

ONEOK INC /NEW/  
Form 10-Q  
August 06, 2014  
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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 June 30, 2014.

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 website, 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.

Large accelerated filer  Accelerated filer  Non-accelerated filer  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

On July 29, 2014, the Company had 208,002,586 shares of common stock outstanding.

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ONEOK, Inc.

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

The statements in this Quarterly Report 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,” “guidance,” “could,” “may,” “continue,” “might,” “potential,” “scheduled” and other words 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 or 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,” in this Quarterly Report and under Part I, Item IA, “Risk Factors,” in our Annual Report.

## INFORMATION AVAILABLE ON OUR WEBSITE

We make available, free of charge, on our website ([www.oneok.com](http://www.oneok.com)) copies of our Annual Reports 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. Copies of our Code of Business Conduct, Corporate Governance Guidelines and Director Independence Guidelines are also available on our website, and we will provide copies of these documents upon request. Our website and any contents thereof are not incorporated by reference into this report.

We also make available on our website the Interactive Data Files required to be submitted and posted pursuant to Rule 405 of Regulation S-T.

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## GLOSSARY

The abbreviations, acronyms and industry terminology used in this Quarterly Report are defined as follows:

AFUDC	Allowance for funds used during construction
Annual Report	Annual Report on Form 10-K for the year ended December 31, 2013
ASU	Accounting Standards Update
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
Btu	British thermal units, a measure of the amount of heat required to raise the temperature of one pound of water one degree Fahrenheit
CFTC	Commodities Futures Trading Commission
Clean Air Act	Federal Clean Air Act, as amended
Clean Water Act	Federal Water Pollution Control Act Amendments of 1972, as amended
Dodd-Frank Act	Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010
DOT	United States Department of Transportation
EBITDA	Earnings before interest expense, income taxes, depreciation and amortization
EPA	United States Environmental Protection Agency
Exchange Act	Securities Exchange Act of 1934, as amended
FASB	Financial Accounting Standards Board
FERC	Federal Energy Regulatory Commission
GAAP	Accounting principles generally accepted in the United States of America
Intermediate Partnership	ONEOK Partners Intermediate Limited Partnership, a wholly owned subsidiary of ONEOK Partners, L.P.
LIBOR	London Interbank Offered Rate
MBbl/d	Thousand barrels per day
MDth/d	Thousand dekatherms per day
MMBbl	Million barrels
MMBtu	Million British thermal units
MMBtu/d	Million British thermal units per day
MMcf/d	Million cubic feet per day
Moody's	Moody's Investors Service, Inc.
Natural Gas Policy Act	Natural Gas Policy Act of 1978, as amended
NGL(s)	Natural gas liquid(s)
NGL products	Marketable natural gas liquids purity products, such as ethane, ethane/propane mix, propane, iso-butane, normal butane and natural gasoline
NYMEX	New York Mercantile Exchange
NYSE	New York Stock Exchange
ONE Gas	ONE Gas, Inc.
ONEOK	ONEOK, Inc.
ONEOK Credit Agreement	ONEOK's \$300 million Amended and Restated Revolving Credit Agreement dated January 31, 2014
ONEOK Partners	ONEOK Partners, L.P.
ONEOK Partners Credit Agreement	ONEOK Partners' \$1.7 billion Amended and Restated Revolving Credit Agreement dated January 31, 2014

ONEOK Partners GP	ONEOK Partners GP, L.L.C., a wholly owned subsidiary of ONEOK and the
OPIS	sole general partner of ONEOK Partners
Partnership Agreement	Oil Price Information Service
	Third Amended and Restated Agreement of Limited Partnership of ONEOK Partners, L.P., as amended
PHMSA	United States Department of Transportation Pipeline and Hazardous Materials
POP	Safety Administration
	Percent of Proceeds

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Quarterly Report(s)	Quarterly Report(s) on Form 10-Q
S&P	Standard & Poor's Ratings Services
SCOOP	South Central Oklahoma Oil Province
SEC	Securities and Exchange Commission
Securities Act	Securities Act of 1933, as amended
XBRL	eXtensible Business Reporting Language

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## PART I - FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS

ONEOK, Inc. and Subsidiaries

## CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)	Three Months Ended		Six Months Ended	
	June 30, 2014	2013	June 30, 2014	2013
	(Thousands of dollars, except per share amounts)			
Revenues				
Commodity sales	\$2,715,109	\$2,447,411	\$5,521,838	\$4,646,205
Services	351,773	321,573	708,340	640,734
Total revenues	3,066,882	2,768,984	6,230,178	5,286,939
Cost of sales and fuel	2,571,402	2,356,226	5,224,071	4,503,074
Net margin	495,480	412,758	1,006,107	783,865
Operating expenses				
Operations and maintenance	153,323	108,906	280,049	230,311
Depreciation and amortization	72,127	58,883	139,541	114,166
General taxes	18,699	16,859	41,084	36,589
Total operating expenses	244,149	184,648	460,674	381,066
Gain (loss) on sale of assets	(16	) 279	(1	) 320
Operating income	251,315	228,389	545,432	403,119
Equity earnings from investments (Note K)	25,435	26,421	59,094	52,276
Allowance for equity funds used during construction	1,253	5,656	12,224	14,743
Other income	3,213	2,734	4,622	8,356
Other expense	(1,392	) (380	) (26,926	) (1,881
Interest expense (net of capitalized interest of \$11,375, \$11,359, \$27,143 and \$23,964, respectively)	(88,751	) (66,120	) (183,652	) (130,606
Income before income taxes	191,073	196,700	410,794	346,007
Income taxes	(42,313	) (42,923	) (57,297	) (81,727
Income from continuing operations	148,760	153,777	353,497	264,280
Income (loss) from discontinued operations, net of tax (Note B)	(8,009	) (74,282	) (6,235	) (19,080
Net income	140,751	79,495	347,262	245,200
Less: Net income attributable to noncontrolling interests	79,161	78,576	192,157	131,760
Net income attributable to ONEOK	\$61,590	\$919	\$155,105	\$113,440
Amounts attributable to ONEOK:				
Income from continuing operations	\$69,599	\$75,201	\$161,340	\$132,520
Income (loss) from discontinued operations	(8,009	) (74,282	) (6,235	) (19,080
Net income	\$61,590	\$919	\$155,105	\$113,440
Basic earnings per share:				
Income from continuing operations (Note I)	\$0.33	\$0.36	\$0.77	\$0.64
Income (loss) from discontinued operations	(0.04	) (0.36	) (0.03	) (0.09
Net income	\$0.29	\$—	\$0.74	\$0.55
Diluted earnings per share:				
Income from continuing operations (Note I)	\$0.33	\$0.36	\$0.77	\$0.63
Income (loss) from discontinued operations	(0.04	) (0.36	) (0.03	) (0.09
Net income	\$0.29	\$—	\$0.74	\$0.54
Average shares (thousands)				
Basic	209,403	206,143	209,267	205,811

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Diluted	210,516	208,874	210,337	209,166
Dividends declared per share of common stock	\$0.56	\$0.36	\$0.96	\$0.72

See accompanying Notes to Consolidated Financial Statements.

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CONSOLIDATED STATEMENTS OF COMPREHENSIVE  
INCOME

(Unaudited)	Three Months Ended		Six Months Ended	
	June 30, 2014	2013	June 30, 2014	2013
	(Thousands of dollars)			
Net income	\$ 140,751	\$ 79,495	\$ 347,262	\$ 245,200
Other comprehensive income (loss), net of tax				
Unrealized gains (losses) on energy marketing and risk-management assets/liabilities, net of tax of \$3,596, \$(13,840), \$13,824 and \$(9,882), respectively	(28,920	) 53,289	(78,846	) 39,637
Realized (gains) losses in net income, net of tax of \$(1,202), \$2,614, \$(14,219) and \$(2,081), respectively	7,511	(3,390	) 45,038	3,905
Unrealized holding gains (losses) on available-for-sale securities, net of tax of \$25, \$(168), \$37 and \$(130), respectively	(37	) 268	(113	) 206
Change in pension and postretirement benefit plan liability, net of tax of \$(1,356), \$4,340, \$(3,923) and \$9,048, respectively	2,033	(6,882	) 5,884	(14,344
Total other comprehensive income (loss), net of tax	(19,413	) 43,285	(28,037	) 29,404
Comprehensive income	121,338	122,780	319,225	274,604
Less: Comprehensive income attributable to noncontrolling interests	62,962	110,678	158,649	156,336
Comprehensive income attributable to ONEOK	\$ 58,376	\$ 12,102	\$ 160,576	\$ 118,268

See accompanying Notes to Consolidated Financial Statements.

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ONEOK, Inc. and Subsidiaries  
CONSOLIDATED BALANCE SHEETS

(Unaudited)	June 30, 2014	December 31, 2013
Assets		
Current assets		
Cash and cash equivalents	\$358,560	\$