
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 June 30, 2011

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)

4700 Highway 56, Owensboro, Kentucky

(Address of principal executive offices)

04-3712210

(I.R.S. Employer
Identification No.)

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 has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐

Accelerated filer ☐

Non-accelerated filer ☒

Smaller reporting company ☐

(Do not check if a smaller reporting company)

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

As of August 9, 2011, there were 100 shares of common stock outstanding.

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FOR THE QUARTERLY PERIOD ENDED June 30, 2011
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* December 31, 2010 balance sheet was derived from our audited balance sheet.

PART I. FINANCIAL INFORMATION

Item 1. Consolidated Financial Statements and Supplementary Data

SOUTHERN STAR CENTRAL CORP. AND SUBSIDIARIES CONSOLIDATED BALANCE SHEETS

	June 30, 2011 (Unaudited)	December 31, 2010
	(In thousands)	
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 25,591	\$ 24,993
Receivables:		
Trade	17,179	18,704
Income taxes	99	2,088
Transportation, exchange and fuel gas	11,823	2,986
Other	5,763	5,711
Inventories	6,784	6,727
Deferred income taxes	2,100	1,806
Costs recoverable from customers	8,057	11,369
Prepaid expenses	2,320	4,288
Other	626	478
Total current assets	80,342	79,150
Property, Plant and Equipment, at cost:		
Natural gas transmission plant	719,075	705,659
Other natural gas plant	22,944	21,884
	742,019	727,543
Less – Accumulated depreciation and amortization ...	(105,419)	(89,750)
Property, plant and equipment, net	636,600	637,793
Other Assets:		
Goodwill	311,766	311,766
Costs recoverable from customers	55,188	55,585
Prepaid expenses	104	240
Other deferred and noncurrent assets	6,543	7,039
Total other assets	373,601	374,630
Total Assets	\$ 1,090,543	\$ 1,091,573

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

SOUTHERN STAR CENTRAL CORP. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	June 30, 2011 (Unaudited)	December 31, 2010
	(In thousands)	
LIABILITIES AND STOCKHOLDER'S EQUITY		
Current Liabilities:		
Payables:		
Trade	\$ 4,247	\$ 5,320
Transportation, exchange and fuel gas	19,130	13,604
Income taxes	369	145
Other.....	5,918	9,174
Accrued taxes, other than income taxes	7,022	6,827
Accrued interest	6,917	6,920
Accrued payroll and employee benefits	7,437	8,591
Costs refundable to customers	3	94
Capitalized lease obligation due in one year	245	235
Other accrued liabilities	3,822	1,945
Total current liabilities	55,110	52,855
Long-Term Debt:		
Capitalized lease obligation	4,620	4,745
Other long-term debt	477,024	476,708
Total long-term debt.....	481,644	481,453
Other Liabilities and Deferred Credits:		
Deferred income taxes.....	76,488	72,661
Postretirement benefits other than pensions	22,232	20,934
Asset retirement obligations	1,685	1,631
Costs refundable to customers	97	146
Environmental remediation	1,003	1,225
Accrued pension.....	22,596	27,946
Other	124	172
Total other liabilities and deferred credits	124,225	124,715
Stockholder's Equity:		
Common stock, \$.01 par value, 100 shares authorized and issued, 100 shares outstanding at June 30, 2011 and December 31, 2010	—	—
Premium on capital stock and other paid-in capital	423,869	423,869
Retained earnings	5,695	8,681
Total stockholder's equity	429,564	432,550
Total Liabilities and Stockholder's Equity	\$ 1,090,543	\$ 1,091,573

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 June 30, 2011	For the Three Months Ended June 30, 2010
	(In thousands)	
Operating Revenues:		
Transportation.....	\$ 45,210	\$ 45,702
Storage.....	6,317	5,695
Other revenue.....	224	166
Total operating revenues	<u>51,751</u>	<u>51,563</u>
Operating Costs and Expenses:		
Operations and maintenance.....	12,488	12,394
Administrative and general.....	9,720	9,460
Depreciation and amortization.....	8,362	8,009
Taxes, other than income taxes.....	3,918	4,056
Total operating costs and expenses	<u>34,488</u>	<u>33,919</u>
Operating Income.....	<u>17,263</u>	<u>17,644</u>
Other (Income) Deductions:		
Interest expense	8,078	8,094
Interest income.....	(23)	(57)
Miscellaneous other income, net.....	(212)	(134)
Total other deductions	<u>7,843</u>	<u>7,903</u>
Income Before Income Taxes	9,420	9,741
Provision for Income Taxes	<u>3,726</u>	<u>3,857</u>
Net Income	<u>\$ 5,694</u>	<u>\$ 5,884</u>

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 Six Months Ended June 30, 2011	For the Six Months Ended June 30, 2010
	(In thousands)	
Operating Revenues:		
Transportation.....	\$ 92,073	\$ 93,613
Storage.....	11,429	10,516
Other revenue.....	426	351
Total operating revenues	<u>103,928</u>	<u>104,480</u>
Operating Costs and Expenses:		
Operations and maintenance.....	22,103	22,749
Administrative and general.....	19,020	19,238
Depreciation and amortization.....	16,488	15,014
Taxes, other than income taxes.....	8,074	7,843
Total operating costs and expenses	<u>65,685</u>	<u>64,844</u>
Operating Income.....	<u>38,243</u>	<u>39,636</u>
Other (Income) Deductions:		
Interest expense	16,093	16,217
Interest income.....	(47)	(121)
Miscellaneous other income, net.....	(566)	(221)
Total other deductions	<u>15,480</u>	<u>15,875</u>
Income Before Income Taxes	22,763	23,761
Provision for Income Taxes	<u>8,899</u>	<u>8,803</u>
Net Income	<u><u>\$ 13,864</u></u>	<u><u>\$ 14,958</u></u>

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 Six Months Ended June 30, 2011	For the Six Months Ended June 30, 2010
	(In thousands)	
OPERATING ACTIVITIES:		
Net income	\$ 13,864	\$ 14,958
Adjustments to reconcile to net cash provided by operations:		
Depreciation and amortization	16,488	15,014
Deferred income taxes	3,533	4,279
Amortization of debt discount and expense	839	841
Receivables	3,323	6,227
Inventories	(57)	106
Other current assets	1,956	(1,653)
Payables and accrued liabilities	(3,282)	(2,639)
Other, including changes in noncurrent assets and liabilities	(3,815)	(358)
Net cash provided by operating activities	<u>32,849</u>	<u>36,775</u>
INVESTING ACTIVITIES:		
Property, plant and equipment:		
Capital expenditures, net of allowance for funds used during construction	(14,951)	(21,651)
Proceeds from sales and salvage values, net of costs of removal	(312)	2,585
Net cash used in investing activities	<u>(15,263)</u>	<u>(19,066)</u>
FINANCING ACTIVITIES:		
Common dividends	(16,850)	(14,934)
Capital lease payments	(115)	(370)
Other financing	(23)	(24)
Net cash used in financing activities	<u>(16,988)</u>	<u>(15,328)</u>
Increase in cash and cash equivalents	598	2,381
Cash and cash equivalents at beginning of period	24,993	38,789
Cash and cash equivalents at end of period	<u>\$ 25,591</u>	<u>\$ 41,170</u>
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the period for:		
Interest (net of amounts capitalized)	\$ 15,260	\$ 15,390
Income tax, net	3,153	4,580

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

SOUTHERN STAR CENTRAL CORP. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL 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 indirectly owned by GE Energy Financial Services, Inc., or GE, and Morgan Stanley Infrastructure Partners and certain other affiliated investment funds managed by Morgan Stanley Infrastructure, Inc., or MSIP.

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 revenue 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, which are 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 218,000 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 June 30, 2011, Central had transportation customer contracts with approximately 176 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 516 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 47 Bcf and aggregate delivery capacity of approximately 1.3 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 requirements in times of peak demand. 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 the 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 accompanying unaudited consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q and Article 10 of Regulation S-X and include all of the information and disclosures required by generally accepted accounting principles in the United States, or GAAP, for interim financial reporting. These unaudited consolidated financial statements should be read in conjunction with the consolidated financial statements of the Company and related footnotes for the year ended December 31, 2010, included in the Company's annual report on Form 10-K filed with the SEC on March 15, 2011.

The results of operations for the interim periods are not necessarily indicative of results of operations for a full year. It is the opinion of management that all necessary adjustments for a fair presentation of the results of operations for the interim periods have been made and are of a recurring nature unless otherwise disclosed herein.

3. 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 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.

Goodwill

The Company has recorded \$311.8 million of goodwill. Goodwill is not amortized and is subject to an annual impairment test as of December 31, or more frequently if certain conditions exist in accordance with the Goodwill and Other Intangible Assets Topic of the Accounting Standards Codification, or ASC. In conducting the impairment test, the fair value of the Company is compared to its carrying value including goodwill. If the fair value exceeds the carrying amount, then no impairment exists. If the carrying amount exceeds the fair value, further analysis is performed to assess impairment.

The Company's determination of fair value is based on an income approach with an appropriate risk-adjusted discount rate. Any identified impairment would result in an adjustment to the Company's results of operations.

The Company performed its most recent annual impairment test of goodwill at December 31, 2010, which resulted in no recognition of an impairment loss.

Income Taxes

Deferred taxes are recorded under the liability method. Deferred taxes are provided on temporary differences between the book and tax basis of the assets and liabilities pursuant to the Accounting for Income Taxes Topic of the ASC.

In accordance with the Accounting for Uncertainty in Income Taxes Topic of the ASC, the Company records interest related to uncertain tax positions as a part of Interest expense on the accompanying Consolidated Statements of Operations. Any penalties are recognized as part of Miscellaneous expense on the accompanying Consolidated Statements of Operations. The Company does not have a liability for tax penalties or interest related to uncertain tax positions.

The Company operates under a Federal and State Income Tax Policy that governs the allocation and payment of tax liabilities of Holdings, Southern Star and Central. This policy provides that Southern Star will file consolidated tax returns on behalf of itself, Holdings and Central and will pay all taxes shown thereon to be due. Central generally makes payments to Southern Star for its federal and state income tax liabilities as though it were filing a separate return. 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 and similar state statutes.

Gas Receivables/Payables

In the course of providing transportation and storage services to customers, Central may receive different quantities of natural gas from a shipper than quantities delivered on behalf of that shipper. These transactions result in imbalances, which are repaid or recovered in cash or through the receipt or delivery of natural gas in the future. Customer imbalances to be repaid or recovered in-kind are recorded in Transportation, exchange and fuel gas receivables/payables on the accompanying

Consolidated Balance Sheets. Settlement of imbalances requires agreement between Central and shippers as to allocations of volumes to specific transportation contracts and timing of delivery of natural gas based on operational conditions.

Asset Retirement Obligations

In accordance with the Financial Accounting Standards Board, or FASB, Interpretation concerning Accounting for Conditional Asset Retirement Obligations, 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. The Clean Air Act of 1973 established the National Emission Standards for Hazardous Air Pollutants, or NESHAPs, that regulate the use of asbestos. The amount of the regulatory asset and the related ARO liability on the accompanying Consolidated Balance Sheet at June 30, 2011 was \$0.9 million and \$1.7 million, respectively. The amount of the regulatory asset and the related ARO liability on the accompanying Consolidated Balance Sheet at December 31, 2010 was \$1.0 million and \$1.6 million, respectively.

Fair Value Measurements

In January 2010, the FASB issued Accounting Standards Update, or ASU, No. 2010-06, "Improving Disclosures about Fair Value Measurements." This ASU requires both the gross presentation of activity within the Level 3 fair value measurement roll forward and the details of transfers in and out of Level 1 and 2 fair value measurements. It also clarifies certain disclosure requirements on the level of disaggregation of fair value measurements and disclosures on inputs and valuation techniques. This ASU was effective January 1, 2010 (except for Level 3 roll forward which was to be effective January 1, 2011). On March 15, 2011, the FASB extended the implementation of Level 3 fair value measurements to interim and annual periods beginning after December 15, 2011. Although it will expand the Company's disclosures, the change will not have a material effect on the consolidated financial statements of the Company. The carrying value of cash and cash equivalents, accounts receivable and accounts payable approximate fair value because of the relative short maturity of those instruments. The fair value of the Company's debt is based on market price and was \$498.5 million at June 30, 2011.

In May 2011, the FASB issued ASU No. 2011-04, "Amendments to Achieve Common Fair Value Measurements and Disclosure Requirements in U.S. GAAP and International Financial Reporting Standards". This ASU amended ASC 820, "Fair Value Measurements and Disclosures", to converge the fair value measurement guidance in GAAP and the International Financial Reporting Standards, or IFRS. Some of the amendments clarify the application of existing fair value measurement requirements, while other amendments change a particular principle in ASC 820. In addition, this ASU requires additional fair value disclosures, although certain of these new disclosures will not be required for nonpublic entities. The amendments are to be applied prospectively and are effective for annual periods beginning after December 15, 2011. Management is currently evaluating the effect that the provisions of this ASU will have on the Company's financial statements.

Comprehensive Income

On June 16, 2011, the FASB issued ASU No. 2011-05, "Comprehensive Income (Topic 220): Presentation of Comprehensive Income." This ASU requires the presentation of Other Comprehensive Income, or OCI, either with the Consolidated Statements of Operations, which together will make a statement of total comprehensive income, or separately in an OCI statement, which must be reported consecutively with the Consolidated Statements of Operations within the financial report. This ASU becomes effective for interim and annual periods beginning after December 15, 2011. The Company has no items that would be classified as Other Comprehensive Income, and thus this ASU will have no effect on the Company's financial statements.

4. Financing

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

	June 30, 2011	December 31, 2010
6.0% Senior Notes due 2016	\$ 230,000	\$ 230,000
6.75% Registered Senior Notes due 2016.....	200,000	200,000
6.75% Unregistered Senior Notes due 2016	50,000	50,000
Capitalized lease obligation	4,865	4,980
Unamortized debt discount	(2,976)	(3,292)
Total debt	481,889	481,688
Less current capitalized lease obligation	245	235
Total long-term debt	<u>\$ 481,644</u>	<u>\$ 481,453</u>

6.75% Registered Notes

At June 30, 2011, Southern Star had outstanding \$200.0 million of 6.75% Notes registered under the Securities Act of 1933 as amended, or 6.75% Registered Notes. The Bank of New York Mellon Trust Company, N.A., serves as trustee pursuant to the related indenture. Interest is payable semi-annually on March 1 and September 1 of each year. The related issuance costs are being amortized over the life of the 6.75% Registered Notes utilizing the straight line method. The 6.75% Registered Notes mature on March 1, 2016 and have an overall effective interest rate of 7.06%. The 6.75% Registered Notes are Southern Star'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 Southern Star to the extent of the value of the assets securing such indebtedness, if any.

The declaration and payment of dividends or distributions to equity holders, under the 6.75% Registered Notes indenture, are 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.

The 6.75% Registered Notes are subject to certain covenants that restrict, among other things, Southern Star and its subsidiaries' ability to make investments, incur additional indebtedness, pay dividends or make distributions on capital stock or redeem or repurchase capital stock, create liens, incur dividend or other payment restrictions affecting subsidiaries, merge or consolidate with other entities and enter into transactions with affiliates. We have the right to redeem all or part of the 6.75% Registered Notes at premiums defined in the indenture.

6.75% Unregistered Notes

At June 30, 2011, we had outstanding \$50.0 million aggregate principal amount of 6.75% Senior Notes due 2016, or 6.75% Unregistered Notes. The Bank of New York Mellon Trust Company, N.A., serves as trustee under the related indenture. Interest is payable semi-annually on March 1 and September 1 of each year. The related issuance costs are being amortized over the life of the 6.75% Unregistered Notes utilizing the straight line method. The 6.75% Unregistered Notes will mature on March 1, 2016 and have an overall effective interest rate of 8.55%. The 6.75% Unregistered Notes are senior unsecured obligations and rank equal in rights of payment to all of Southern Star's existing and future unsecured indebtedness 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. All covenants, restrictions, and other terms and conditions are identical to those for the 6.75% Registered Notes described above. We have the right to redeem all or part of the 6.75% Unregistered Notes at premiums defined in the indenture.

Central's 6.0% Notes

At June 30, 2011, Central had outstanding \$230.0 million aggregate principal amount of 6.0% Senior Notes due 2016, or 6.0% Notes. The Bank of New York Mellon Trust Company, N.A., serves as trustee under the related indenture. The indenture governing the 6.0% Notes contains customary restrictive covenants and events of default.

Interest on the 6.0% Notes is payable semi-annually on June 1 and December 1 of each year. The related issuance costs are being amortized over the life of the 6.0% Notes utilizing the straight line method. The 6.0% Notes mature on June 1, 2016 and have an overall effective interest rate of 6.17%. 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. The 6.0% Notes are structurally senior to the 6.75% Notes.

The 6.0% Notes are subject to certain covenants that restrict, among other things, Central's ability to create liens, enter into sale and leaseback transactions or merge or consolidate with other entities.

Central has the option to call the 6.0% Notes at any time at a make-whole premium as defined in the indenture.

Capital Lease

In 2004, Central entered into a 20-year capital lease with the Owensboro-Daviess County Industrial Development Authority, or the Authority, for use of a headquarters building in Owensboro, Kentucky. Central is the borrower under a \$9.0 million loan agreement dated as of January 1, 2004 between Central and the Authority pursuant to which the Authority financed the cost of Central's office facility in Daviess County, Kentucky. In connection with this financing, the Authority issued Series 2004A and 2004B bonds under an indenture dated as of January 1, 2004 between the Authority and U.S. Bank, N.A, as trustee. Ownership of the facility will transfer to Central for a nominal fee upon expiration of the lease in 2024. Approximately \$9.5 million of assets are included in Property, plant and equipment 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 in the accompanying unaudited Consolidated Financial Statements. The overall effective interest rate on the obligation is 6.29%. Principal and interest are paid semi-annually. Central has the option to prepay all 2004A bonds on or after January 1, 2014 and all 2004B bonds on or after February 1, 2014.

Other

As of June 30, 2011, the Company was in compliance with the covenants of all outstanding debt instruments.

5. Commitments and Contingencies

Regulatory and Rate Matters and Related Litigation

Fuel Filing

Central recovers the natural gas it uses for fuel on its operating system and gas losses it incurs on its system in-kind from its customers via a fuel reimbursement charge placed on the volumes of gas transported through the system. The reimbursement charge is established through an annual fuel tracker filed with the FERC.

General Rate Issues

On April 30, 2008, Central filed a general rate case under FERC Docket No. RP08-350 which became effective November 1, 2008, subject to the condition that Central refund to customers any amounts it collects in excess of the rates ultimately allowed. This general rate proceeding increased Central's transportation, storage and related rates, and also provided for various changes to a number of the terms and conditions of customer services which are provided for in Central's tariff. The case was settled and became final in 2009. Under the terms of the settlement, Central is required to file a rate case to be effective no later than December 1, 2013.

Environmental and Safety Matters

Environmental

Central has identified polychlorinated biphenyl 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 the 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 an undiscounted liability of approximately \$1.8 million at June 30, 2011 and \$2.0 million at December 31, 2010 representing the current estimate of future environmental cleanup costs, most of which is expected to be incurred over the next three 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 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 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. On August 20, 2010, the EPA promulgated new emission standards that apply to certain of Central's existing reciprocating engines. These new standards, with an initial compliance date of October 19, 2013, require the installation of emission control devices on some of Central's existing units. Based on an analysis of these regulations, management does not expect there to be a material impact to Central's existing operations. On September 22, 2009, the EPA promulgated a mandatory greenhouse gas reporting rule that imposes requirements for some of Central's existing operations; however, management does not expect these requirements to have a material impact on Central's existing operations during 2011. There are also other various proposed rules and potential federal legislation related to greenhouse gas emissions that could impact Central's existing operations when promulgated. Central continues to monitor the progress of these proposed rules and will determine any impact once the regulations have been promulgated.

All of Central's facilities are located in areas currently designated as being in "attainment" of all National Ambient Air Quality Standards, or NAAQS. However, on January 6, 2010, the EPA proposed more stringent NAAQS for ozone. Certain of our facilities are located in areas that may not be in attainment with the revised ozone NAAQS. Management does not expect that these revisions to the ozone NAAQS will have a material impact on Central's existing operations. The final standards were originally scheduled for promulgation by August 31, 2010; however, the EPA has not currently issued the new standards. The proposal included a range of values for the possible ozone standards; therefore, the final standards and any related impacts to Central's existing operations are not quantifiable 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. The Department of Justice 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. Grynberg’s counsel filed notices of appeal with the United States Court of Appeals for the Tenth Circuit, or Appellate Court, where his appeals were docketed as *In re Natural Gas Royalties Qui Tam Litigation*, Case No. 06-8099. Oral argument occurred on September 25, 2008. On March 17, 2009, the Appellate Court affirmed the Trial Court’s dismissal of Grynberg’s complaints on jurisdictional grounds related to the “original source” defense asserted by Central. On March 20, 2009, Grynberg filed a motion for an extension of time to file a petition for rehearing of the Appellate Court’s decision. The Court granted Grynberg’s motion and he subsequently filed his petition for rehearing on April 14, 2009. On May 4, 2009, the Appellate Court denied Grynberg’s petition for rehearing. On August 4, 2009, Grynberg filed a petition (Number 09-170) for certiorari review with the United States Supreme Court. On October 5, 2009, the Supreme Court denied Grynberg’s petition. On July 27, 2011, the Trial Court entered three orders disposing of the defendant’s motions for attorney fees and cost which were the subject of a hearing held on April 24, 2007. The Trial Court Judge awarded attorney fees and costs to the defendants and directed Grynberg to pay a portion of the Special Master’s fees into the Trial Court’s registry. It is unknown at this time whether the parties, through counsel, will be able to agree upon the specific amounts to be paid by Grynberg, or whether further post-judgment proceedings before the Trial Court and/or the Appellate Court may be necessary.

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 under measured 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 continued 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 the motion on April 1, 2005. On September 18, 2009, the Court denied the Plaintiffs’ most recent motion for class certification. The Plaintiffs filed a motion to reconsider that ruling on October 2, 2009. The defendants, including Central, filed a response in opposition to the Plaintiffs’ motion for reconsideration on January 18, 2010. The Plaintiffs filed a reply, and oral argument, which was presented before a different judge, was heard on February 10, 2010. By order dated March 31, 2010, the Court denied the Plaintiffs’ October 2, 2009 motion to reconsider the earlier denial of class certification. The Plaintiffs did not file for interlocutory review of the March 31, 2010 order; however, it is unknown at this time whether the Plaintiffs intend to proceed with the merits of their claims, absent class certification or plan to move to dismiss the lawsuit.

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 under measured 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 Plaintiffs’ second class certification motion in Price Litigation I, was fully briefed and the Court heard oral argument on this motion on April 1, 2005. On September 18, 2009, the Court denied the Plaintiffs’ motion for class certification. The Plaintiffs filed a motion to reconsider that ruling on October 2, 2009. The defendants, including Central, filed a response in opposition to the Plaintiffs’ motion for reconsideration on January 18, 2010. The Plaintiffs filed a reply, and oral argument, which was presented before a different judge, was heard on February 10, 2010. By order dated March 31, 2010, the Court denied the Plaintiffs’ October 2, 2009 motion to reconsider the earlier denial of class certification. The Plaintiffs did not file for interlocutory review of the March 31, 2010 order; however, it is unknown at this time whether the Plaintiffs intend to proceed with the merits of their claims, absent class certification or plan to move to dismiss the lawsuit.

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 flows. Costs incurred to date of defending pending cases have not been material.

6. Income Taxes

The Company's effective tax rate for the six months ended June 30, 2011 was 39.1% compared to 37.0% for the same period ended June 30, 2010. The effective tax rate in excess of the federal statutory rate of 35.0% is primarily due to the impact of state income taxes. The variance between the six months ended June 30, 2011 and 2010 primarily relates to a reduction in composite state income tax rates recorded during 2010.

In accordance with the Accounting for Uncertainty in Income Taxes, the Company records interest related to uncertain tax positions as a part of Interest expense on the accompanying Consolidated Statements of Operations. Any penalties are recognized as part of Miscellaneous expense on the accompanying Consolidated Statements of Operations. The Company does not have a liability for tax penalties or interest related to uncertain tax positions.

As of June 30, 2011, the Company remained subject to examination by Federal and State jurisdictions for the tax years beginning in 2003 and forward, in some cases due to net operating losses carried forward. Commencing in September 2010, Central was audited by the Kansas State Department of Revenue covering Kansas state taxes for the period January 1, 2008 through September 30, 2010. In July 2011, Central settled the Kansas audit resulting in a less than \$0.1 million payment for additional sales/use tax and interest.

7. Dividends and Related Restrictions

Certain of the Company's debt instruments 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 related debt agreements.

8. Employee Benefit Plans

The Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans Topic of the ASC 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 the Company to apply the accounting prescribed by the Accounting for the Effects of Certain Types of Regulations Topic of the ASC, the Company does not recognize changes in the funded status in comprehensive income but recognizes them as changes to the related regulatory asset or liability, pending future recovery or refund through its rates.

Pursuant to the Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans Topic of the ASC, no portion of the related liabilities are classified as current because plan assets exceed the value of benefit obligations expected to be paid within the 12 months ending June 30, 2012. In addition, no plan assets are expected to be returned to the Company during the 12 months ending June 30, 2012.

The terms of the RP08-350 rate settlement allow Central to recover, in its rates, \$9.5 million annually for pension benefits and postretirement benefits other than pensions. Central must fund the amounts recovered into irrevocable trusts established solely for the provision of the aforementioned benefits in a manner that permits Central to maximize the tax

deductibility of the deposits and adhere to minimum and maximum funding requirements. Central's \$9.5 million annual funding requirement may only be reduced by amounts funded in excess of recoveries in prior years. As of December 31, 2010, Central's funding was equivalent to its recoveries.

Retirement Plan

Pension expense for the Company's pension plans was \$4.8 million for the six-month periods ended June 30, 2011 and 2010.

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

Union Retirement Plan

	For the Six Months Ended June 30, 2011	For the Six Months Ended June 30, 2010
Components of net periodic pension expense:		
Service cost	\$ 704	\$ 689
Interest cost	622	709
Expected return on plan assets	(740)	(670)
Recognized actuarial loss	104	77
Employee transfers	(121)	24
Settlement recognition	574	1,053
Regulatory recovery of costs	1,232	800
Net periodic pension expense	<u>\$ 2,375</u>	<u>\$ 2,682</u>

Non-Union Retirement Plan

	For the Six Months Ended June 30, 2011	For the Six Months Ended June 30, 2010
Components of net periodic pension expense:		
Service cost	\$ 1,854	\$ 1,731
Interest cost	739	699
Expected return on plan assets	(772)	(620)
Recognized actuarial loss	256	193
Employee transfers	121	(24)
Regulatory recovery of costs	177	89
Net periodic pension expense	<u>\$ 2,375</u>	<u>\$ 2,068</u>

The Company made contributions to the pension plans totaling \$8.7 million and \$5.8 million for the six-month periods ended June 30, 2011 and 2010, respectively, and anticipates funding an additional \$2.7 million during 2011.

Postretirement Benefits Other than Pensions

Central provides medical and life insurance postretirement benefits to certain employees who retire under Central's retirement plans. These plans are contributory for medical and, for some retired employees, contributory for life insurance benefits in excess of specified limits. Eligible employees under these plans 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 Six Months Ended June 30, 2011	For the Six Months Ended June 30, 2010
Components of net periodic benefit expense:		
Service cost.....	\$ 277	\$ 261
Interest cost.....	1,307	1,294
Expected return on plan assets.....	(1,165)	(1,068)
Recognized actuarial loss	879	790
Regulatory accrual of costs.....	(1,298)	(1,277)
Net periodic benefit expense.....	<u>\$ —</u>	<u>\$ —</u>

The Company did not make any contributions to this plan for either of the six-month periods ended June 30, 2011 or 2010. The Company does not anticipate funding the plan during 2011.

9. Related Party Transactions

Central has an Operating Company Services Agreement, or Operating Services Agreement, with EFS Services, LLC, or EFS Services, an affiliate of GE. Pursuant to the Operating Services Agreement, EFS Services 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 in providing such services. For each of the six-month periods ended June 30, 2011 and 2010, Central paid approximately \$0.5 million for service fees and expenses to EFS Services. 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, Southern Star has an Administrative Services Agreement, or Services Agreement, with EFS Services to provide certain administrative services to Southern Star and Holdings. Pursuant to the terms of the Services Agreement, EFS Services 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.

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 filed with the SEC on March 15, 2011 for the year ended December 31, 2010. 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" and elsewhere in this document.

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.

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 our 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 our pipeline system and of interconnected pipeline systems;
- our 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;
- our 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;
- our ability to expand into new markets as well as our ability to maintain existing markets;
- our 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 debt 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 Item 1A "Risk Factors" in our annual report on Form 10-K for the year ended December 31, 2010 filed with the SEC on March 15, 2011, 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

Southern Star

Southern Star Central Corp., or Southern Star, is a wholly-owned subsidiary of EFS-SSCC Holdings, LLC, or Holdings, which is indirectly owned by GE Energy Financial Services, Inc., or GE, and Morgan Stanley Infrastructure Partners and certain other affiliated investment funds managed by Morgan Stanley Infrastructure, Inc., or MSIP.

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 terms "we", "us", "our" and "the Company" denote Southern Star Central Corp. and its subsidiaries.

The Business

Southern Star is 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 Midwestern United States. 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 Federal Energy Regulatory Commission, or 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 18 years. Total average remaining contract life on a volume-weighted basis at June 30, 2011 was approximately four years.

On April 30, 2008, Central filed a general rate case under the FERC Docket No. RP08-350 which became effective November 1, 2008. A settlement resolving all issues related to this case was approved by the FERC and became final on June 1, 2009. 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. Pursuant to the terms of its settlement, Central is required to file a new rate case to be effective no later than December 1, 2013.

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.

Changes in environmental laws and regulations may also increase our operating costs and/or capital expenditures as required for monitoring or installation of new equipment. Central expects operating and capital costs associated with such regulations 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. The competing interstate pipelines generally offer less diverse geographic access to natural gas supply and less competitively priced, flexible on-system storage.

In addition, 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.

On April 1, 2011, Central placed into service its Elk City Storage Field Expansion, or the "Storage Expansion Project." This project provides an additional 4 Bcf of storage capacity, which increased our system's aggregate storage capacity from 43 Bcf to 47 Bcf. The expansion is supported by Firm Storage Service agreements with customers that were effective on April 1, 2011. The cost of the expansion facilities was approximately \$21.5 million and is expected to generate approximately \$4.7 million in annual revenues.

On March 30, 2011, we entered into an agreement to sell 1.4 million Dths of working gas, recently converted from base gas as a result of the "Storage Expansion Project", for \$6.2 million. Delivery of the 1.4 million Dths will take place on or before October 1, 2011, in increments not to exceed 0.15 million Dths/day. The sale will be recorded as volumes are delivered.

On March 1, 2011, Central placed into service a new delivery location to Oklahoma Natural Gas in Norman, Oklahoma. This expansion was supported by a five-year firm transportation contract for 11,000 Dths/day. The expansion cost approximately \$0.6 million and is expected to generate annual revenues of \$0.6 million.

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. There have not been significant changes to our Critical Accounting Policies as included in our 2010 Annual Report on Form 10-K filed with the SEC on March 15, 2011.

Results of Operations

Results of operations for all periods presented include the operations of Central, our only operating subsidiary. The following discussion of 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 June 30, 2011 and 2010

Operating revenues increased by \$0.2 million, or 0.4 %, to \$51.8 million for the three-month period ended June 30, 2011 as compared to the three-month period ending June 30, 2010. The increase is primarily due to higher storage revenues in the second quarter of 2011, partially offset by lower transportation revenues. Higher storage revenues were primarily due to the Storage Expansion Project. Lower transportation revenues are a result of decreased park and loan service revenues. Our park and loan service is an interruptible service that provides customers with the flexibility to balance their supplies with market demand; these revenues are lower in 2011 due to lower differences in monthly future contract prices.

Operations and maintenance expenses increased by \$0.1 million, or 0.8%, to \$12.5 million for the three-month period ended June 30, 2011 as compared to the three-month period ended June 30, 2010. The increase is primarily due to higher expenses in the second quarter of 2011 for vehicles and materials, partially offset by savings in labor expense.

Administrative and general expenses increased by \$0.3 million, or 2.7%, to \$9.7 million for the three-month period ended June 30, 2011 as compared to the three-month period ended June 30, 2010. The increase is primarily due to higher expenses in the second quarter 2011 for labor, professional services and benefits, partially offset by lower expenses for supplies.

Depreciation expense increased by \$0.4 million, or 4.4%, to \$8.4 million for the three-month period ended June 30, 2011 as compared to the three-month period ended June 30, 2010. The increase is primarily due to asset additions to the 2011 depreciable base for transmission mains and meter and compressor station equipment.

Taxes, other than income taxes, decreased by \$0.1 million, or 3.4%, to \$3.9 million for the three-month period ended June 30, 2011 as compared to the three-month period ended June 30, 2010. The decrease is primarily due to timing of ad-valorem tax settlements.

The provision for income taxes decreased by \$0.1 million, or 3.4%, to \$3.7 million for the three-month period ended June 30, 2011 as compared to the three-month period ended June 30, 2010. The decrease is commensurate with lower 2011 pre-tax income.

Comparison of the Six Months Ended June 30, 2011 and 2010

Operating revenues decreased by \$0.6 million, or 0.5%, to \$103.9 million for the six-month period ended June 30, 2011 as compared to the six-month period ending June 30, 2010. The decrease is primarily due to lower transportation revenues, partially offset by higher storage revenues in 2011. Lower transportation revenues are a result of decreased incremental park and loan services due to lower differences in monthly future contract prices. Higher storage revenues were primarily due to the Storage Expansion Project.

Operations and maintenance expenses decreased by \$0.6 million, or 2.8%, to \$22.1 million for the six-month period ended June 30, 2011 as compared to the six-month period ended June 30, 2010. The decrease is primarily due to lower expenses in 2011 for pipeline integrity management program costs, leak repairs and labor, offset partially by higher expenses for engine overhauls, hot spot testing, environmental and vehicle expenses.

Administrative and general expenses decreased by \$0.2 million, or 1.1%, to \$19.0 million for the six-month period ended June 30, 2011 as compared to the six-month period ended June 30, 2010. The decrease is primarily due to lower expenses in 2011 for employee benefits, offset partially by higher expenses for professional and legal services.

Depreciation expense increased by \$1.5 million, or 9.8%, to \$16.5 million for the six-month period ended June 30, 2011 as compared to the six-month period June 30, 2010. The increase is primarily due to asset additions to the 2011 depreciable base for transmission mains and meter and compressor station equipment.

Taxes, other than income taxes, increased by \$0.2 million, or 2.9%, to \$8.1 million for the six-month period ended June 30, 2011 as compared to the six-month period ended June 30, 2010. The increase is primarily due to higher expenses for ad-valorem tax in 2011.

The provision for income taxes increased by \$0.1 million, or 1.1%, to \$8.9 million for the six-month period ended June 30, 2011 as compared to the six-month period ended June 30, 2010. The increase is due to a 2010 first quarter decrease in the composite state tax rate partially offset by 2011 lower pre-tax income.

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 do not maintain a credit facility for working capital needs. We expect to fund our capital and other liquidity requirements with cash on hand, cash flows from operating activities and by accessing debt markets or securing a credit facility, if needed and available.

Net cash provided by operating activities for the six-month periods ended June 30, 2011 and 2010 was \$32.8 million and \$36.8 million, respectively. Net cash from operating activities was lower in 2011 primarily due to a decrease in 2011 payables, higher 2010 cash receipts for reimbursable projects and higher 2011 funding to our pension plans, partially offset by lower employee incentive payments in 2011, higher 2011 customer advances for reimbursable construction contracts and a 2010 prepayment to a vendor. Funding of our pension plans is discussed in Note 8 of the accompanying Notes to the Consolidated Financial Statements.

Net cash used in investing activities for the six-month periods ended June 30, 2011 and 2010 was \$15.3 million and \$19.1 million, respectively. Cash used in investing activities was lower in 2011 primarily due to lower maintenance capital expenditures, partially offset by higher capital expenditures for expansion and the purchase of acreage for storage in 2011.

Net cash used in financing activities for the six-month periods ended June 30, 2011 and 2010 was \$17.0 million and \$15.3 million, respectively. The increase is primarily due to higher 2011 common stock dividend payments.

6.75% Registered Notes

At June 30, 2011, we had outstanding \$200.0 million of 6.75% Notes registered under the Securities Act of 1933 as amended, or 6.75% Registered Notes. The Bank of New York Mellon Trust Company, N.A., serves as trustee pursuant to the related indenture. Interest is payable semi-annually on March 1 and September 1 of each year. The related issuance costs are being amortized over the life of the 6.75% Registered Notes utilizing the straight line method. The 6.75% Registered Notes mature on March 1, 2016 and have an overall effective interest rate of 7.06%. The 6.75% Registered Notes are Southern Star'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 Southern Star to the extent of the value of the assets securing such indebtedness, if any.

The declaration and payment of dividends or distributions to equity holders, under the 6.75% Registered 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.

The 6.75% Registered Notes are subject to certain covenants that restrict, among other things, Southern Star and its subsidiaries' ability to make investments, incur additional indebtedness, pay dividends or make distributions on capital stock or redeem or repurchase capital stock, create liens, incur dividend or other payment restrictions affecting subsidiaries, merge or consolidate with other entities and enter into transactions with affiliates. We have the right to redeem all or part of the 6.75% Registered Notes at premiums defined in the indenture.

6.75% Unregistered Notes

At June 30, 2011, we had outstanding \$50.0 million aggregate principal amount of 6.75% Senior Notes due 2016, or 6.75% Unregistered Notes. The Bank of New York Mellon Trust Company, N.A., serves as trustee under the related indenture. Interest is payable semi-annually on March 1 and September 1 of each year, beginning on September 1, 2008. The related issuance costs are being amortized over the life of the 6.75% Unregistered Notes utilizing the straight line method. The 6.75% Unregistered Notes will mature on March 1, 2016 and have an overall effective interest rate of 8.55%. The 6.75% Unregistered Notes are senior unsecured obligations and rank equal in rights of payment to all of Southern Star's existing and future unsecured indebtedness 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. All covenants, restrictions, and other terms and conditions are identical to those for the 6.75% Registered Notes described above. We have the right to redeem all or part of the 6.75% Unregistered Notes at premiums defined in the indenture.

Central's 6.0% Notes

At June 30, 2011, Central had outstanding \$230.0 million aggregate principal amount of 6.0% Senior Notes due 2016, or 6.0% Notes. The Bank of New York Mellon Trust Company, N.A., serves as trustee under the related indenture. The indenture governing the 6.0% Notes contains customary restrictive covenants and events of default.

Interest on the 6.0% Notes is payable semi-annually on June 1 and December 1 of each year. The related issuance costs are being amortized over the life of the 6.0% Notes utilizing the straight line method. The 6.0% Notes mature on June 1, 2016 and have an overall effective interest rate of 6.17%. 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. The 6.0% Notes are structurally senior to the 6.75% Notes.

The 6.0% Notes are subject to certain covenants that restrict, among other things, Central's ability to create liens, enter into sale and leaseback transactions or merge or consolidate with other entities.

Central has the option to call the 6.0% Notes at any time at a make-whole premium as defined in the indenture.

Capital Lease

Central has a 20-year capital lease with the Owensboro-Daviess County Industrial Development Authority, or the Authority, for use of a headquarters building in Owensboro, Kentucky. Central is the borrower under a \$9.0 million loan

agreement dated as of January 1, 2004 between Central and the Authority pursuant to which the Authority financed the cost of Central's office facility in Daviess County, Kentucky. In connection with the financing, the Authority issued Series 2004A and 2004B bonds under an indenture dated as of January 1, 2004 between the Authority and U.S. Bank, N. A., as trustee. 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. Central has the option to prepay all 2004A bonds on or after January 1, 2014 and all 2004B bonds on or after February 1, 2014.

Other

We operate under a Federal and State Income Tax Policy that governs the allocation and payment of tax liabilities of Holdings, Southern Star and Central. This policy provides that Southern Star will file consolidated tax returns on behalf of itself, Holdings and Central and will pay all taxes shown thereon to be due. Central generally makes payments to Southern Star for its federal and state income tax liabilities as though it were filing a separate return. 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 and similar state statutes.

On April 30, 2008, Central filed a general rate case under FERC Docket No. RP08-350 which became effective November 1, 2008. The case was approved without modification by the FERC on June 1, 2009. Pursuant to the terms of its settlement, Central is required to file a new rate case to be effective no later than December 1, 2013.

At June 30, 2011, we were in compliance with the covenants of all outstanding debt instruments. See Note 4 of the accompanying Notes to the Consolidated Financial Statements for further discussion of our debt instruments.

On June 30, 2011, we entered into an agreement to sell 1.4 million Dths of working gas, recently converted from base gas, as a result of the "Storage Expansion Project" for \$6.2 million. Delivery of the 1.4 million Dths will take place on or before October 1, 2011, in increments not to exceed 0.15 million Dths/day. The sale will be recorded as volumes are delivered.

Other

Contractual Obligations and Commitments

We have estimated capital expenditures of \$46.8 million in 2011 including approximately \$2.5 million for the "Storage Expansion Project" and approximately \$11.8 million for projects under our pipeline integrity management program. We expect to fund 2011 capital expenditures from our cash from operations.

Central expects to contribute a total of \$11.4 million to its Retirement and Post Retirement Medical Benefit Plans in 2011. See Note 8 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 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 and benefits, materials and supplies, and property, plant and equipment. A portion of the increased expenses resulting from labor, materials and supplies 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, limit Central's ability to price services or products to reflect increased costs resulting from inflation.

Seasonality

Substantially all of Central's operating revenues are generated from fixed daily 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 daily 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 occur from 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. At June 30, 2011, the weighted-average interest rate of our long-term debt was 6.79%. Our \$200.0 million (6.75% Registered Notes), \$230.0 million (6.0% Notes) and \$50.0 million (6.75% Unregistered Notes) long-term debt issues mature in 2016. The \$4.9 million balance of our capital lease obligation matures serially through 2024 and carries a fixed effective interest rate of 6.29%. Our long-term debt at June 30, 2011, had a carrying value of \$477.0 million. At June 30, 2011, the fair value of our 6.75% Registered Notes and the 6.75% Unregistered Notes was approximately \$201.1 million and \$46.7 million, respectively. These fair market values were calculated by discounting the Notes' cash flows by their respective yield rates as determined by recent market activity. The fair value of the 6.0% Notes was \$250.7 million as of June 30, 2011, estimated by discounting the 6.0% Notes' cash flows by the current yield rate of notes with similar characteristics, as recent transactions of our 6.0% Notes were not available due to recent market inactivity.

Item 4. Controls and Procedures

Disclosure Controls and Procedures – As of June 30, 2011, we, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as defined in Exchange Act Rules 13a – 15(e) and 15d – 15(e). Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the disclosure controls and procedures were effective as of June 30, 2011.

Changes in Internal Control Over Financial Reporting – There has been no change in our internal control over financial reporting during the quarter ended June 30, 2011, that has materially affected, or is 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. The Department of Justice 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. Grynberg’s counsel filed notices of appeal with the United States Court of Appeals for the Tenth Circuit, or Appellate Court, where his appeals were docketed as *In re Natural Gas Royalties Qui Tam Litigation*, Case No. 06-8099. Oral argument occurred on September 25, 2008. On March 17, 2009, the Appellate Court affirmed the Trial Court’s dismissal of Grynberg’s complaints on jurisdictional grounds related to the “original source” defense asserted by Central. On March 20, 2009, Grynberg filed a motion for an extension of time to file a petition for rehearing of the Appellate Court’s decision. The Court granted Grynberg’s motion and he subsequently filed his petition for rehearing on April 14, 2009. On May 4, 2009, the Appellate Court denied Grynberg’s petition for rehearing. On August 4, 2009, Grynberg filed a petition (Number 09-170) for certiorari review with the United States Supreme Court. On October 5, 2009, the Supreme Court denied Grynberg’s petition. On July 27, 2011, the Trial Court entered three orders disposing of the defendant’s motions for attorney fees and cost which were the subject of a hearing held on April 24, 2007. The Trial Court Judge awarded attorney fees and costs to the defendants and directed Grynberg to pay a portion of the Special Master’s fees into the Trial Court’s registry. It is unknown at this time whether the parties, through counsel, will be able to agree upon the specific amounts to be paid by Grynberg, or whether further post-judgment proceedings before the Trial Court and/or the Appellate Court may be necessary.

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 under measured 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 continued 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 the motion on April 1, 2005. On September 18, 2009, the Court denied the Plaintiffs’ most recent motion for class certification. The Plaintiffs filed a motion to reconsider that ruling on October 2, 2009. The defendants, including Central, filed a response in opposition to the Plaintiffs’ motion for reconsideration on January 18, 2010. The Plaintiffs filed a reply, and oral argument, which was presented before a different judge, was heard on February 10, 2010. By order dated March 31, 2010, the Court denied the Plaintiffs’ October 2, 2009 motion to reconsider the earlier denial of class certification. The Plaintiffs did not file for interlocutory review of the March 31, 2010 order; however, it is unknown at this time whether the Plaintiffs intend to proceed with the merits of their claims, absent class certification or plan to move to dismiss the lawsuit.

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 under measured 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 Plaintiffs’ second class certification motion in Price Litigation I, was fully briefed and the Court heard oral argument on this motion on April 1, 2005. On September 18, 2009, the Court denied the Plaintiffs’ motion for class certification. The Plaintiffs filed a motion to reconsider that ruling on October 2, 2009. The defendants, including Central, filed a response in opposition to the Plaintiffs’ motion for reconsideration on January 18, 2010. The Plaintiffs filed a reply, and oral argument, which was presented before a different judge, was heard on February 10, 2010. By order dated March 31, 2010, the Court denied the Plaintiffs’ October 2, 2009 motion to reconsider the earlier denial of class certification. The Plaintiffs did not file for interlocutory review of the March 31, 2010 order; however, it is unknown at this time whether

the Plaintiffs intend to proceed with the merits of their claims, absent class certification or plan to move to dismiss the lawsuit.

Item 1A. Risk Factors

See our 2010 Annual Report on Form 10-K filed with the SEC on March 15, 2011, which includes a detailed discussion of our risk factors under Item 1A, "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. Removed and Reserved

Item 5. Other Information

None.

Item 6. 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. |
| 101.INS | XBRL Instance Document |
| 101.SCH | XBRL Taxonomy Extension Schema Document |
| 101.CAL | XBRL Taxonomy Calculation Linkbase Document |
| 101.DEF | XBRL Taxonomy Extension Definitions Document |
| 101.LAB | XBRL Taxonomy Label Linkbase Document |
| 101.PRE | XBRL Taxonomy Presentation Linkbase Document |

SIGNATURES

Pursuant to the requirements 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.

August 9, 2011

By: /S/ JERRY L. MORRIS
Jerry L. Morris
President and Chief Executive Officer

August 9, 2011

By: /s/ SUSANNE W. HARRIS
 Susanne W. Harris
 Vice President, Chief Financial Officer and Treasurer

INDEX TO EXHIBITS

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**CERTIFICATION PURSUANT TO RULES 13a – 14(a) OR 15d – 14(a)
UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED**

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(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a - 15(e) and 15d - 15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a -15(f) and 15d – 15(f)) 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) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) 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
 - (d) 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(s) 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 the 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

August 9, 2011

**CERTIFICATION PURSUANT TO RULES 13a – 14(a) OR 15d – 14(a)
UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED**

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(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a - 15(e) and 15d - 15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a – 15(f) and 15d – 15(f)) 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) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) 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
 - (d) 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(s) 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 the 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

August 9, 2011

**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 June 30, 2011 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/her knowledge, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; 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.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
By: <u>/s/ Jerry L. Morris</u> Jerry L. Morris	Chief Executive Officer	August 9, 2011
By: <u>/s/ Susanne W. Harris</u> Susanne W. Harris	Chief Financial Officer	August 9, 2011

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.