

ONEOK INC /NEW/
Form 10-Q
November 03, 2010

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

X Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended September 30, 2010

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 X 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 X 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 X Accelerated filer ___ Non-accelerated filer ___ Smaller reporting company ___

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

On October 29, 2010, the Company had 106,491,549 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 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,” “pl,” “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” and Part II, Item 1A, “Risk Factors” in this Quarterly Report and under Part I, Item 1A, “Risk Factors,” in our Annual Report.

INFORMATION AVAILABLE ON OUR WEB SITE

We make available on our Web site copies of our Annual Report, Quarterly Reports, 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.

We also make available on our Web site the Interactive Data Files required to be submitted and posted pursuant to Rule 405 of Regulation S-T. In accordance with Rule 402 of Regulation S-T, the Interactive Data Files shall not be deemed to be “filed” for purposes of Section 18 of the Exchange Act, or otherwise subject to the liability of that section, and shall not be incorporated by reference into any registration statement or other document filed under the Securities Act or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.

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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/A, Amendment No.1 for the year ended December 31, 2009
ASU.....	Accounting Standards Update
Bbl.....	Barrels, one 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(s).....	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
Clean Air Act.....	Federal Clean Air Act, as amended
Clean Water Act.....	Federal Water Pollution Control Act Amendments of 1972, as amended
EBITDA.....	Earnings before interest, 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
KCC.....	Kansas Corporation Commission
LDCs.....	Local distribution companies
LIBOR.....	London Interbank Offered Rate
MBbl.....	Thousand barrels
MBbl/d.....	Thousand barrels per day
Mcf.....	Thousand cubic feet
MDth/d.....	Thousand dekatherms per day
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, 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 Credit Agreement.....	ONEOK's \$1.2 billion Amended and Restated Credit Agreement dated July 14, 2006

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ONEOK Partners.....	ONEOK Partners, L.P.
ONEOK Partners Credit Agreement.....	ONEOK Partners' \$1.0 billion Amended and Restated Revolving Credit Agreement dated March 30, 2007
ONEOK Partners GP.....	ONEOK Partners GP, L.L.C., a wholly owned subsidiary of ONEOK and the sole general partner of ONEOK Partners
OPIS.....	Oil Price Information Service
Overland Pass Pipeline Company.....	Overland Pass Pipeline Company LLC
Quarterly Report(s).....	Quarterly Report(s) on Form 10-Q
SEC.....	Securities and Exchange Commission
Securities Act.....	Securities Act of 1933, as amended
Viking Gas Transmission.....	Viking Gas Transmission Company
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)	2010	Three Months Ended September 30,		Nine Months Ended September 30,	
		2009	2010	2009	2010
		(Thousands of dollars, except per share amounts)			
Revenues	\$ 2,942,703	\$ 2,364,736	\$ 9,673,802	\$ 7,382,190	
Cost of sales and fuel	2,491,333	1,912,882	8,145,035	5,946,499	
Net margin	451,370	451,854	1,528,767	1,435,691	
Operating expenses					
Operations and maintenance	183,893	179,678	542,643	526,271	
Depreciation and amortization	77,234	72,318	230,600	215,693	
General taxes	19,465	24,900	67,643	75,388	
Total operating expenses	280,592	276,896	840,886	817,352	
Gain (loss) on sale of assets	16,126	(1,180)	15,068	3,246	
Operating income	186,904	173,778	702,949	621,585	
Equity earnings from investments (Note J)	29,390	20,054	71,182	55,464	
Allowance for equity funds used during construction	266	7,290	748	25,761	
Other income	6,710	8,950	4,966	18,554	
Other expense	(2,097)	(995)	(5,338)	(6,338)	
Interest expense	(70,907)	(72,689)	(222,788)	(224,042)	
Income before income taxes	150,266	136,388	551,719	490,984	
Income taxes	(29,965)	(34,080)	(158,324)	(143,777)	
Net income	120,301	102,308	393,395	347,207	
Less: Net income attributable to noncontrolling interests	65,006	54,266	141,837	135,201	
Net income attributable to ONEOK	\$ 55,295	\$ 48,042	\$ 251,558	\$ 212,006	
Earnings per share of common stock (Note K)					
Net earnings per share, basic	\$ 0.52	\$ 0.46	\$ 2.37	\$ 2.01	
Net earnings per share, diluted	\$ 0.51	\$ 0.45	\$ 2.34	\$ 2.00	
Average shares of common stock (thousands)					
Basic	106,443	105,420	106,310	105,306	
Diluted	107,651	106,488	107,415	106,061	
Dividends declared per share of common stock	\$ 0.46	\$ 0.42	\$ 1.34	\$ 1.22	

See accompanying Notes to Consolidated Financial Statements.

Table of ContentsONEOK, Inc. and Subsidiaries
CONSOLIDATED BALANCE SHEETS

(Unaudited)	September 30, 2010	December 31, 2009
Assets		
Current assets		
Cash and cash equivalents	\$50,483	\$29,399
Accounts receivable, net	858,819	1,437,994
Gas and natural gas liquids in storage	703,677	583,127
Commodity imbalances	98,274	186,015
Energy marketing and risk management assets (Notes B and C)	99,180	113,039
Other current assets	178,343	238,890
Total current assets	1,988,776	2,588,464
Property, plant and equipment		
Property, plant and equipment	9,629,389	10,145,800
Accumulated depreciation and amortization	2,490,417	2,352,142
Net property, plant and equipment	7,138,972	7,793,658
Investments and other assets		
Goodwill and intangible assets	1,024,810	1,030,560
Energy marketing and risk management assets (Notes B and C)	9,956	23,125
Investments in unconsolidated affiliates	1,194,087	765,163
Other assets	573,152	626,713
Total investments and other assets	2,802,005	2,445,561
Total assets	\$11,929,753	\$12,827,683

See accompanying Notes to Consolidated Financial Statements.

Table of ContentsONEOK, Inc. and Subsidiaries
CONSOLIDATED BALANCE SHEETS

(Unaudited)	September 30, 2010	December 31, 2009
	(Thousands of dollars)	
Liabilities and equity		
Current liabilities		
Current maturities of long-term debt	\$ 643,231	\$ 268,215
Notes payable (Note E)	326,385	881,870
Accounts payable	885,017	1,240,207
Commodity imbalances	235,983	394,971
Energy marketing and risk management liabilities (Notes B and C)	36,774	65,162
Other current liabilities	469,551	488,487
Total current liabilities	2,596,941	3,338,912
Long-term debt, excluding current maturities	3,692,043	4,334,204
Deferred credits and other liabilities		
Deferred income taxes	1,127,023	1,037,665
Energy marketing and risk management liabilities (Notes B and C)	2,045	8,926
Other deferred credits	616,306	662,514
Total deferred credits and other liabilities	1,745,374	1,709,105
Commitments and contingencies (Note H)		
Equity (Note F)		
ONEOK shareholders' equity:		
Common stock, \$0.01 par value:		
authorized 300,000,000 shares; issued 122,725,272 shares and outstanding 106,466,921 shares at September 30, 2010; issued 122,394,015 shares and outstanding 105,906,776 shares at December 31, 2009	1,227	1,224
Paid-in capital	1,382,657	1,322,340
Accumulated other comprehensive loss (Note D)	(90,268)	(118,613)
Retained earnings	1,794,842	1,685,710
Treasury stock, at cost: 16,258,351 shares at September 30, 2010 and 16,487,239 shares at December 31, 2009	(673,979)	(683,467)
Total ONEOK shareholders' equity	2,414,479	2,207,194
Noncontrolling interests in consolidated subsidiaries	1,480,916	1,238,268
Total equity	3,895,395	3,445,462
Total liabilities and equity	\$ 11,929,753	\$ 12,827,683

See accompanying Notes to Consolidated Financial Statements.

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ONEOK, Inc. and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)	Nine Months Ended September 30,	
	2010	2009
	(Thousands of dollars)	
Operating activities		
Net income	\$ 393,395	\$ 347,207
Depreciation and amortization	230,600	215,693
Allowance for equity funds used during construction	(748)	(25,761)
Gain on sale of assets	(15,068)	(3,246)
Equity earnings from investments	(71,182)	(55,464)
Distributions received from unconsolidated affiliates	69,889	56,896
Deferred income taxes	94,997	72,199
Share-based compensation expense	15,949	15,233
Other	3,853	701
Changes in assets and liabilities:		
Accounts receivable	567,141	532,950
Gas and natural gas liquids in storage	(158,873)	192,398
Accounts payable	(363,285)	(347,374)
Commodity exchange imbalances, net	(71,840)	(10,388)
Energy marketing and risk management assets and liabilities	118,319	84,379
Fair value of firm commitments	(91,575)	198,516
Other assets and liabilities	38,459	(3,002)
Cash provided by operating activities	760,031	1,270,937
Investing Activities		
Contributions to unconsolidated affiliates	(1,313)	(46,070)
Distributions received from unconsolidated affiliates	9,342	26,192
Capital expenditures (less allowance for equity funds used during construction)	(356,289)	(614,757)
Proceeds from sale of assets	424,740	10,507
Other	2,968	2,569
Cash provided by (used in) investing activities	79,448	(621,559)
Financing Activities		
Borrowing (repayment) of notes payable, net	(555,485)	(576,000)
Borrowing (repayment) of notes payable with maturities over 90 days	-	(870,000)
Issuance of debt, net of discounts	-	498,325
Long-term debt financing costs	-	(4,000)
Payment of debt	(259,648)	(111,506)
Repurchase of common stock	(5)	(252)
Issuance of common stock	9,357	6,739
Issuance of common units, net of discounts	322,701	241,643
Dividends paid	(142,426)	(128,467)
Distributions to noncontrolling interests	(192,889)	(163,738)
Cash used in financing activities	(818,395)	(1,107,256)
Change in cash and cash equivalents	21,084	(457,878)
Cash and cash equivalents at beginning of period	29,399	510,058
Cash and cash equivalents at end of period	\$ 50,483	\$ 52,180

See accompanying Notes to Consolidated Financial Statements.

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Subsidiaries
CONSOLIDATED STATEMENT OF CHANGES
IN EQUITY

(Unaudited)	ONEOK Shareholders' Equity			Accumulated Other Comprehensive Income (Loss)
	Common Stock Issued (Shares)	Common Stock	Paid-in Capital (Thousands of dollars)	
December 31, 2009	122,394,015	\$ 1,224	\$ 1,322,340	\$ (118,613)
Net income	-	-	-	-
Other comprehensive income	-	-	-	28,345
Repurchase of common stock	-	-	-	-
Common stock issued	331,257	3	9,586	-
Common stock dividends - \$1.34 per share	-	-	-	-
Issuance of common units of ONEOK Partners	-	-	50,731	-
Distributions to noncontrolling interests	-	-	-	-
Other	-	-	-	-
September 30, 2010	122,725,272	\$ 1,227	\$ 1,382,657	\$ (90,268)

See accompanying Notes to Consolidated
Financial Statements.

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ONEOK, Inc. and Subsidiaries
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(Continued)

(Unaudited)	ONEOK Shareholders' Equity			Noncontrolling Interests in Consolidated Subsidiaries	Total Equity
	Retained Earnings	Treasury Stock	(Thousands of dollars)		
December 31, 2009	\$ 1,685,710	\$ (683,467)	\$ 1,238,268	\$ 3,445,462	
Net income	251,558	-	141,837	393,395	
Other comprehensive income	-	-	21,758	50,103	
Repurchase of common stock	-	(5)	-	(5)	
Common stock issued	-	9,493	-	19,082	
Common stock dividends - \$1.34 per share	(142,426)	-	-	(142,426)	
Issuance of common units of ONEOK Partners	-	-	271,970	322,701	
Distributions to noncontrolling interests	-	-	(192,889)	(192,889)	
Other	-	-	(28)	(28)	
September 30, 2010	\$ 1,794,842	\$ (673,979)	\$ 1,480,916	\$ 3,895,395	

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CONSOLIDATED STATEMENTS OF
COMPREHENSIVE INCOME

(Unaudited)	Three Months Ended		Nine Months Ended	
	2010	September 30, 2009	2010	September 30, 2009
	(Thousands of dollars)			
Net income	\$ 120,301	\$ 102,308	\$ 393,395	\$ 347,207
Other comprehensive income (loss), net of tax				
Unrealized gains (losses) on energy marketing and risk management assets/liabilities, net of tax of \$(24,044), \$12,104, \$(47,571) and \$(16,237), respectively	39,808	(19,464)	97,334	19,004
Realized gains in net income, net of tax of \$13,119, \$8,283, \$21,889 and \$41,135, respectively	(23,091)	(20,193)	(34,866)	(90,907)
Unrealized holding gains (losses) on available-for-sale securities, net of tax of \$65, \$9, \$234 and \$(310), respectively	(104)	(14)	(370)	491
Change in pension and postretirement benefit plan liability, net of tax of \$2,533, \$2,057, \$7,599 and \$5,712, respectively	(4,016)	(3,260)	(12,048)	(9,055)
Other, net of tax of \$(11), \$(11), \$(34) and \$(71), respectively	18	18	53	228
Total other comprehensive income (loss), net of tax	12,615	(42,913)	50,103	(80,239)
Comprehensive income	132,916	59,395	443,498	266,968
Less: Comprehensive income attributable to noncontrolling interests	64,403	46,933	163,595	102,886
Comprehensive income attributable to ONEOK	\$ 68,513	\$ 12,462	\$ 279,903	\$ 164,082
See accompanying Notes to Consolidated Financial Statements.				

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ONEOK, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

A. SUMMARY OF SIGNIFICANT 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 2009 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. Due to the seasonal nature of our business, the results of operations for the three and nine months ended September 30, 2010, are not necessarily indicative of the results that may be expected for a 12-month period.

Our significant accounting policies are consistent with those disclosed in Note A of the Notes to Consolidated Financial Statements in our Annual Report.

Goodwill and Indefinite-lived Intangible Assets Impairment Tests - We assess our goodwill and indefinite-lived intangible assets for impairment at least annually on July 1. Our July 1, 2010, estimates of the fair value of each of our reporting units and indefinite-lived assets significantly exceeded their carrying values. Accordingly, no impairment charges were necessary.

Recently Issued Accounting Standards Update

The following recently issued accounting standards update affects our consolidated financial statements and related disclosures:

Fair Value Measurements and Disclosures - In January 2010, the FASB issued ASU 2010-06, "Improving Disclosures about Fair Value Measurements," which established new disclosure requirements and clarified existing requirements for disclosures of fair value measurements. ASU 2010-06 requires us to add two new disclosures, when applicable: (i) transfers in and out of Level 1 and 2 fair value measurements including the reasons for the transfers, and (ii) a gross presentation of activity within the reconciliation of Level 3 fair value measurements. Except for separate disclosure of purchases, sales, issuances and settlements in the reconciliation of our Level 3 fair value measurements, we applied this guidance to our disclosures beginning with our March 31, 2010, Quarterly Report. The separate disclosure of purchases, sales, issuances and settlements in the reconciliation of our Level 3 fair value measurements will be required beginning with our March 31, 2011, Quarterly Report. We do not expect the impact to be material. ASU 2010-06 requires prospective application in the period of adoption, and we have not recast our prior-year disclosures. See Note B for more discussion of our fair value measurements.

Our policy for calculating transfers between levels of the fair value hierarchy recognizes the transfer as of the end of each reporting period. Prior to January 1, 2010, our policy of calculating transfers recognized transfers in at the end of the reporting period and transfers out at the beginning of the reporting period. Therefore, transfers into and out of Level 3 and included in earnings may not be comparable with prior periods.

B. FAIR VALUE MEASUREMENTS

Determining Fair Value - We define fair value as the price that would be received from the sale of an asset or the transfer of a liability in an orderly transaction between market participants at the measurement date. We use the

market and income approaches to determine the fair value of our assets and liabilities and consider the markets in which the transactions are executed. While many of the contracts in our portfolio are executed in liquid markets where price transparency exists, some contracts are executed in markets for which market prices may exist, but the market may be relatively inactive. This results in limited price transparency that requires management's judgment and assumptions to estimate fair values. Inputs into our fair value estimates include commodity exchange prices, over-the-counter quotes, volatility, historical correlations of pricing data and LIBOR, and other liquid money market instrument rates. We also utilize internally developed basis curves that incorporate observable and unobservable market data. We validate our valuation inputs with third-party information and settlement prices from other sources, where available. In addition, as prescribed by the income approach, we compute the fair value of our derivative portfolio by discounting the projected future cash flows from our derivative assets and liabilities to present value using interest-rate yields to calculate present-value discount factors derived from LIBOR, Eurodollar futures

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and U.S. Treasury swaps. We also take into consideration the potential impact on market prices of liquidating positions in an orderly manner over a reasonable period of time under current market conditions. We consider current market data in evaluating counterparties', as well as our own, nonperformance risk, net of collateral, by using specific and sector bond yields and also monitoring the credit default swap markets. Although we use our best estimates to determine the fair value of the derivative contracts we have executed, the ultimate market prices realized could differ from our estimates, and the differences could be material.

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

	September 30, 2010				Total
	Level 1	Level 2	Level 3	Netting	
(Thousands of dollars)					
Assets					
Derivatives (a)					
Commodity contracts					
Financial contracts	\$ 197,199	\$ 6,813	\$ 226,632	\$-	\$ 430,644
Physical contracts	-	32,427	21,901	-	54,328
Netting	-	-	-	(375,867)	(375,867)
Foreign exchange contracts	-	31	-	-	31
Total derivatives	197,199	39,271	248,533	(375,867)	109,136
Trading securities (b)	6,145	-	-	-	6,145
Available-for-sale investment securities (c)	2,084	-	-	-	2,084
Total assets	\$ 205,428	\$ 39,271	\$ 248,533	\$(375,867)	\$ 117,365
Liabilities					
Derivatives (a)					
Commodity contracts					
Financial contracts	\$(107,262)	\$(1,573)	\$(175,205)	\$-	\$(284,040)
Physical contracts	-	(5,711)	(8,745)	-	(14,456)
Netting	-	-	-	259,677	259,677
Foreign exchange contracts	-	-	-	-	-
Total derivatives	(107,262)	(7,284)	(183,950)	259,677	(38,819)
Fair value of firm commitments (d)	-	-	(43,045)	-	(43,045)
Total liabilities	\$(107,262)	\$(7,284)	\$(226,995)	\$ 259,677	\$(81,864)

(a) - Our derivative assets and liabilities are presented in our Consolidated Balance Sheets as energy marketing and risk management assets and liabilities on a net basis. We net derivative assets and liabilities, including cash collateral, when a legally enforceable master-netting arrangement exists between the counterparty to a derivative contract and us. At September 30, 2010, we held \$117.7 million of cash collateral and had posted \$1.5 million of cash collateral with various counterparties.

(b) - Our trading securities are presented in our Consolidated Balance Sheets as other current assets.

(c) - Our available-for-sale investment securities are presented in our Consolidated Balance Sheets as other assets.

(d) - Our fair value of firm commitments are presented in our Consolidated Balance Sheets as other current liabilities and other deferred credits.

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	December 31, 2009				
	Level 1	Level 2	Level 3	Netting	Total
	(Thousands of dollars)				
Assets					
Derivatives (a)	\$ 149,034	\$ 4,898	\$ 672,631	\$ (690,399)	\$ 136,164
Trading securities (b)	7,927	-	-	-	7,927
Available-for-sale investment securities (c)	2,688	-	-	-	2,688
Total assets	\$ 159,649	\$ 4,898	\$ 672,631	\$ (690,399)	\$ 146,779
Liabilities					
Derivatives (a)	\$ (109,713)	\$ (8,481)	\$ (535,937)	\$ 580,043	\$ (74,088)
Fair value of firm commitments (d)	-	-	(134,620)	-	(134,620)
Total liabilities	\$ (109,713)	\$ (8,481)	\$ (670,557)	\$ 580,043	\$ (208,708)

(a) - Our derivative assets and liabilities are presented in our Consolidated Balance Sheets as energy marketing and risk management assets and liabilities on a net basis. We net derivative assets and liabilities, including cash collateral, when a legally enforceable master-netting arrangement exists between the counterparty to a derivative contract and us. At December 31, 2009, we held \$136.5 million of cash collateral and had posted \$26.1 million of cash collateral with various counterparties.

(b) - Our trading securities are presented in our Consolidated Balance Sheets as other current assets.

(c) - Our available-for-sale investment securities are presented in our Consolidated Balance Sheets as other assets.

(d) - Our fair value of firm commitments are presented in our Consolidated Balance Sheets as other current liabilities and other deferred credits.

We categorize derivatives for which fair value is determined using multiple inputs within a single level, based on the lowest level input that is significant to the fair value measurement in its entirety.

Our Level 1 fair value measurements are based on NYMEX-settled prices and actively quoted prices for equity securities. These balances are predominantly comprised of exchange-traded derivative contracts, including futures and certain options for natural gas and crude oil, which are valued based on unadjusted quoted prices in active markets. Also included in Level 1 are equity securities.

Our Level 2 fair value inputs are based on NYMEX-settled prices for natural gas and crude oil that are utilized to determine the fair value of certain non-exchange-traded financial instruments, including natural gas and crude oil swaps, as well as physical forwards. Also included in Level 2 are foreign currency forwards.

Our Level 3 inputs include internally developed basis curves incorporating observable and unobservable market data, NGL price curves from a pricing service, historical correlations of NGL product prices to published NYMEX crude oil prices, market volatilities derived from the most recent NYMEX close spot prices and forward LIBOR curves, and adjustments for the credit risk of our counterparties. We corroborate the data on which our fair value estimates are based using our market knowledge of recent transactions, analysis of historical correlations and validation with independent broker quotes or a pricing service. The derivatives categorized as Level 3 include natural gas basis swaps, swing swaps, options, other commodity swaps, physical forward contracts and interest-rate swaps. Also included in Level 3 are the fair values of firm commitments. We do not believe that our Level 3 fair value estimates have a material impact on our results of operations, as the majority of our derivatives are accounted for as hedges for which ineffectiveness is not material.

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The following tables set forth the reconciliation of our Level 3 fair value measurements for the periods indicated:

	Derivative Assets (Liabilities)		Fair Value of Firm Commitments (Thousands of dollars)	Total
July 1, 2010	\$ 89,112		\$ (65,653)	\$ 23,459
Total realized/unrealized gains (losses):				
Included in earnings	(12,885)	(a)	22,608	(a) 9,723
Included in other comprehensive income (loss)	(8,161)		-	(8,161)
Transfers into Level 3	-		-	-
Transfers out of Level 3	(3,483)		-	(3,483)
September 30, 2010	\$ 64,583		\$ (43,045)	\$ 21,538

Total gains (losses) for the period included in earnings attributable to the change in unrealized gains (losses) relating to assets and liabilities still held as of September 30, 2010 (a)	\$ 15,542		\$ (8,655)	\$ 6,887
(a) - Reported in revenues and cost of sales and fuel in our Consolidated Statements of Income.				

	Derivative Assets (Liabilities)		Fair Value of Firm Commitments (Thousands of dollars)	Total
July 1, 2009	\$ 170,414		\$ (137,403)	\$ 33,011
Total realized/unrealized gains (losses):				
Included in earnings	(1,815)	(a)	(18,934)	(a) (20,749)
Included in other comprehensive income (loss)	(13,137)		-	(13,137)
Transfers in and/or out of Level 3	16,577		-	16,577
September 30, 2009	\$ 172,039		\$ (156,337)	\$ 15,702

Total gains (losses) for the period included in earnings attributable to the change in unrealized gains (losses) relating to assets and liabilities still held as of September 30, 2009 (a)	\$ 59,180		\$ (43,737)	\$ 15,443
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(a) - Reported in revenues and cost of sales and fuel in our Consolidated Statements of Income.

	Derivative Assets (Liabilities)	Fair Value of Firm Commitments (Thousands of dollars)	Total
January 1, 2010	\$ 136,694	\$ (134,620)	\$ 2,074
Total realized/unrealized gains (losses):			
Included in earnings (a)	(69,241)	91,575	22,334
Included in other comprehensive income (loss)	13,544	-	13,544
Transfers into Level 3	1,342	-	1,342
Transfers out of Level 3	(17,756)	-	(17,756)
September 30, 2010	\$ 64,583	\$ (43,045)	\$ 21,538
Total gains (losses) for the period included in earnings attributable to the change in unrealized gains (losses) relating to assets and liabilities still held as of September 30, 2010 (a)			
	\$ 15,513	\$ 208	\$ 15,721

(a) - Reported in revenues and cost of sales and fuel in our Consolidated Statements of Income.

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	Derivative Assets (Liabilities)	Fair Value of Firm Commitments (Thousands of dollars)	Long-Term Debt	Total
January 1, 2009	\$ 42,355	\$ 42,179	\$ (171,455)	\$ (86,921)
Total realized/unrealized gains (losses):				
Included in earnings	194,085 (a)	(198,516) (a)	1,455 (b)	(2,976)
Included in other comprehensive income (loss)	(73,197)	-	-	(73,197)
Maturities	-	-	100,000	100,000
Terminations prior to maturity	-	-	70,000	70,000
Transfers in and/or out of Level 3	8,796	-	-	8,796
September 30, 2009	\$ 172,039	\$ (156,337)	\$ -	\$ 15,702
Total gains (losses) for the period included in earnings attributable to the change in unrealized gains (losses) relating to assets and liabilities still held as of September 30, 2009 (a)	\$ 212,621	\$ (182,093)	\$ -	\$ 30,528

(a) - Reported in revenues and cost of sales and fuel in our Consolidated Statements of Income.

(b) - Reported in interest expense in our Consolidated Statements of Income.

Realized/unrealized gains (losses) include the realization of our derivative contracts through maturity and changes in fair value of our hedged firm commitments and fixed-rate debt swapped to a floating rate. Maturities represent the long-term debt associated with an interest-rate swap that matured during the period. Terminations prior to maturity represent the long-term debt associated with an interest-rate swap that was terminated during the period. Transfers into Level 3 represent existing assets or liabilities that were previously categorized at a higher level for which the unobservable inputs became a more significant portion of the fair value estimates. Transfers out of Level 3 represent existing assets and liabilities that were previously classified as Level 3 for which the observable inputs became a more significant portion of the fair value estimates.

Other Financial Instruments - The approximate fair value of cash and cash equivalents, accounts receivable, notes payable and accounts payable is equal to book value, due to the short-term nature of these items.

The estimated fair value of long-term debt, including current maturities, was \$4.8 billion at September 30, 2010, and December 31, 2009. The book value of long-term debt, including current maturities, was \$4.3 billion at September 30, 2010, and \$4.6 billion at December 31, 2009. The estimated fair value of long-term d