

WILLIAMS COMPANIES INC
Form 10-Q
October 31, 2012
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2012

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 1-4174

THE WILLIAMS COMPANIES, INC.

(Exact name of registrant as specified in its charter)

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DELAWARE
(State or other jurisdiction of
incorporation or organization)

73-0569878
(I.R.S. Employer
Identification No.)

ONE WILLIAMS CENTER, TULSA, OKLAHOMA
(Address of principal executive offices)

74172
(Zip Code)

Registrant's telephone number, including area code: (918) 573-2000

NO CHANGE

(Former name, former address and former fiscal year, if changed since last report.)

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. (Check one):

Large accelerated filer Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company) 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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at October 26, 2012
Common Stock, \$1 par value	627,327,174 Shares

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Certain matters contained in this report include forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. 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. We make these forward-looking statements in reliance on the safe harbor protections provided under the Private Securities Litigation Reform Act of 1995.

All statements, other than statements of historical facts, included in this report that address activities, events, or developments that we expect, believe, or anticipate will exist or may occur in the future, are forward-looking statements. Forward-looking statements can be identified by various forms of words such as anticipates, believes, seeks, could, may, should, continues, estimates, expects, assumes, forecasts, goals, objectives, targets, planned, potential, projects, scheduled, will, guidance, outlook, in service date or other similar expressions. Forward-looking statements are based on management's beliefs and assumptions and on information currently available to management and include, among others, statements regarding:

Amounts and nature of future capital expenditures;

Expansion and growth of our business and operations;

Financial condition and liquidity;

Business strategy;

Cash flow from operations or results of operations;

The levels of dividends to stockholders;

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Seasonality of certain business components;

Natural gas, natural gas liquids, and crude oil prices and demand.

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Forward-looking statements are based on numerous assumptions, uncertainties, and risks that could cause future events or results to be materially different from those stated or implied in this report. Many of the factors that will determine these results are beyond our ability to control or predict. Specific factors that could cause actual results to differ from results contemplated by the forward-looking statements include, among others, the following:

Whether we have sufficient cash to enable us to pay current and expected levels of dividends;

Availability of supplies, market demand, volatility of prices, and the availability and cost of capital;

Inflation, interest rates, fluctuation in foreign exchange, and general economic conditions (including future disruptions and volatility in the global credit markets and the impact of these events on our customers and suppliers);

The strength and financial resources of our competitors;

Ability to acquire new businesses and assets and integrate those operations and assets into our existing businesses, as well as expand our facilities;

Development of alternative energy sources;

The impact of operational and development hazards;

Costs of, changes in, or the results of laws, government regulations (including safety and climate change regulation and changes in natural gas production from exploration and production areas that we serve), environmental liabilities, litigation, and rate proceedings;

Our costs and funding obligations for defined benefit pension plans and other postretirement benefit plans;

Changes in maintenance and construction costs;

Changes in the current geopolitical situation;

Our exposure to the credit risk of our customers and counterparties;

Risks related to strategy and financing, including restrictions stemming from our debt agreements, future changes in our credit ratings, and the availability and cost of credit;

Risks associated with future weather conditions;

Acts of terrorism, including cybersecurity threats and related disruptions;

Additional risks described in our filings with the Securities and Exchange Commission (SEC).

Given the uncertainties and risk factors that could cause our actual results to differ materially from those contained in any forward-looking statement, we caution investors not to unduly rely on our forward-looking statements. We disclaim any obligations to and do not intend to update the above list or to announce publicly the result of any revisions to any of the forward-looking statements to reflect future events or developments.

In addition to causing our actual results to differ, the factors listed above and referred to below may cause our intentions to change from those statements of intention set forth in this report. Such changes in our intentions may also cause our results to differ. We may change our intentions, at any time and without notice, based upon changes in such factors, our assumptions, or otherwise.

Because forward-looking statements involve risks and uncertainties, we caution that there are important factors, in addition to those listed above, that may cause actual results to differ materially from those contained in the forward-looking statements. For a detailed discussion of those factors, see Part I, Item 1A. Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2011.

Table of Contents**PART I FINANCIAL INFORMATION****The Williams Companies, Inc.****Consolidated Statement of Income****(Unaudited)**

(Millions, except per-share amounts)	Three months ended September 30,		Nine months ended September 30,	
	2012	2011	2012	2011
Revenues:				
Williams Partners	\$ 1,527	\$ 1,673	\$ 4,795	\$ 4,923
Midstream Canada & Olefins	231	326	847	989
Other	7	6	20	19
Intercompany eliminations	(13)	(33)	(45)	(104)
Total revenues	1,752	1,972	5,617	5,827
Segment costs and expenses:				
Costs and operating expenses	1,226	1,392	3,927	4,101
Selling, general, and administrative expenses	96	75	294	233
Other (income) expense net	14		31	(3)
Total segment costs and expenses	1,336	1,467	4,252	4,331
General corporate expenses	43	48	133	140
Operating income (loss):				
Williams Partners	343	431	1,113	1,278
Midstream Canada & Olefins	72	73	245	219
Other	1	1	7	(1)
General corporate expenses	(43)	(48)	(133)	(140)
Total operating income (loss)	373	457	1,232	1,356
Interest accrued	(140)	(153)	(421)	(464)
Interest capitalized	11	7	33	17
Investing income net	33	43	163	127
Other income (expense) net			(1)	4
Income (loss) from continuing operations before income taxes	277	354	1,006	1,040
Provision (benefit) for income taxes	77	33	281	120
Income (loss) from continuing operations	200	321	725	920
Income (loss) from discontinued operations	3	21	138	103
Net income (loss)	203	342	863	1,023
Less: Net income attributable to noncontrolling interests	48	70	153	203
Net income (loss) attributable to The Williams Companies, Inc.	\$ 155	\$ 272	\$ 710	\$ 820

Amounts attributable to The Williams Companies, Inc.:

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Income (loss) from continuing operations	\$ 152	\$ 253	\$ 572	\$ 724
Income (loss) from discontinued operations	3	19	138	96
Net income (loss)	\$ 155	\$ 272	\$ 710	\$ 820
Basic earnings (loss) per common share:				
Income (loss) from continuing operations	\$.25	\$.43	\$.94	\$ 1.23
Income (loss) from discontinued operations		.03	.22	.16
Net income (loss)	\$.25	\$.46	\$ 1.16	\$ 1.39
Weighted-average shares (thousands)	626,809	588,950	613,888	588,082
Diluted earnings (loss) per common share:				
Income (loss) from continuing operations	\$.25	\$.43	\$.93	\$ 1.21
Income (loss) from discontinued operations		.03	.22	.16
Net income (loss)	\$.25	\$.46	\$ 1.15	\$ 1.37
Weighted-average shares (thousands)	632,019	597,550	619,765	597,250
Cash dividends declared per common share	\$.3125	\$.200	\$.87125	\$.525

See accompanying notes.

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The Williams Companies, Inc.

Consolidated Statement of Comprehensive Income

(Unaudited)

(Millions)	Three months ended September 30,		Nine months ended September 30,	
	2012	2011	2012	2011
Net income (loss)	\$ 203	\$ 342	\$ 863	\$ 1,023
Other comprehensive income (loss):				
Cash flow hedging activities:				