

WILLIAMS COMPANIES INC
Form 10-Q
October 31, 2016

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, 2016

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

74172-0172

(Address of principal executive offices)

(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

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.

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Class	Shares Outstanding at October 27, 2016
Common Stock, \$1 par value	750,837,361

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The reports, filings, and other public announcements of The Williams Companies, Inc. (Williams) may contain or incorporate by reference statements that do not directly or exclusively relate to historical facts. Such statements are “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended (Securities Act), and Section 21E of the Securities Exchange Act of 1934, as amended (Exchange Act). 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,” “forecasts,” “intends,” “might,” “goals,” “objectives,” “potential,” “projects,” “scheduled,” “will,” “assumes,” “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:

- Expected levels of cash distributions by Williams Partners L.P. (WPZ) with respect to general partner interests, incentive distribution rights and limited partner interests;

- Levels of dividends to Williams stockholders;

- Future credit ratings of Williams and WPZ;

- Amounts and nature of future capital expenditures;

Expansion of our business and operations;

Financial condition and liquidity;

Business strategy;

Cash flow from operations or results of operations;

Seasonality of certain business components;

Natural gas, natural gas liquids, and olefins prices, supply, and demand;

Demand for our services.

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 WPZ will produce sufficient cash flows to provide the level of cash distributions, including incentive distribution rights (IDRs), that we expect;

Whether we are able to pay current and expected levels of dividends;

Whether we will be able to effectively execute our financing plan including the receipt of anticipated levels of proceeds from planned asset sales;

Availability of supplies, including lower than anticipated volumes from third parties served by our midstream business, and market demand;

Volatility of pricing including the effect of lower than anticipated energy commodity prices and margins;

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

The strength and financial resources of our competitors and the effects of competition;

Whether we are able to successfully identify, evaluate and timely execute our capital projects and other investment opportunities in accordance with our forecasted capital expenditures budget;

Our ability to successfully expand our facilities and operations;

Development of alternative energy sources;

Availability of adequate insurance coverage and the impact of operational and developmental hazards and unforeseen interruptions;

• The impact of existing and future laws, regulations, the regulatory environment, environmental liabilities, and litigation, as well as our ability to obtain permits and achieve favorable rate proceeding outcomes;

• 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 financing, including restrictions stemming from debt agreements, future changes in credit ratings as determined by nationally-recognized credit rating agencies and the availability and cost of capital;

• The amount of cash distributions from and capital requirements of our investments and joint ventures in which we participate;

• Risks associated with weather and natural phenomena, including climate conditions and physical damage to our facilities;

• Acts of terrorism, including cybersecurity threats and related disruptions;

• Additional risks described in our filings with the 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 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 filed with the SEC on February 26, 2016 and in Part II, Item 1A. Risk Factors in our Quarterly Reports on Form 10-Q.

DEFINITIONS

The following is a listing of certain abbreviations, acronyms, and other industry terminology used throughout this Form 10-Q.

Measurements:

Barrel: One barrel of petroleum products that equals 42 U.S. gallons

Bcf: One billion cubic feet of natural gas

Bcf/d: One billion cubic feet of natural gas per day

British Thermal Unit (Btu): A unit of energy needed to raise the temperature of one pound of water by one degree Fahrenheit

Dekatherms (Dth): A unit of energy equal to one million British thermal units

Mbbls/d: One thousand barrels per day

Mdth/d: One thousand dekatherms per day

MMcf/d: One million cubic feet per day

MMdth: One million dekatherms or approximately one trillion British thermal units

MMdth/d: One million dekatherms per day

Tbtu: One trillion British thermal units

Consolidated Entities:

ACMP: Access Midstream Partners, L.P. prior to its merger with Pre-merger WPZ

Cardinal: Cardinal Gas Services, L.L.C.

Constitution: Constitution Pipeline Company, LLC

Gulfstar One: Gulfstar One LLC

Jackalope: Jackalope Gas Gathering Services, L.L.C.

Northwest Pipeline: Northwest Pipeline LLC

Pre-merger WPZ: Williams Partners L.P. prior to its merger with ACMP

Transco: Transcontinental Gas Pipe Line Company, LLC

WPZ: Williams Partners L.P.

Partially Owned Entities: Entities in which we do not own a 100 percent ownership interest and which, as of September 30, 2016, we account for as an equity-method investment, including principally the following:

Aux Sable: Aux Sable Liquid Products LP

Caiman II: Caiman Energy II, LLC

Discovery: Discovery Producer Services LLC

Gulfstream: Gulfstream Natural Gas System, L.L.C.

Laurel Mountain: Laurel Mountain Midstream, LLC

OPPL: Overland Pass Pipeline Company LLC

UEOM: Utica East Ohio Midstream LLC

Government and Regulatory:

EPA: Environmental Protection Agency

FERC: Federal Energy Regulatory Commission

SEC: Securities and Exchange Commission

Other:

DRIP: Distribution Reinvestment Program

Energy Transfer or ETE: Energy Transfer Equity, L.P.

ETC: Energy Transfer Corp LP

Merger Agreement: Merger Agreement and Plan of Merger of Williams with Energy Transfer and certain of its affiliates

ETC Merger: Merger wherein Williams was to be merged into ETC

Fractionation: The process by which a mixed stream of natural gas liquids is separated into constituent products, such as ethane, propane, and butane

GAAP: U.S. generally accepted accounting principles

IDR: Incentive distribution right

NGLs: Natural gas liquids; natural gas liquids result from natural gas processing and crude oil refining and are used as petrochemical feedstocks, heating fuels, and gasoline additives, among other applications

NGL margins: NGL revenues less any applicable Btu replacement cost, plant fuel, and third-party transportation and fractionation

PDH facility: Propane dehydrogenation facility

PART I – FINANCIAL INFORMATION

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
	(Millions, except per-share amounts)			
Revenues:				
Service revenues	\$1,247	\$1,239	\$3,678	\$3,677
Product sales	658	560	1,623	1,677
Total revenues	1,905	1,799	5,301	5,354
Costs and expenses:				
Product costs	461	426	1,180	1,382
Operating and maintenance expenses	394	403	1,179	1,227
Depreciation and amortization expenses	435	432	1,326	1,287
Selling, general, and administrative expenses	177	177	556	547
Net insurance recoveries – Geismar Incident	—	—	—	(126)
Impairment of long-lived assets	1	2	811	29
Other (income) expense – net	92	3	130	33
Total costs and expenses	1,560	1,443	5,182	4,379
Operating income (loss)	345	356	119	975
Equity earnings (losses)	104	92	302	236
Impairment of equity-method investments	—	(461)		