

**Rating Action: Southern Star Central Corp.**

**MOODY'S AFFIRMS RATINGS OF SOUTHERN STAR CENTRAL CORP. (Ba2 CORP. FAMILY RATING) AND SOUTHERN STAR CENTRAL GAS PIPELINE, INC.; CHANGES RATING OUTLOOK TO POSITIVE FROM STABLE**

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**Approximately \$400 Million of Debt Affected**

New York, January 13, 2006 -- Moody's Investors Service affirmed the ratings of Southern Star Central Corp. (Holdco) and its subsidiary Southern Star Central Gas Pipeline (Opco) and changed their outlooks to positive from stable. This rating action reflects the significant decrease in leverage as a result of the conversion of preferred shares to common shares, as well as the conclusion of a rate case which increases annual revenues by approximately \$18 million annually and mitigates regulatory risk until the effective come-back date of November 1, 2008. The rating change also reflects the establishment of Southern Star as a standalone entity after having been sold by The Williams Companies, Inc. in 2002, as well as additional revenue certainty from recent re-contracting.

The August 2005 acquisition of Southern Star by a joint venture between GE Commercial Finance Energy Financial Services and Caisse de depot et placement du Quebec (CDP) appears favorable as these are investors with substantial financial resources, industry knowledge, and a long-term investment horizon. However, Southern Star's track record under the new sponsors has yet to be established. It is our understanding that the sponsors currently plan to maintain Southern Star's business strategy and capital position, but Moody's will re-assess its ratings and outlook should there be a significant change in these factors.

Opco has substantially all of its debt coming due over the course of 2006, and it remains to be seen how this debt will be re-financed. Moody's could consider upgrading Southern Star's ratings over the next 12 to 18 months if positive trends continue and Opco achieves re-financing of its debt on positive terms. Moody's would view favorably a demonstration of Opco's ability to access capital on an unsecured basis. Absent event risk, Moody's foresees little likelihood of the ratings of Holdco or Opco being downgraded, given the low business risk of this pipeline and the recent improvement in its financial profile. Holdco's debt will become partially callable in 2007, and it remains to be seen whether Holdco will re-finance its high cost debt on improved terms in the near future.

Credit metrics have improved. Funds from operations / adjusted debt (adjusted to include operating leases and the Series A preferred shares before the conversion) has gone from a low of 8.7% at the end of 2003 to 12.8% for the LTM 9/05 as a result of increased revenue due in part to the previously mentioned favorable rate case outcome combined with a decrease in debt from the conversion of approximately \$54 million of Series A preferred shares to common shares. Adjusted debt / adjusted capital decreased from 81% at the end of 2004 to 74% as of 9/05 due mainly to the addition of approximately \$325 million of goodwill to the balance sheet as a result of the acquisition and the previously mentioned conversion of preferred shares. However, Southern Star's consolidated credit metrics are significantly weaker than the rest of our gas pipeline peer group with adjusted leverage at 75% in 9/05 (peer group in the 50% range) and its funds from operations / fixed charges at 2.3 in 9/05 (peer group in the 4.5 range).

Headquartered in Owensboro, Kentucky, Southern Star Central Corp. is the holding company for Southern Star Central Gas Pipeline, Inc., an interstate natural gas pipeline.

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