

SOUTHERN UNION CO
Form 425
November 21, 2011

Energy Transfer Equity, L.P.
Acquisition of Southern Union Company
Investor
Presentation

November

21,

2011

Filed by Energy Transfer Equity, L.P.

pursuant to Rule 425 under the Securities Act of 1933

and deemed filed pursuant to Rule 14a-12 under the

Securities Exchange Act of 1934

Subject Company: Southern Union Company

Commission File No.: 1-06407

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Legal Disclaimer

This presentation may contain statements about future events, outlook and expectations of Energy Transfer Equity, L.P. (ETE) (ETP), Regency Energy Partners LP (RGP), and Southern Union Company (SUG) (collectively, the Companies), all of which

Any statement in this presentation that is not a historical fact

may be deemed to be a forward-looking statement. These forward-looking statements rely on a

number

of

assumptions
concerning
future
events
that
are
believed
to
be
reasonable,
but
are
subject
to
a
number
of
risks,
uncertainties
and
other
factors,
many
of
which are outside the Companies

control, and which could cause the actual results, performance or achievements of the Companies to be materially different. Among those is the risk that conditions to closing the transaction are not met or that the anticipated benefits from the proposed While the Companies believe that the assumptions concerning future events are reasonable, we caution that there are inherent important factors that could impact the future performance or results of our businesses. These risks and uncertainties are discussed made by the Companies with the Securities and Exchange Commission, copies of which are available to the public. The Company has no intention or obligation to revise or publicly update any forward-looking statements, whether as a result of new information, future The U.S. federal income tax consequences to a SUG shareholder of the merger and of owning and disposing of

ETE
common
units
received
in
the
merger
are
complex.
SUG
shareholders
should
consult
their
own
tax
advisors
regarding
the
U.S.
federal
income
tax
consequences
applicable
to
them
in
light
of
their
particular circumstances. For a more detailed discussion of the material U.S. federal income tax consequences to SUG shareho
ownership and disposition of ETE common units received in the merger, please see the definitive proxy statement / prospectus
All references in this presentation to capacity of a pipeline, processing plant or storage facility relate to maximum capacity und
with
respect
to
pipeline
transportation
capacity,
are
subject
to
multiple
factors
(including
natural
gas
injections
and

withdrawals

at

various

delivery

points

along

the pipeline and the utilization of compression) which may reduce the throughput capacity from specified capacity levels.

Additional Information

A definitive proxy statement / prospectus has been sent to stockholders of SUG seeking their approval of the transaction. Investors

obtain a free copy of the definitive proxy statement / prospectus and other documents filed by ETE and SUG with the SEC at the following address:

The definitive proxy statement / prospectus and such other documents relating to ETE may also be obtained free of charge by contacting:

Transfer Equity, L.P., Attn: Investor Relations, 3738 Oak Lawn Avenue, Dallas, Texas 75219, or from ETE's website, www.ete.com

proxy

statement

/

prospectus

and

such

other

documents

relating

to

SUG

may

also

be

obtained

free

of

charge

by

directing

a

request

to

Southern

Union

Company,

Attn:

Investor

Relations,

5051

Westheimer

Road,

Houston,

Texas

77056,

or

from

SUG's

website,
www.sug.com.

Investors
and
security
holders
are
urged
to

carefully read the proxy statement / prospectus and such other documents filed with the SEC because the materials contain important information regarding
SUG and the transaction.

ETE,
SUG
and
their

respective
directors
and
executive
officers

may,
under
the
rules
of
the
SEC,

be
deemed
to
be

participants

in
the
solicitation
of
proxies
in
connection
with
the
proposed
transaction.

Information
concerning
the
interests
of
the
persons

who
may
be
participants
in
the
solicitation
set
forth
in
the
definitive proxy statement / prospectus.

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SUG Transaction Update

Review of the final transaction structure

-

Southern Union Company (SUG) shareholders may elect \$44.25 in cash or 1.00 Energy Transfer Equity, L.P. (ETE) common unit per SUG common share

-

Election subject to proration so that aggregate consideration will be a maximum of 60% cash or up to a maximum of 50%

ETE common units

-

Implies

\$42.20

per

share

of

SUG

common

stock,

assuming

40%

unit

consideration,

based

on

ETE s

closing

price

on

November

18,

2011

(1)

,

a

49.3%

premium

to

the

unaffected

SUG

closing

price

on

June

15,

2011

\$3.7 billion committed acquisition financing to fund cash consideration is fully syndicated

Regulatory approval is on track

-

Only Missouri Public Service Commission (MPSC) approval remains

-

ETE

and

SUG

are

parties

to

a

pending
joint
application
before
the
MPSC,
requesting
an
order
authorizing
SUG
to
take
certain
actions
to
allow
ETE
to
acquire
the
equity
interests
of
SUG.

-
FERC
approval
already
received;
the
waiting
period
applicable
to
the
merger
under
HSR
has
expired
Expected timeline

-
SUG to hold a Special Meeting of Shareholders entitled to vote on the merger transaction on December 9, 2011

-
Approval
by
the
stockholders
of

SUG

as

of

October

11

th

record

date

-

Targeting Q1 2012 closing upon receipt of MPSC approval

Institutional

Shareholder

Services

and

Egan-Jones

Proxy

Services

are

both

advising

SUG

shareholders

to

vote

FOR

the

merger

on December 9th based on the following:

-

The significant premium to SUG shareholders

-

The

negotiations

by

SUG

which

resulted

in

a

34%

increase

in

value

to

shareholders

and

a

price

significantly

higher

than
Southern
Union's
all-time
high
trading
price
prior
to
the
initial
announcement
of
the
merger

-

The flexibility to elect cash or units

(1)

Adjusted for approximately 13.4% equity pre-election by certain SUG insiders.

Florida Gas Transmission
Panhandle Eastern Pipeline
Trunkline Gas
Sea Robin Pipeline
Southern Union Gas Services
Missouri Gas Energy
New England Gas Company
Storage
Trunkline LNG
Southern Union assets

ETP natural gas pipelines
Lone Star pipeline
RGP pipelines
RGP gathering system
Lone Star fractionation/processing facility
Lone Star storage facility
RGP treating/processing facility

Gas hub

Processing

Storage

Treating

ETE-controlled assets

Gas basins

Combined Asset Footprint

Note:

Excludes PEI Power.

Energy

Transfer

(1)

SUG

Combined

Miles of Natural Gas Pipeline

23,589

21,169

44,758

Natural Gas Throughput (Bcf/d)

22.1

8.6

30.7

Natural Gas Storage (Bcf)

74

109

184

Natural Gas Processing Capacity (Bcf/d)

1.4

0.5

1.9

Note:

Figures include only proportional share of partially owned assets.

(1)

Includes ETP, RGP and Lone Star JV.

The combination of SUG

with ETE creates an integrated platform for future growth

5

ETE's pro forma cash flows will be generated through its ownership interests in Energy Transfer Partners, L.P. (ETP), SUG and Regency Energy Partners LP (RGP)

-

ETE will receive stable, growing distributions through its limited partner interests (estimated 22.5% of ETP's common units outstanding, 16.7% of RGP's common units outstanding), general partner interests and incentive distribution rights (IDRs) in ETP and RGP

-

Future cash distribution increases to ETP and RGP unitholders increase distributable cash flow to ETE through its ownership of general partner interests and IDRs in ETP and RGP

-

Newly issued ETP and RGP common units increase distributable cash flow at ETE given the required payment of the general partner interest and IDR for each newly issued unit

-

Distributions from SUG will increase ETE distributable cash flows

\$110

\$333

\$420

\$494

\$485

\$489

FY2006

FY2007

FY2008

FY2009

FY2010

LTM 9/30/11

2006 - 2010 CAGR: 44.9%

ETE Distributable Cash Flow

Key Drivers for ETE Distributions for 2012 and Beyond

Consolidated Energy Transfer family has announced ~\$3.5 billion in future growth projects in key producing regions since January 1, 2011

Eagle Ford shale projects

2010 -

2014

FEP demand fee ramp-up

1Q 2011

LDH Energy acquisition (Lone Star)

2Q 2011

Tiger Pipeline demand fee ramp-up

3Q 2011

ETP NGL pipeline

3Q 2011

Tilden Treating Facility expansion

4Q 2011

SUG acquisition

1Q 2012

XTO pipeline agreement

4Q 2012

Lone Star NGL fractionator

1Q 2013

Lone Star NGL pipeline

1Q 2013

Red Bluff project

2Q 2013

Eagle Ford expansion

2014

Pro Forma ETE Overview

Future
Growth

6
01/01/09
09/18/09
06/10/10
02/28/11
11/18/11
60
80

100
120
140
160
180
200
220
240
260
280
300
320
340
360
ETE
S&P 500
Alerian MLP Index
\$1.25
\$1.64
\$2.04
\$2.16
\$2.16
\$2.50
FY2006
FY2007
FY2008
FY2009
FY2010
LTM 9/30/11
2006 - 2010 CAGR: 14.7%
ETE Distribution Growth
Relative ETE
Total Return
109%
185%
35%

Source:

FactSet Research Systems.

Since January 2009, ETE unitholders have experienced total returns of 185%

ETE Relative Performance

Note:

Distributions

annualized

based

on

distribution

rate

during

the

last

quarter
of
each
period.

7

Attractive, immediate financial impact for SUG shareholders

-

Flexibility for shareholders to elect cash or ETE common units

Future growth potential is not fully reflected in current ETE unit price

-

Ability to defer tax for SUG shareholders receiving ETE common units

-

Increase
in
annualized
dividend
yield
from
2%
to
6.7%
(1)

ETE distributions for 2012 and 2013 benefit from a substantial tax shield

Enhanced long-term position as this transaction combines SUG's attractive end-user position in major energy-consuming markets with Energy Transfer's unique asset footprint proximate to major natural gas producing basins

-
The
asset
overlap
of
the
Energy
Transfer
family
with
SUG
creates
a
one-of-a-kind
platform
that
maximizes future growth opportunities

A significant cash component, highly compelling equity participation and certainty to close

(1)
Based
on
annualized
quarterly
distribution
announced
on
10/25/11
of
\$0.625
per
unit
and
the
closing
unit
price

of
\$37.56
as
of
November
18,
2011
as
compared
to
the
current
SUG
quarterly dividend of \$0.15 per share.
Benefits to SUG Shareholders

8
Consideration Mechanism
SUG
shareholder
election on a per
share basis
\$44.25 of cash per SUG
common share

1.00 ETE common unit
per SUG common share

Subject to proration if >60% of the SUG shareholders on a per
share basis elect to receive cash

Committed pre-election of ETE common units means that more
cash available for other holders (74% cash / 26% units)

Each SUG shareholder may elect to receive \$44.25 cash or 1.00 ETE common unit on a per share basis

Total mix of consideration dependent upon election of SUG shareholders

Shareholder election

Outcome dependent upon aggregate election of SUG shareholders

Subject to proration if >50% of the SUG shareholders on a per
share basis elect to receive ETE common units

Approximately 13.4% of the equity consideration has already
been pre-elected by certain SUG insiders

Committed pre-election of ETE common units is subject to
proration if more holders want ETE common units

A compelling proposition for all SUG shareholders

9
\$37.00
\$38.00
\$39.00
\$40.00
\$41.00
\$42.00
\$43.00

\$44.00

\$45.00

7/19/11

7/31/11

8/12/11

8/24/11

9/5/11

9/18/11

9/30/11

10/12/11

10/24/11

11/5/11

11/18/11

Implied SUG share price

Dow Jones Industrial Average

Look Through Value Since Announcement

\$42.20

Source:

FactSet Research Systems.

(1)

Based

on

60%

cash

and

40%

units

for

all

shareholders,

adjusting

for

approximately

13.4%

equity

pre-election

by

certain

SUG

insiders.

(2)

Indexed to the implied SUG share price as of 7/19/11.

(1)

(2)

Compelling value proposition with current yield, future distribution growth and unit price appreciation

10
Large, diversified assets well positioned in markets
Upon closing, consolidated Energy Transfer family will have an enterprise value of ~\$40 billion
(1)
Pro forma for the transaction, the consolidated Energy Transfer family will own and operate ~45,000 miles of intrastate and interstate natural gas pipelines in addition to complementary midstream assets
-
Interstate and midstream operations provide enhanced ability to service customer needs from gathering,

processing, fractionation, storage and transportation
Connects prolific natural gas producing areas with multiple end use markets
Investment Considerations
Large Diversified
Asset Base
Strong
Balance Sheet
Committed to maintaining a strong balance sheet
Management
commitment
to
investment-grade
metrics
at
ETP,
SUG
and
RGP
Track record of maintaining a strong liquidity position
Proven ability to raise equity capital (over \$3.5 billion over the last three years)
Stable
Cash Flows
Stable asset base and cash flow profile
Significant fee-based operating income and long-lived assets
High-quality customer base with strong credit profile
Hedge positions provide for further cash flow stability in commodity price sensitive areas
Well
Managed
Growth
Profile
Well-managed organic growth projects
Low-risk, high-return projects supported by long-term customer contracts
Demonstrated ability to construct and place into service pipelines on-time / on-budget
Seek growth projects that connect to existing infrastructure thereby enhancing hydraulic efficiencies
(1)
Based
on
ETP,
RGP
and
ETE
closing
prices
as
of
November
18,
2011;
units
outstanding

and
debt
balances
as
of
9/30/2011,
pro
forma
for
units
and
debt
issued
in
connection
with
the
acquisition
of
SUG and the recent ETP equity offering.
The
ETE
/
SUG
transaction
provides
a
significant
cash
component
to
SUG
shareholders,
highly
compelling equity participation and certainty to close

12
Energy Transfer Equity, L.P.
(NYSE: ETE)
Market cap
(1)
: \$10,298
Enterprise value
(1)

: \$18,322

Corporate rating: BB-

/ Ba1

Regency Energy Partners LP

(NYSE: RGP)

Market cap

(2)

: \$3,716

Enterprise value

(2)

: \$5,615

Corporate rating: BB / Ba3

Energy Transfer Partners, L.P.

(NYSE: ETP)

Market cap

(1)(2)

: \$15,256

Enterprise value

(1) (2)

: \$23,751

Corporate rating: BBB-

/ Baa3

Midstream

Interstate Transportation

Intrastate Transportation & Storage

70%

30%

Contract Compression

Transportation

Gathering & Processing

Southern Union Company

Corporate rating: BBB-

/ Baa3

Citrus

(3)

LDCs

Panhandle Companies

SUGS

50%

Lone Star NGL LLC

Ownership in RGP

100% RGP IDRs

General Partner Interest

26.3mm LP units (16.7% of total)

Ownership in ETP

100% ETP IDRs

General Partner Interest

50.2mm LP units (22.5% of total)

Ownership in SUG

100% SUG Shares

Pro Forma Organizational Structure

(\$ in millions)

Note:

Market capitalizations as of November 18, 2011.

(1)

Pro forma for SUG, Citrus and APU transactions.

(2)

Includes implied GP value based on current GP cash flows capitalized at the current LP distribution yield.

(3)

See Appendix for description of Citrus merger, planned to be effective immediately prior to ETE's acquisition of SUG.

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ETP / RGP / Lone Star Segments Overview

Energy Transfer Partners, L.P.

More than 17,500 mi of natural gas gathering and transportation pipelines,

3 natural gas storage facilities with 74 Bcf of working capacity

and a retail

propane business serving 1.2 million customers

Intrastate Transportation and Storage

- Oasis Pipeline (600 mi, 1.2 Bcf/d capacity west-to-east, 750 MMcf/d capacity east-to-west)
- East Texas Pipeline (370 mi)
- Energy Transfer Fuel System (2,600 mi, total capacity of 5.2 Bcf/d)
- Bethel storage facility (6.4 Bcf working capacity), Bryson storage facility (6.0 Bcf working capacity), Godley plant
- HPL System (4,100 mi, total capacity of 5.5 Bcf/d)
- Bammel storage facility (62 Bcf working capacity)
- Interstate Transportation
- Transwestern Pipeline
- 2,700 mi; 1,225 MMcf/d mainline capacity and 1,610 MMcf/d San Juan Lateral capacity
- Tiger Pipeline
- 175 mi, 42-inch pipeline; 2.4 Bcf/d of capacity sold under 10-15 year agreements; 100% contract demand from January 2012 through December 2012
- Expansion completed in August 2011
- FEP Pipeline Joint Venture
- 50/50 joint venture with KMP
- 185 mi, 42-inch pipeline; initial capacity of 2.0 Bcf/d with 1.85 Bcf/d sold under 10-12 year agreements; ~90% contract demand through December 2012
- Midstream
- ~7,000 mi of natural gas gathering pipelines
- 3 natural gas processing plants
- 17 natural gas treating facilities
- 10 natural gas conditioning plants
- More than \$1.25 billion of new Eagle Ford Shale growth projects since October 2010
- Retail Propane
-

Entered into an agreement to contribute propane operations to
AmeriGas Partners LP (APU) in exchange for \$2.9 billion of cash and
APU common units

Regency Energy Partners LP
Gathering and Processing

-
North Louisiana (442 mi, 4 plants)

-
Mid-Continent (3,470 mi, 1 plant)

-
South Texas (541 mi, 2 plants)

-
West Texas (806 mi, 1 plant)

Transportation

-
49.99% of the Regency Intrastate Gas System (RIGS) (450 mi)

-
50% of MEP

-
500 mi, 1.8 Bcf/d capacity in Zone 1 and 1.2 Bcf/d capacity in Zone 2

Contract Compression

-
Fleet of compressors used to provide turn-key natural gas compression
services for customer specific systems

Contract Treating

-
Fleet of equipment used to provide treating services, such as carbon
dioxide and hydrogen sulfide removal, natural gas cooling, dehydration
and BTU management, to natural gas producers and midstream pipeline
companies

Source:

Company filings.

Lone Star NGL LLC Joint Venture

Joint venture owned 70% by ETP and 30% by RGP; ETP operates on
behalf of the joint venture

-
Stand-alone entity with equal board representation

NGL Storage

-
Mont Belvieu storage facility (43
million Bbls working capacity)

-
\$390 million fractionator project expected to be in-service Q1 2013

-
Hattiesburg storage facility (3.9 million Bbls working capacity)

NGL Pipeline Transportation

-
West Texas NGL Pipeline (1,066 mi, 144,000 Bbls/d working capacity)

-
\$917 million West Texas Gateway Project estimated to be in-service Q1

2013

NGL Fractionation & Processing

-

2 cryogenic processing plants

-

25,000 Bbls/d fractionator

-

Sea Robin gas processing plant

14
ETE
and
ETP
are
party
to
an

agreement
and
plan
of
merger
whereby

a
SUG
subsidiary
which
indirectly

holds

SUG's

50% interest in Citrus Corp., the owner of Florida Gas Transmission Company, LLC (FGT), will be merged with and into an ETP subsidiary

-

The consideration to be received by ETE related to the Citrus merger is approximately \$1.9 billion in cash and approximately \$105 million in ETP units

-

FGT is a 5,500 mile interstate pipeline with a throughput capacity of 3.2 Bcf/d

-

The transaction is expected to close immediately prior to the ETE / SUG closing

The transaction will provide multiple strategic advantages to ETP

-

Citrus is a premier pipeline providing access to the strong and growing Florida market

-

Expands

ETP's

fast

growing

Interstate

Transportation

segment

and

adds

significant

demand-side

market-centric

pipelines to ETP's asset portfolio

-

Significantly increases fee-based revenue and long-term contracts supported by high credit quality customers

This transaction has been approved by the Conflicts Committees of ETE and ETP

-

There are no financing contingencies

-

No ETP unitholder vote is required

ETP expects to fund the transaction with financings that are consistent with its commitment to maintaining investment grade credit metrics

Approximately \$1.45 billion of cash proceeds will be used to repay a substantial portion of the acquisition financing incurred

by
ETE
to
fund
the
cash
consideration
to
be
paid
to
SUG
shareholders
(the
remaining
\$445
million
in
cash
proceeds will be used to repay debt of SUG)
The transaction has been structured to defer any tax gain realization
Overview of Citrus Transaction