

ONEOK INC /NEW/
Form 10-Q
April 30, 2009

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 March 31, 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 001-13643

ONEOK, Inc.

(Exact name of registrant as specified in its charter)

Oklahoma
(State or other jurisdiction of
incorporation or organization)

73-1520922
(I.R.S. Employer Identification No.)

100 West Fifth Street, Tulsa, OK
(Address of principal executive
offices)

74103
(Zip Code)

Registrant's telephone number, including area code (918) 588-7000

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 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 checkmark 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.

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Large accelerated filer company__

Accelerated filer __

Non-accelerated filer __

Smaller reporting

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

On April 27, 2009, the Company had 105,301,805 shares of common stock outstanding.

ONEOK, Inc.
 QUARTERLY REPORT ON FORM 10-Q

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As used in this Quarterly Report on Form 10-Q, references to “we,” “our” or “us” refer to ONEOK, Inc., an Oklahoma corporation, and its predecessors and subsidiaries, unless the context indicates otherwise.

The statements in this Quarterly Report on Form 10-Q that are not historical information, including statements concerning plans and objectives of management for future operations, economic performance or related assumptions, are forward-looking statements. Forward-looking statements may include words such as “anticipate,” “estimate,” “expect,” “project,” “intend,” “plan,” “believe,” “should,” “goal,” “forecast,” “could,” “may,” “continue,” “might,” “potential,” “schedule” and terms of similar meaning. Although we believe that our expectations regarding future events are based on reasonable assumptions, we can give no assurance that such expectations and assumptions will be achieved. Important factors that could cause actual results to differ materially from those in the forward-looking statements are described under Part I, Item 2, Management’s Discussion and Analysis of Financial Condition and Results of Operations, “Forward-Looking Statements” and Part II, Item 1A, “Risk Factors” in this Quarterly Report on Form 10-Q and under Part I, Item 1A, “Risk Factors,” in our Annual Report on Form 10-K for the year ended December 31, 2008.

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GLOSSARY

The abbreviations, acronyms and industry terminology used in this Quarterly Report on Form 10-Q are defined as follows:

AFUDC	Allowance for funds used during construction
ARB	Accounting Research Bulletin
Bbl	Barrels, 1 barrel is equivalent to 42 United States gallons
Bbl/d	Barrels per day
BBtu/d	Billion British thermal units per day
Bcf	Billion cubic feet
Bcf/d	Billion cubic feet per day
Btu	British thermal units, a measure of the amount of heat required to raise the temperature of one pound of water one degree Fahrenheit
Bushton Plant	Bushton Gas Processing Plant
EBITDA	Earnings before interest, taxes, depreciation and amortization
EITF	Emerging Issues Task Force
Exchange Act	Securities Exchange Act of 1934, as amended
FASB	Financial Accounting Standards Board
FERC	Federal Energy Regulatory Commission
Fort Union Gas Gathering	Fort Union Gas Gathering, L.L.C.
FSP	FASB Staff Position
GAAP	Accounting principles generally accepted in the United States of America
Guardian Pipeline	Guardian Pipeline, L.L.C.
KCC	Kansas Corporation Commission
KDHE	Kansas Department of Health and Environment
LDC	Local Distribution Company
LIBOR	London Interbank Offered Rate
MBbl	Thousand barrels
MBbl/d	Thousand barrels per day
Mcf	Thousand cubic feet
MMBtu	Million British thermal units
MMBtu/d	Million British thermal units per day
MMcf	Million cubic feet
MMcf/d	Million cubic feet per day
Moody's	Moody's Investors Service, Inc.
NGL products	Marketable natural gas liquid purity products, such as ethane, ethane/propane mix, propane, iso-butane, normal butane and natural gasoline
NGL(s)	Natural gas liquid(s)
Northern Border Pipeline	Northern Border Pipeline Company
NYMEX	New York Mercantile Exchange
OBPI	ONEOK Bushton Processing Inc.
OCC	Oklahoma Corporation Commission
ONEOK	ONEOK, Inc.
ONEOK Partners	ONEOK Partners, L.P.
ONEOK Partners GP	ONEOK Partners GP, L.L.C., a wholly owned subsidiary of ONEOK and the sole general partner of ONEOK Partners, L.P.
OPIS	Oil Price Information Service
Overland Pass Pipeline Company	Overland Pass Pipeline Company LLC
S&P	Standard & Poor's Rating Group

SEC
Statement

Securities and Exchange Commission
Statement of Financial Accounting Standards

AVAILABLE INFORMATION

We make available on our Web site copies of our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, amendments to those reports filed or furnished to the SEC pursuant to Section 13(a) or 15(d) of the Exchange Act and reports of holdings of our securities filed by our officers and directors under Section 16 of the Exchange Act as soon as reasonably practicable after filing such material electronically or otherwise furnishing it to the SEC. Our Web site and any contents thereof are not incorporated by reference into this report.

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PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

ONEOK, Inc. and Subsidiaries

CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)	Three Months Ended	
	2009	2008
	March 31,	
	(Thousands of dollars, except per share amounts)	
Revenues	\$ 2,789,827	\$ 4,902,076
Cost of sales and fuel	2,238,416	4,316,164
Net Margin	551,411	585,912
Operating Expenses		
Operations and maintenance	161,719	167,992
Depreciation and amortization	72,126	59,479
General taxes	25,227	25,331
Total Operating Expenses	259,072	252,802
Gain (Loss) on Sale of Assets	664	13
Operating Income	293,003	333,123
Equity earnings from investments (Note L)	21,222	27,783
Allowance for equity funds used during construction	9,003	8,496
Other income	1,665	3,232
Other expense	(3,944)	(4,608)
Interest expense	(77,961)	(62,861)
Income before Income Taxes	242,988	305,165
Income taxes	(79,439)	(92,368)
Net Income	163,549	212,797
Net income attributable to noncontrolling interests	(41,264)	(68,960)
Net Income Attributable to ONEOK	\$ 122,285	\$ 143,837
Earnings Per Share of Common Stock (Note M)		
Net Earnings Per Share, Basic	\$ 1.16	\$ 1.38
Net Earnings Per Share, Diluted	\$ 1.16	\$ 1.36
Average Shares of Common Stock (Thousands)		
Basic	105,162	104,170
Diluted	105,733	105,821
Dividends Declared Per Share of Common Stock	\$ 0.40	\$ 0.38

See accompanying Notes to Consolidated Financial Statements.

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CONSOLIDATED BALANCE SHEETS

(Unaudited)	March 31,	December
Assets	2009	31,
	2008	
	(Thousands of dollars)	
Current Assets		
Cash and cash equivalents	\$ 76,753	\$ 510,058
Accounts receivable, net	1,014,142	1,265,300
Gas and natural gas liquids in storage	443,244	858,966
Commodity exchanges and imbalances	49,734	56,248
Energy marketing and risk management assets (Notes B and C)	280,962	362,808
Deposits	102,355	105,798
Other current assets	71,539	218,424
Total Current Assets	2,038,729	3,377,602
Property, Plant and Equipment		
Property, plant and equipment	9,688,778	9,476,619
Accumulated depreciation and amortization	2,252,123	2,212,850
Net Property, Plant and Equipment (Note J)	7,436,655	7,263,769
Investments and Other Assets		
Goodwill and intangible assets	1,036,309	1,038,226
Energy marketing and risk management assets (Notes B and C)	60,550	45,900
Investments in unconsolidated affiliates (Note L)	747,990	755,492
Other assets	619,731	645,073
Total Investments and Other Assets	2,464,580	2,484,691
Total Assets	\$ 11,939,964	\$ 13,126,062

See accompanying Notes to Consolidated Financial Statements.

Table of ContentsONEOK, Inc. and Subsidiaries
CONSOLIDATED BALANCE SHEETS

(Unaudited)	March 31, 2009	December 31, 2008
Liabilities and Shareholders' Equity	(Thousands of dollars)	
Current Liabilities		
Current maturities of long-term debt (Note G)	\$ 18,200	\$ 118,195
Notes payable (Note F)	986,700	2,270,000
Accounts payable	798,625	1,122,761
Commodity exchanges and imbalances	130,199	188,030
Energy marketing and risk management liabilities (Notes B and C)	77,084	175,006
Other current liabilities	436,702	319,772
Total Current Liabilities	2,447,510	4,193,764
Long-term Debt, excluding current maturities (Note G)	4,602,756	4,112,581
Deferred Credits and Other Liabilities		
Deferred income taxes	866,497	890,815
Energy marketing and risk management liabilities (Notes B and C)	16,892	46,311
Other deferred credits	765,176	715,052
Total Deferred Credits and Other Liabilities	1,648,565	1,652,178
Commitments and Contingencies (Note I)		
Shareholders' Equity		
ONEOK Shareholders' Equity		
Common stock, \$0.01 par value:		
authorized 300,000,000 shares; issued 122,103,602 shares		
and outstanding 105,293,253 shares at March 31, 2009;		
issued 121,647,007 shares and outstanding 104,845,231		
shares at December 31, 2008	1,221	1,216
Paid in capital	1,301,849	1,301,153
Accumulated other comprehensive loss (Note D)	(56,152)	(70,616)
Retained earnings	1,633,238	1,553,033
Treasury stock, at cost: 16,810,349 shares at March 31,		
2009 and 16,801,776 shares at December 31, 2008	(696,863)	(696,616)
Total ONEOK Shareholders' Equity	2,183,293	2,088,170
Noncontrolling Interests in Consolidated Subsidiaries	1,057,840	1,079,369
Total Shareholders' Equity	3,241,133	3,167,539
Total Liabilities and Shareholders' Equity	\$ 11,939,964	\$ 13,126,062
See accompanying Notes to Consolidated Financial Statements.		

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ONEOK, Inc. and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)	Three Months Ended	
	March 31,	
	2009	2008
	(Thousands of dollars)	
Operating Activities		
Net income	\$ 163,549	\$ 212,797
Depreciation and amortization	72,126	59,479
Allowance for equity funds used during construction	(9,003)	(8,496)
Gain on sale of assets	(664)	(13)
Equity earnings from investments	(21,222)	(27,783)
Distributions received from unconsolidated affiliates	25,187	24,040
Deferred income taxes	23,624	29,362
Stock-based compensation expense	4,173	7,982
Allowance for doubtful accounts	(822)	2,035
Changes in assets and liabilities (net of acquisition and disposition effects):		
Accounts receivable	251,980	(7,065)
Gas and natural gas liquids in storage	404,416	488,214
Deposits	3,443	(52,052)
Accounts payable	(311,252)	119,795
Commodity exchanges and imbalances, net	(51,317)	(24,686)
Energy marketing and risk management assets and liabilities	(32,921)	33,626
Accrued interest	38,623	50,293
Unrecovered purchased gas costs	42,445	26,802
Fair value of firm commitments	153,391	(50,686)
Other assets and liabilities	35,102	(13,129)
Cash Provided by Operating Activities	790,858	870,515
Investing Activities		
Changes in investments in unconsolidated affiliates	3,362	3,311
Acquisitions	-	2,450
Capital expenditures (less allowance for equity funds used during construction)	(243,027)	(339,531)
Proceeds from sale of assets	1,083	161
Cash Used in Investing Activities	(238,582)	(333,609)
Financing Activities		
Borrowing (repayment) of notes payable, net	(813,300)	63,000
Repayment of notes payable with maturities over 90 days	(470,000)	-
Issuance of debt, net of discounts	498,325	-
Long-term debt financing costs	(4,000)	-
Payment of debt	(104,037)	(405,504)
Repurchase of common stock	(247)	(15)
Issuance of common stock	2,509	1,533
Issuance of common units, net of discounts	-	140,369
Dividends paid	(42,080)	(39,536)
Distributions to noncontrolling interests	(52,751)	(47,118)
Cash Used in Financing Activities	(985,581)	(287,271)
Change in Cash and Cash Equivalents	(433,305)	249,635
Cash and Cash Equivalents at Beginning of Period	510,058	19,105
Cash and Cash Equivalents at End of Period	\$ 76,753	\$ 268,740
See accompanying Notes to Consolidated Financial Statements.		

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ONEOK, Inc. and Subsidiaries

CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

(Unaudited)	Common Stock Issued (Shares)	ONEOK Shareholders		Accumulated Other Comprehensive Income (Loss)
		Common Stock	Paid-in Capital (Thousands of dollars)	
December 31, 2008	121,647,007	\$ 1,216	\$ 1,301,153	\$ (70,616)
Net income	-	-	-	-
Other comprehensive income (loss) (Note D)	-	-	-	14,464
Repurchase of common stock	-	-	-	-
Common stock issued	456,595	5	696	-
Common stock dividends - \$0.40 per share	-	-	-	-
Distributions paid	-	-	-	-
March 31, 2009	122,103,602	\$ 1,221	\$ 1,301,849	\$ (56,152)

See accompanying Notes to Consolidated Financial Statements.

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ONEOK, Inc. and Subsidiaries

CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

(Continued)

	ONEOK Shareholders		Noncontrolling Interests in Consolidated Subsidiaries	Total Shareholders' Equity
	Retained Earnings	Treasury Stock (Thousands of dollars)		
December 31, 2008	\$ 1,553,033	\$ (696,616)	\$ 1,079,369	\$ 3,167,539
Net income	122,285	-	41,264	163,549
Other comprehensive income (loss) (Note D)	-	-	(10,042)	4,422
Repurchase of common stock	-	(247)	-	(247)
Common stock issued	-	-	-	701
Common stock dividends - \$0.40 per share	(42,080)	-	-	(42,080)
Distributions paid	-	-	(52,751)	(52,751)
March 31, 2009	\$ 1,633,238	\$ (696,863)	\$ 1,057,840	\$ 3,241,133

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ONEOK, Inc. and Subsidiaries

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)	Three Months Ended	
	March 31, 2009	2008
	(Thousands of dollars)	
Net income	\$ 163,549	\$ 212,797
Other comprehensive income (loss), net of tax		
Unrealized gains (losses) on energy marketing and risk management assets/liabilities, net of tax	60,497	(52,321)
Unrealized holding gains (losses) arising during the period, net of tax	188	(4,764)
Realized gains in net income, net of tax	(53,919)	(7,267)
Change in pension and postretirement benefit plan liability, net of tax	(2,534)	(2,469)
Other	190	-
Total other comprehensive income (loss), net of tax (Note D)	4,422	(66,821)
Comprehensive Income	167,971	145,976
Comprehensive income attributable to noncontrolling interests	31,222	70,247
Comprehensive Income Attributable to ONEOK	\$ 136,749	\$ 75,729
See accompanying Notes to Consolidated Financial Statements.		

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ONEOK, Inc. and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

A. SUMMARY OF ACCOUNTING POLICIES

Our accompanying unaudited consolidated financial statements have been prepared in accordance with GAAP and reflect all adjustments that, in our opinion, are necessary for a fair presentation of the results for the interim periods presented. All such adjustments are of a normal recurring nature. The 2008 year-end consolidated balance sheet data was derived from audited financial statements, but does not include all disclosures required by GAAP. These unaudited consolidated financial statements should be read in conjunction with our audited consolidated financial statements in our Annual Report on Form 10-K for the year ended December 31, 2008. Due to the seasonal nature of our business, the results of operations for the three months ended March 31, 2009, are not necessarily indicative of the results that may be expected for a 12-month period.

Our accounting policies are consistent with those disclosed in Note A of the Notes to Consolidated Financial Statements in our Annual Report on Form 10-K for the year ended December 31, 2008. The following recently issued accounting pronouncements will affect our consolidated financial statements during 2009.

Noncontrolling Interests - In December 2007, the FASB issued Statement 160, "Noncontrolling Interests in Consolidated Financial Statements - an amendment of ARB No. 51," which requires noncontrolling interest (previously referred to as minority interest) to be reported as a component of equity. Statement 160 was effective for our year beginning January 1, 2009, and requires retroactive adoption of the presentation and disclosure requirements for existing minority interests.

Derivative Instruments and Hedging Activities - In March 2008, the FASB issued Statement 161, "Disclosures about Derivative Instruments and Hedging Activities - an amendment to FASB Statement No. 133," which required enhanced disclosures about how derivative and hedging activities affect our financial position, financial performance and cash flows. Statement 161 was effective for our year beginning January 1, 2009, and was applied prospectively. See Note C for applicable disclosures.

Fair Value Measurements - As of January 1, 2009, we have applied the provisions of Statement 157, "Fair Value Measurements," to assets and liabilities that are measured at fair value on a nonrecurring basis subsequent to initial recognition, and the impact was not material. See Note B for disclosures of our fair value measurements.

Interim Disclosures about Fair Value - In April 2009, the FASB issued FSP 107-1 and Accounting Principles Board (APB) Opinion No. 28-1, "Interim Disclosures about Fair Value of Financial Instruments," which amends Statement 107, "Disclosures about Fair Value of Financial Instruments," and also amends APB Opinion No. 28, "Interim Financial Reporting." FSP 107-1 and APB 28-1 require disclosures of fair value of financial instruments for interim reporting periods and will be effective for our June 30, 2009, Quarterly Report on Form 10-Q.

Postretirement Benefit Plan Assets - In December 2008, the FASB issued FSP 132R-1, "Employers' Disclosures about Postretirement Benefit Plan Assets," which amends Statement 132R, "Employers' Disclosures about Pensions and Other Postretirement Benefits," to require enhanced disclosures about our plan assets, including our investment policies, major categories of plan assets, significant concentrations of risk within plan assets, and inputs and valuation techniques used to measure the fair value of plan assets. FSP 132R-1 is effective for our fiscal year ending December 31, 2009, and will be applied prospectively.

Reclassifications

Certain amounts in our consolidated financial statements have been reclassified to conform to the 2009 presentation. These reclassifications did not impact previously reported net income.

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B. FAIR VALUE MEASUREMENTS

Refer to Notes A and C of the Notes to Consolidated Financial Statements in our Annual Report on Form 10-K for the year ended December 31, 2008, for a discussion of our fair value measurements and the fair value hierarchy.

Recurring Fair Value Measurements - The following tables set forth our recurring fair value measurements for the periods indicated.

	March 31, 2009				Total
	Level 1	Level 2	Level 3	Netting (a)	
(Thousands of dollars)					
Assets					
Derivatives	\$ 93,065	\$ 471,127	\$ 540,937	\$ (763,617)	\$ 341,512
Trading securities	5,813	-	-	-	5,813
Available-for-sale investment securities	1,971	-	-	-	1,971
Total assets	\$ 100,849	\$ 471,127	\$ 540,937	\$ (763,617)	\$ 349,296
Liabilities					
Derivatives	\$ (121,694)	\$ (350,648)	\$ (370,699)	\$ 749,065	\$ (93,976)
Fair value of firm commitments	-	-	(111,212)	-	(111,212)
Total liabilities	\$ (121,694)	\$ (350,648)	\$ (481,911)	\$ 749,065	\$ (205,188)

(a) - Our derivative assets and liabilities are presented in our Consolidated Balance Sheets on a net basis. We net derivative assets and liabilities, including cash collateral in accordance with FSP FIN 39-1, when a legally enforceable master netting arrangement exists between us and the counterparty to a derivative contract. At March 31, 2009, we held \$94.6 million of cash collateral and had posted \$80.1 million of cash collateral with various counterparties.

	December 31, 2008				Total
	Level 1	Level 2	Level 3	Netting (a)	
(Thousands of dollars)					
Assets					
Derivatives	\$ 580,029	\$ 215,116	\$ 454,377	\$ (840,814)	\$ 408,708
Trading securities	4,910	-	-	-	4,910
Available-for-sale investment securities	1,665	-	-	-	1,665
Fair value of firm commitments	-	-	42,179	-	42,179
Total assets	\$ 586,604	\$ 215,116	\$ 496,556	\$ (840,814)	\$ 457,462
Liabilities					
Derivatives	\$ (501,726)	\$ (55,705)	\$ (412,022)	\$ 748,136	\$ (221,317)
Long-term debt swapped to floating	-	-	(171,455)	-	(171,455)
Total liabilities	\$ (501,726)	\$ (55,705)	\$ (583,477)		