

WILLIAMS COMPANIES INC
Form 10-Q
November 02, 2011
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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, 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 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 31, 2011
Common Stock, \$1 par value	589,411,024 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, forecasts, intends, objectives, targets, planned, potential, projects, scheduled, will, 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:

Plans to separate our exploration and production business into a stand-alone, publicly traded corporation;

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, 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:

Our ability to complete the separation of our exploration and production business into a stand-alone, publicly traded corporation or to complete the separation on the timeline or terms we have announced;

Availability of supplies (including the uncertainties inherent in assessing, estimating, acquiring, and developing future natural gas and oil 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 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;

Development of alternative energy sources;

The impact of operational and development hazards;

Costs of, changes in, or the results of laws, government regulations (including climate change regulation and/or potential additional regulation of drilling and completion of wells), 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, 2010, and Part II, Item 1A. Risk Factors of this Form 10-Q.

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

(Millions, except per-share amounts)	Three months		Nine months	
	ended September 30,		ended September 30,	
	2011	2010	2011	2010
Revenues:				
Williams Partners	\$ 1,673	\$ 1,327	\$ 4,923	\$ 4,217
Exploration & Production	1,022	1,005	2,992	3,063
Midstream Canada & Olefins	326	232	989	761
Other	6	6	19	17
Intercompany eliminations	(324)	(270)	(976)	(878)
Total revenues	2,703	2,300	7,947	7,180
Segment costs and expenses:				
Costs and operating expenses	2,025	1,748	5,871	5,382
Selling, general, and administrative expenses	130	122	401	356
Impairments of goodwill and long-lived assets		1,681		1,681
Other (income) expense net		(4)	2	(17)
Total segment costs and expenses	2,155	3,547	6,274	7,402
General corporate expenses	54	43	152	173
Operating income (loss):				
Williams Partners	431	347	1,278	1,079
Exploration & Production	43	(1,635)	177	(1,419)
Midstream Canada & Olefins	73	42	219	123
Other	1	(1)	(1)	(5)
General corporate expenses	(54)	(43)	(152)	(173)
Total operating income (loss)	494	(1,290)	1,521	(395)
Interest accrued	(152)	(158)	(466)	(476)
Interest capitalized	11	13	29	43
Investing income net	49	68	145	162
Early debt retirement costs				(606)
Other income (expense) net		(4)	4	(12)
Income (loss) from continuing operations before income taxes	402	(1,371)	1,233	(1,284)
Provision (benefit) for income taxes	55	(150)	194	(140)
Income (loss) from continuing operations	347	(1,221)	1,039	(1,144)
Income (loss) from discontinued operations	(5)	(5)	(16)	(6)
Net income (loss)	342	(1,226)	1,023	(1,150)
Less: Net income attributable to noncontrolling interests	70	37	203	121
Net income (loss) attributable to The Williams Companies, Inc.	\$ 272	\$ (1,263)	\$ 820	\$ (1,271)

Amounts attributable to The Williams Companies, Inc.:

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Income (loss) from continuing operations	\$ 277	\$ (1,258)	\$ 836	\$ (1,265)
Income (loss) from discontinued operations	(5)	(5)	(16)	(6)
Net income (loss)	\$ 272	\$ (1,263)	\$ 820	\$ (1,271)
Basic earnings (loss) per common share:				
Income (loss) from continuing operations	\$.47	\$ (2.15)	\$ 1.42	\$ (2.16)
Income (loss) from discontinued operations	(.01)	(.01)	(.03)	(.01)
Net income (loss)	\$.46	\$ (2.16)	\$ 1.39	\$ (2.17)
Weighted-average shares (thousands)	588,950	584,744	588,082	584,365
Diluted earnings (loss) per common share:				
Income (loss) from continuing operations	\$.47	\$ (2.15)	\$ 1.40	\$ (2.16)
Income (loss) from discontinued operations	(.01)	(.01)	(.03)	(.01)
Net income (loss)	\$.46	\$ (2.16)	\$ 1.37	\$ (2.17)
Weighted-average shares (thousands)	597,550	584,744	597,250	584,365
Cash dividends declared per common share	\$.200	\$.125	\$.525	\$.360