

WILLIAMS COMPANIES INC

Form 10-Q

August 06, 2009

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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 June 30, 2009

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)

DELAWARE

73-0569878

(State or other jurisdiction of incorporation or organization)

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

ONE WILLIAMS CENTER, TULSA, OKLAHOMA

74172

(Address of principal executive offices)

(Zip Code)

Registrant's telephone number: (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 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

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

Class
Common Stock, \$1 par value

Outstanding at July 31, 2009
582,966,333 Shares

The Williams Companies, Inc.
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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, could, may, should, continues, estimates, expects, forecasts, intends, might, objectives, planned, scheduled or other similar expressions. These 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;

Estimates of proved gas and oil reserves;

Reserve potential;

Development drilling potential;

Cash flow from operations or results of operations;

Seasonality of certain business segments;

Natural gas and natural gas liquids (NGL) 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:

Availability of supplies (including the uncertainties inherent in assessing, estimating, acquiring and developing future natural gas reserves), market demand, volatility of prices, and the availability and cost of capital;

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

The strength and financial resources of our competitors;

Development of alternative energy sources;

The impact of operational and development hazards;

Costs of, changes in, or the results of laws, government regulations (including proposed climate change legislation), 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;

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;

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, 2008, and Part II, Item 1A. Risk Factors of this Quarterly Report on Form 10-Q.

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The Williams Companies, Inc.
Consolidated Statement of Operations
(Unaudited)

(Dollars in millions, except per-share amounts)	Three months ended June 30,		Six months ended June 30,	
	2009	2008	2009	2008
Revenues:				
Exploration & Production	\$ 530	\$ 948	\$ 1,083	\$ 1,676
Gas Pipeline	421	406	822	819
Midstream Gas & Liquids	805	1,710	1,498	3,227
Gas Marketing Services	598	2,010	1,465	3,660
Other	7	6	14	12
Intercompany eliminations	(452)	(1,423)	(1,051)	(2,573)
Total revenues	1,909	3,657	3,831	6,821
Segment costs and expenses:				
Costs and operating expenses	1,392	2,697	2,836	5,030
Selling, general and administrative expenses	129	131	254	242
Other (income) expense net	(1)	(32)	32	(146)
Total segment costs and expenses	1,520	2,796	3,122	5,126
General corporate expenses	38	42	78	84
Operating income (loss):				
Exploration & Production	115	490	189	917
Gas Pipeline	147	164	311	334
Midstream Gas & Liquids	130	254	213	469
Gas Marketing Services	(6)	(46)	(8)	(25)
Other	3	(1)	4	(1)
General corporate expenses	(38)	(42)	(78)	(84)
Total operating income	351	819	631	1,611
Interest accrued	(167)	(161)	(329)	(321)
Interest capitalized	22	16	42	24
Investing income (loss)	24	54	(37)	109
Other income (expense) net	1	(1)	(1)	4
Income from continuing operations before income taxes	231	728	306	1,427
Provision for income taxes	80	257	136	508
Income from continuing operations	151	471	170	919

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Income (loss) from discontinued operations	18	29	(225)	120
Net income (loss)	169	500	(55)	1,039
Less: Net income (loss) attributable to noncontrolling interests	27	63	(25)	102
Net income (loss) attributable to The Williams Companies, Inc.	\$ 142	\$ 437	\$ (30)	\$ 937
Amounts attributable to The Williams Companies, Inc.:				
Income from continuing operations	\$ 123	\$ 412	\$ 125	\$ 823
Income (loss) from discontinued operations	19	25	(155)	114
Net income (loss)	\$ 142	\$ 437	\$ (30)	\$ 937
Basic earnings (loss) per common share:				
Income from continuing operations	\$.21	\$.71	\$.22	\$ 1.41
Income (loss) from discontinued operations	.03	.04	(.27)	.19
Net income (loss)	\$.24	\$.75	\$ (.05)	\$ 1.60
Weighted-average shares (thousands)	580,726	583,400	580,114	584,459
Diluted earnings (loss) per common share:				
Income from continuing operations	\$.21	\$.69	\$.21	\$ 1.38
Income (loss) from discontinued operations	.03	.04	(.26)	.19
Net income (loss)	\$.24	\$.73	\$ (.05)	\$ 1.57
Weighted-average shares (thousands)	588,780	596,187	587,999	597,404
Cash dividends declared per common share	\$.11	\$.11	\$.22	\$.21

See accompanying notes.

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The Williams Companies, Inc.
Consolidated Balance Sheet
(Unaudited)

(Dollars in millions, except per-share amounts)	June 30, 2009	December 31, 2008
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,853	\$ 1,438
Accounts and notes receivable (net of allowance of \$32 at June 30, 2009 and \$29 at December 31, 2008)	677	884
Inventories	249	260
Derivative assets	882	1,464
Assets of discontinued operations	1	142
Other current assets and deferred charges	237	223
 Total current assets	 3,899	 4,411
 Investments	 894	 971
Property, plant and equipment, at cost	26,255	25,360
Less accumulated depreciation, depletion and amortization	(8,289)	(7,619)
 Property, plant and equipment net	 17,966	 17,741
Derivative assets	745	986
Goodwill	1,011	1,011
Assets of discontinued operations		387
Other assets and deferred charges	511	499
 Total assets	 \$ 25,026	 \$ 26,006
 LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	\$ 772	\$ 1,052
Accrued liabilities	1,006	1,139
Derivative liabilities	524	1,093
Liabilities of discontinued operations		217
Long-term debt due within one year	13	18
 Total current liabilities	 2,315	 3,519
 Long-term debt	 8,265	 7,683
Deferred income taxes	3,378	3,315
Derivative liabilities	710	875
Liabilities of discontinued operations		82
Other liabilities and deferred income	1,505	1,478
Contingent liabilities and commitments (Note 12)		

Equity:

Stockholders' equity:

Common stock (960 million shares authorized at \$1 par value; 617 million issued at June 30, 2009 and 613 million shares issued at December 31, 2008)	617	613
Capital in excess of par value	8,116	8,074
Retained earnings	716	874
Accumulated other comprehensive loss	(84)	(80)
Less treasury stock, at cost (35 million shares of common stock)	(1,041)	(1,041)
Total stockholders' equity	8,324	8,440
Noncontrolling interests in consolidated subsidiaries	529	614
Total equity	8,853	9,054
Total liabilities and equity	\$ 25,026	\$ 26,006

See accompanying notes.

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The Williams Companies, Inc.
Consolidated Statement of Changes in Equity
(Unaudited)

(Dollars in millions)	Three months ended June 30,					
	2009			2008		
	The Williams Companies, Inc.	Noncontrolling Interests	Total	The Williams Companies, Inc.	Noncontrolling Interests	Total
Beginning balance	\$ 8,326	\$ 530	\$ 8,856	\$ 7,801	\$ 583	\$ 8,384
Comprehensive income:						
Net income	142	27	169	437	63	500
Other comprehensive income (loss), net of tax:						
Net unrealized loss on cash flow hedges, net of reclassification adjustments	(158)		(158)	(334)	(9)	(343)
Foreign currency translation adjustments	32		32	4		4
Pension and other postretirement benefits net	5		5	2		2
Total other comprehensive loss	(121)		(121)	(328)	(9)	(337)
Total comprehensive income	21	27	48	109	54	163
Cash dividends common stock	(64)		(64)	(64)		(64)
Dividends and distributions to noncontrolling interests		(32)	(32)		(30)	(30)
Purchase of treasury stock				(239)		(239)
Stock-based compensation, net of tax	13		13	45		45
Issuance of common stock from 5.5% debentures conversion	28		28			
Other		4	4			
Ending balance	\$ 8,324	\$ 529	\$ 8,853	\$ 7,652	\$ 607	\$ 8,259

(Dollars in millions)	Six months ended June 30,					
	2009			2008		
	The Williams Companies, Inc.	Noncontrolling Interests	Total	The Williams Companies, Inc.	Noncontrolling Interests	Total
Beginning balance	\$ 8,440	\$ 614	\$ 9,054	\$ 6,375	\$ 1,430	\$ 7,805

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Comprehensive income (loss):							
Net income (loss)	(30)	(25)	(55)	937	102	1,039	
Other comprehensive income (loss), net of tax:							
Net unrealized loss on cash flow hedges, net of reclassification adjustments	(35)		(35)	(456)	(7)	(463)	
Foreign currency translation adjustments	19		19	(17)		(17)	
Pension and other postretirement benefits net	12		12	4		4	
Total other comprehensive loss	(4)		(4)	(469)	(7)	(476)	
Total comprehensive income (loss)	(34)	(25)	(59)	468	95	563	
Cash dividends common stock	(128)		(128)	(123)		(123)	
Dividends and distributions to noncontrolling interests		(65)	(65)		(54)	(54)	
Sale of limited partner units of consolidated partnerships					362	362	
Conversion of Williams Partners L.P. subordinated units to common units				1,225	(1,225)		
Purchase of treasury stock				(365)		(365)	
Stock-based compensation, net of tax	18		18	64		64	
Issuance of common stock from 5.5% debentures conversion	28		28				
Other		5	5	8	(1)	7	
Ending balance	\$ 8,324	\$ 529	\$ 8,853	\$ 7,652	\$ 607	\$	