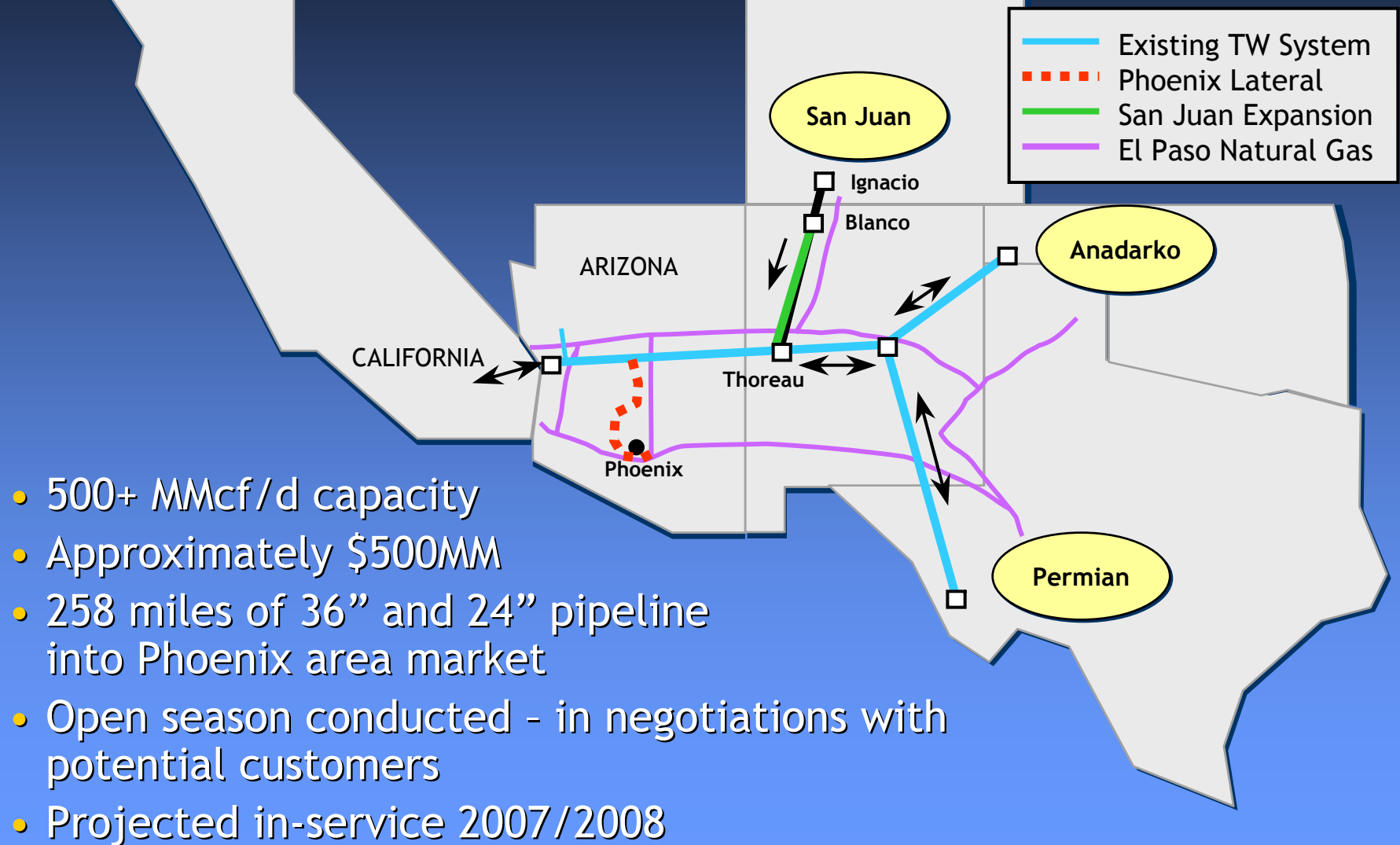




# Trunkline Texas Expansion



# Transwestern Pipeline Phoenix Lateral

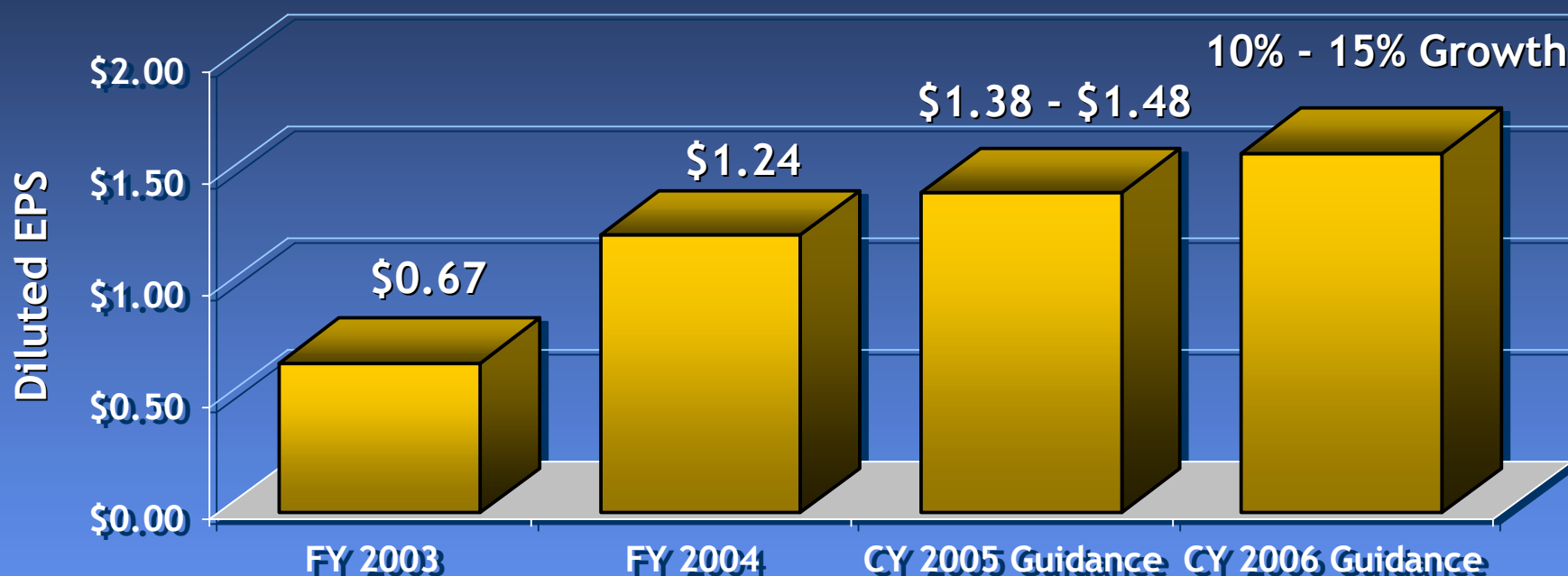




# Financial Highlights



# EPS Growth Profile



Note: All current and prior year EPS amounts have been adjusted to reflect the 5% stock dividend paid to shareholders on September 1, 2005.



# Strong Earnings Potential

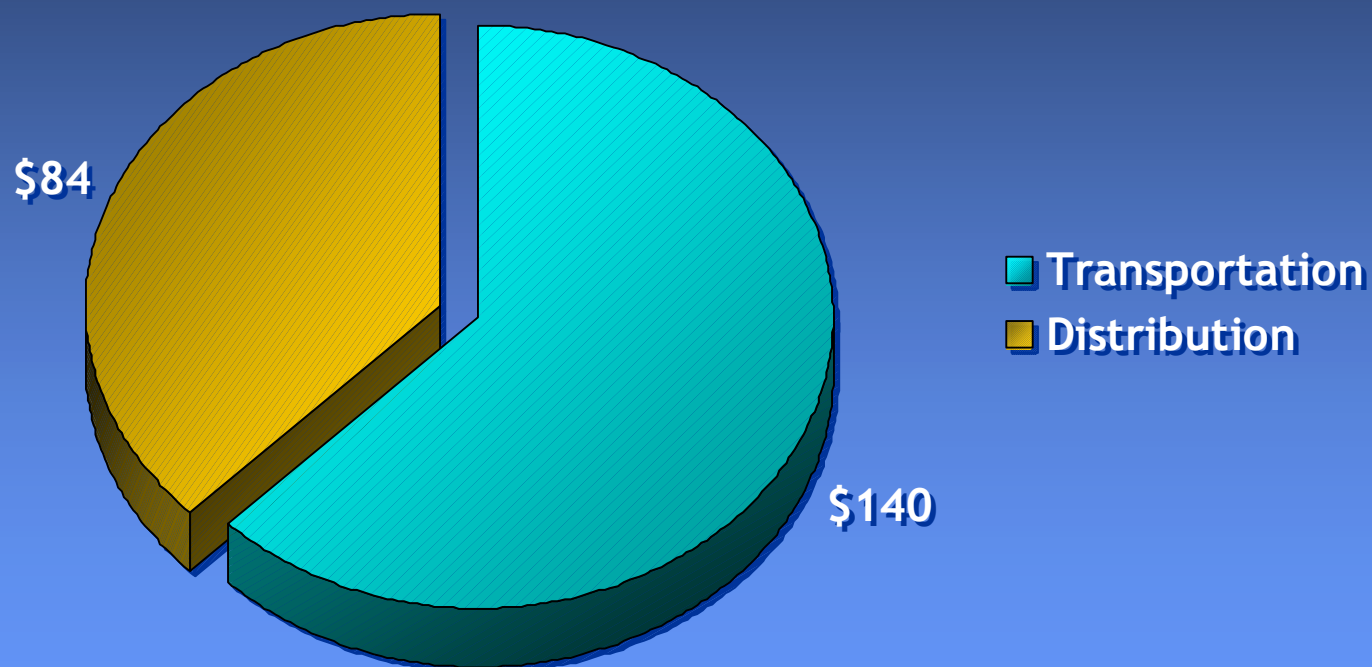
- Drivers for Calendar 2005
  - CCE Holdings investment for full year - \$45 MM to \$50 MM after tax
  - \$17.5 MM of synergies split between SUG and CCEH
  - Full year of \$22.5 MM MGE rate case
- Drivers for Calendar 2006
  - LNG expansions
    - Approximately \$63 MM in operating revenue
  - Remainder of synergies
    - Approximately \$7.5 MM
  - Full year San Juan expansion
    - Approximately \$35 MM in operating revenue





# Segment EBIT

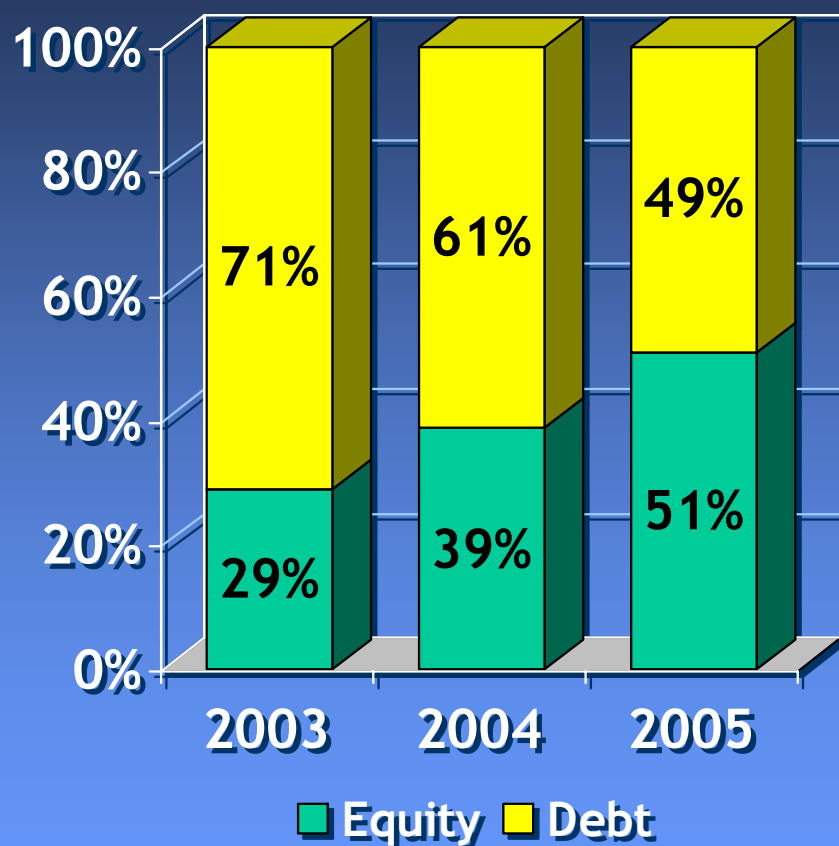
6 Months Ended June 30, 2005  
(\$000,000)



Note: EBIT is a non-GAAP measure. Please refer to Southern Union Company's Form 10-Q filed August 9, 2005 with the Securities and Exchange Commission for a reconciliation of EBIT to net income.



# Respect for the Balance Sheet



Note: Debt/Cap as of June 30 with 100% equity credit to preferred stock and mandatory equity units.

- Investment grade ratings:
  - BBB (negative outlook) at S&P
  - BBB (stable) at Fitch
  - Baa3 (negative outlook) at Moody's
- Strong internal equity formation



# Why Invest in SUG?

- One of the largest pure-play regulated natural gas companies in the United States
  - 18,000 miles of interstate pipelines serving customers from coast to coast/transportation of over 10% of total US consumption
  - Three distribution divisions serving 1 million customers
  - Owns and operates the only LNG receipt terminal on the U.S. Gulf Coast
- Proven acquisition track record
  - Successful integration of five acquisitions since 1999
  - Focus on regulated energy infrastructure assets
- Attractive business profile and earnings and cash flow growth visibility
  - High quality, stable and predictable cash flows
  - Low business risk with nearly 100% of businesses regulated
  - Outstanding low risk growth opportunities