

ONEOK INC /NEW/
Form 10-Q
November 02, 2007
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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 September 30, 2007

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 checkmark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☒

Accelerated filer ☐

Non-accelerated filer ☐

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

On October 31, 2007, the Company had 103,736,711 shares of common stock outstanding.

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As used in this Quarterly Report on Form 10-Q, the terms we, our or us mean 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 and other words 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 our goals 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, 2006.

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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
Bbl	Barrels, 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
EITF	Emerging Issues Task Force
Exchange Act	Securities Exchange Act of 1934, as amended
FASB	Financial Accounting Standards Board
FERC	Federal Energy Regulatory Commission
FIN	FASB Interpretations
Fort Union Gas Gathering	Fort Union Gas Gathering, L.L.C.
GAAP	United States Generally Accepted Accounting Principles
Guardian Pipeline	Guardian Pipeline, L.L.C.
KCC	Kansas Corporation Commission
LDC	Local distribution company
LIBOR	London Interbank Offered Rate
MBbl	Thousand barrels
MBbl/d	Thousand barrels per day
Mcf	Thousand cubic feet
Midwestern Gas Transmission	Midwestern Gas Transmission Company
MMBbl	Million barrels
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
NGL	Natural gas liquids
Northern Border Pipeline	Northern Border Pipeline Company
NYMEX	New York Mercantile Exchange
NYSE	New York Stock Exchange
OBPI	ONEOK Bushton Processing Inc.
OCC	Oklahoma Corporation Commission
ONEOK	ONEOK, Inc.
ONEOK Partners	ONEOK Partners, L.P., formerly known as Northern Border Partners, L.P.
ONEOK Partners GP	ONEOK Partners GP, L.L.C., formerly known as Northern Plains Natural Gas Company, LLC, a ONEOK subsidiary
Overland Pass Pipeline Company	Overland Pass Pipeline Company LLC
S&P	Standard & Poor's Rating Group
SEC	Securities and Exchange Commission
Statement	Statement of Financial Accounting Standards
TC PipeLines	TC PipeLines Intermediate Limited Partnership, a subsidiary of TC PipeLines, LP
TransCanada	TransCanada Corporation

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Table of Contents**PART I FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS****ONEOK, Inc. and Subsidiaries****CONSOLIDATED STATEMENTS OF INCOME**

<i>(Unaudited)</i>	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2007	2006	2007	2006
	<i>(Thousands of dollars, except per share amounts)</i>			
Revenues				
Operating revenues, excluding energy trading revenues	\$ 2,806,829	\$ 2,653,270	\$ 9,489,694	\$ 8,843,627
Energy trading revenues, net	3,168	(8,435)	2,752	3,047
Total Revenues	2,809,997	2,644,835	9,492,446	8,846,674
Cost of sales and fuel	2,469,837	2,295,065	8,219,737	7,595,693
Net Margin	340,160	349,770	1,272,709	1,250,981
Operating Expenses				
Operations and maintenance	160,352	155,284	477,011	471,239
Depreciation and amortization	56,364	55,469	168,458	178,889
General taxes	20,733	19,482	62,317	57,765
Total Operating Expenses	237,449	230,235	707,786	707,893
Gain (Loss) on Sale of Assets	59	36	1,893	116,428
Operating Income	102,770	119,571	566,816	659,516
Equity earnings from investments (Note N)	22,162	22,788	64,975	72,750
Other income	5,447	8,381	24,130	20,682
Other expense	654	860	2,213	12,078
Interest expense	62,675	61,460	187,503	176,648
Income before Minority Interests and Income Taxes	67,050	88,420	466,205	564,222
Minority interests in income of consolidated subsidiaries	44,998	48,281	135,013	184,620
Income taxes	8,138	15,726	129,195	147,505
Income from Continuing Operations	13,914	24,413	201,997	232,097
Discontinued operations, net of taxes (Note C)				
Loss from operations of discontinued components, net of tax	-	(13)	-	(410)
Net Income	\$ 13,914	\$ 24,400	\$ 201,997	\$ 231,687
Earnings Per Share of Common Stock (Note O)				
Net earnings per share, basic	\$ 0.13	\$ 0.22	\$ 1.86	\$ 2.06
Net earnings per share, diluted	\$ 0.13	\$ 0.21	\$ 1.83	\$ 2.02
Average Shares of Common Stock (Thousands)				
Basic	103,882	113,200	108,543	112,589
Diluted	105,931	114,920	110,548	114,901
Dividends Declared Per Share of Common Stock	\$ 0.36	\$ 0.32	\$ 1.04	\$ 0.90

See accompanying Notes to Consolidated Financial Statements.

Table of Contents**ONEOK, Inc. and Subsidiaries****CONSOLIDATED BALANCE SHEETS**

	September 30,	December 31,
(Unaudited)	2007	2006
Assets	(Thousands of dollars)	
Current Assets		
Cash and cash equivalents	\$ 833,745	\$ 68,268
Short-term investments	-	31,125
Trade accounts and notes receivable, net	923,445	1,348,490
Gas and natural gas liquids in storage	971,788	925,194
Commodity exchanges and imbalances	47,178	53,433
Energy marketing and risk management assets (Note D)	295,549	401,670
Other current assets	206,551	296,781
Total Current Assets	3,278,256	3,124,961
Property, Plant and Equipment		
Property, plant and equipment	7,246,360	6,724,759
Accumulated depreciation and amortization	1,998,367	1,879,838
Net Property, Plant and Equipment (Note A)	5,247,993	4,844,921
Deferred Charges and Other Assets		
Goodwill and intangible assets (Note E)	1,045,690	1,051,440
Energy marketing and risk management assets (Note D)	75,284	91,133
Investments in unconsolidated affiliates	741,310	748,879
Other assets	533,851	529,748
Total Deferred Charges and Other Assets	2,396,135	2,421,200
Total Assets	\$ 10,922,384	\$ 10,391,082

See accompanying Notes to Consolidated Financial Statements.

Table of Contents**ONEOK, Inc. and Subsidiaries****CONSOLIDATED BALANCE SHEETS**

(Unaudited)		September 30, 2007	December 31, 2006
Liabilities and Shareholders	Equity	(Thousands of dollars)	
Current Liabilities			
Current maturities of long-term debt		\$ 420,475	\$ 18,159
Notes payable		365,000	6,000
Accounts payable		979,700	1,076,954
Commodity exchanges and imbalances		195,074	176,451
Energy marketing and risk management liabilities (Note D)		249,572	306,658
Other		295,526	366,316
Total Current Liabilities		2,505,347	1,950,538
Long-term Debt, excluding current maturities		4,210,541	4,030,855
Deferred Credits and Other Liabilities			
Deferred income taxes		789,491	707,444
Energy marketing and risk management liabilities (Note D)		169,585	137,312
Other deferred credits		577,108	548,330
Total Deferred Credits and Other Liabilities		1,536,184	1,393,086
Commitments and Contingencies (Note K)			
Minority Interests in Consolidated Subsidiaries		794,804	800,645
Shareholders' Equity			
Common stock, \$0.01 par value:			
authorized 300,000,000 shares; issued 121,080,200 shares			
and outstanding 103,735,511 shares at September 30, 2007;			
issued 120,333,908 shares and outstanding 110,678,499			
shares at December 31, 2006			
		1,210	1,203
Paid in capital		1,275,226	1,258,717
Accumulated other comprehensive income (loss) (Note F)		(27,724)	39,532
Retained earnings			