WILLIAMS COMPANIES INC
Form 424B2
March 30, 2012
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CALCULATION OF REGISTRATION FEE

Title of each class of securities offered	Amount to be registered	Offering price per unit	Aggregate offering price	Amount of registration fee
Shares of common stock, par value $1.00 per share(1)	29,900,000(2)	$30.59	$914,641,000	$104,817.86(3)

(1) Each share of common stock includes an associated Series A Junior Participating Preferred Stock purchase right. Until the occurrence of certain prescribed events, none of which has occurred, the Series A Junior Participating Preferred Stock purchase rights are not exercisable, are evidenced by certificates representing the common stock, and may be transferred only with the common stock. No separate consideration is payable for the Series A Junior Participating Preferred Stock purchase rights.

(2) Assumes that overallotment amount of 3,900,000 common units is exercised.

(3) Calculated in accordance with Rule 457(r) of the Securities Act of 1933.

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Filed Pursuant to Rule 424(b)(2)
Registration No. 333-159559

PROSPECTUS SUPPLEMENT

(To Prospectus dated May 28, 2009)

26,000,000 Shares

Common Stock

The Williams Companies, Inc. is selling 26,000,000 shares of common stock. Our common stock is listed on the New York Stock Exchange under the symbol WMB. The last reported sales price of our common stock on the New York Stock Exchange on March 28, 2012 was $30.68 per share.

Investing in our common stock involves risks. Please read Risk Factors beginning on page S-4 of this prospectus supplement.

	Per Share	Total
Public offering price	$ 30.59	$ 795,340,000
Underwriting discount and commissions	$ 0.9177	$ 23,860,200
Proceeds to The Williams Companies, Inc. (before expenses)	$ 29.6723	$ 771,479,800

We have granted the underwriters a 30-day option to purchase up to an additional 3,900,000 shares of common stock from us on the same terms and conditions as set forth above if the underwriters sell more than 26,000,000 shares of common stock in this offering.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus supplement or the accompanying base prospectus. Any representation to the contrary is a criminal offense.

Barclays, on behalf of the underwriters, expects to deliver the shares of common stock on or about April 4, 2012 through the book-entry facilities of The Depository Trust Company.

Joint Book-Running Managers

Barclays **Citigroup** **UBS Investment Bank**

Deutsche Bank Securities **J.P. Morgan**

Co-Managers

Credit Agricole CIB **RBS** **Scotiabank**

Prospectus Supplement dated March 29, 2012

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This document is in two parts. The first part is this prospectus supplement, which describes the specific terms of this offering of shares of our common stock. The second part is the accompanying base prospectus, which gives more general information, some of which may not apply to this offering of shares of our common stock. Generally, when we refer only to the prospectus, we are referring to both parts combined. If the information about this offering of shares of our common stock varies between this prospectus supplement and the accompanying base prospectus, you should rely on the information in this prospectus supplement.

Any statement made in this prospectus or in a document incorporated or deemed to be incorporated by reference into this prospectus will be deemed to be modified or superseded for purposes of this prospectus to the extent that a statement contained in this prospectus or in any other subsequently filed document that is also incorporated by reference into this prospectus modifies or supersedes that statement. Any statement so modified or superseded will not be deemed, except as so modified or superseded, to constitute a part of this prospectus. Please read Where You Can Find More Information on page S-39 of this prospectus supplement.

You should rely only on the information contained in or incorporated by reference into this prospectus supplement, the accompanying base prospectus and any free writing prospectus relating to this offering of shares of our common stock. Neither we nor the underwriters have authorized anyone to provide you with additional or different information. If anyone provides you with additional, different or inconsistent information, you should not rely on it. We are offering to sell shares of our common stock, and seeking offers to buy shares of our common stock, only in jurisdictions where offers and sales are permitted. You should not assume that the information contained in this prospectus supplement, the accompanying base prospectus or any free writing prospectus is accurate as of any date other than the dates shown in these documents or that any information we have incorporated by reference herein is accurate as of any date other than the date of the document incorporated by reference. Our business, financial condition, results of operations and prospects may have changed since such dates.

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Prospectus Supplement

Prospectus dated May 28, 2009

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FORWARD-LOOKING STATEMENTS

Certain matters discussed in this prospectus supplement and the documents incorporated herein by reference, excluding historical information, include forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the Securities Act), and Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act). 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 prospectus supplement 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, for might, goals, objectives, targets, planned, potential, projects, scheduled, will, or other similar expressions. These statements are management s beliefs and assumptions and on information currently available to management and include, among others, statements regarding:

- Amounts and nature of future capital expenditures;
- Expansion and growth of our business and operations;
- Financial condition and liquidity;
- Business strategy;
- Cash flow from operations or results of operations;
- The levels of dividends to stockholders;
- Seasonality of certain business components; and
- Natural gas, natural gas liquids and crude oil prices and demand.

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 prospectus supplement or in the documents incorporated herein by reference. You should carefully consider the risk factors discussed below in addition to the other information in this prospectus supplement and in the documents incorporated herein by reference. If any of the following risks were actually to occur, our business, results of operations and financial condition could be materially adversely affected. In that case, we might not be able to pay dividends to holders of shares of our common stock, the trading price of shares of our common stock could decline, and shareholders could lose all or part of their investment. 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:

- Whether we have sufficient cash to enable us to pay current and expected levels of dividends;

Availability of supplies, market demand, volatility of prices, and the availability and cost of capital;

Inflation, interest rates, fluctuation in foreign exchange rates, 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;

Ability to acquire new businesses and assets and integrate those operations and assets into our existing businesses, as well as expand our facilities;

Development of alternative energy sources;

The impact of operational and development hazards;

Costs of, changes in, or the results of laws, government regulations (including safety and climate change regulation and changes in natural gas production from exploration and production areas that we serve), 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 risks of our customers and counterparties;

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, including cybersecurity threats and related disruptions; and

Additional risks described in our filings with the Securities and Exchange Commission (the 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 or incorporated into this prospectus supplement. 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. These factors include the risks set forth under the caption Risk Factors in this prospectus supplement.

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CERTAIN DEFINITIONS

As used in this prospectus supplement, unless the context otherwise requires or indicates:

Transco refers to Transcontinental Gas Pipe Line Company, LLC.

Williams, *we*, *our*, *us* or like terms refer refers to The Williams Companies, Inc. and its subsidiaries.

In addition, our industry uses many terms and acronyms that may not be familiar to you. To assist you in reading this prospectus supplement, we have provided below definitions of some of these terms.

British Thermal Units (Btu): When used in terms of volumes, Btu is used to refer to the amount of natural gas required to raise the temperature of one pound of water by one degree Fahrenheit at one atmospheric pressure.

FERC: Federal Energy Regulatory Commission.

Fractionation: The process by which a mixed stream of natural gas liquids is separated into its constituent products, such as ethane, propane and butane.

LNG: Liquefied natural gas. Natural gas which has been liquefied at cryogenic temperatures.

NGLs: Natural gas liquids. Natural gas liquids result from natural gas processing and crude oil refining and are used as petrochemical feedstocks, heating fuels and gasoline additives, among other applications.

NGL margins: NGL revenues less Btu replacement cost, plant fuel, transportation and fractionation.

Throughput: The volume of product transported or passing through a pipeline, plant, terminal or other facility.

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SUMMARY

This summary highlights information contained elsewhere in this prospectus supplement and the accompanying base prospectus. It does not contain all of the information that you should consider before making an investment decision. You should read the entire prospectus supplement, the accompanying base prospectus and the documents incorporated by reference for a more complete understanding of this offering of shares of our common stock. Please read Risk Factors beginning on page S-4 of this prospectus supplement for information regarding risks you should consider before investing in shares of our common stock. Unless the context otherwise indicates, the information included in this prospectus supplement assumes that the underwriters do not exercise their option to purchase additional shares of our common stock.

The Williams Companies, Inc.

We are an energy infrastructure company focused on connecting North America s hydrocarbon resource plays to growing markets for natural gas, NGLs, and olefins. Our operations span from the deepwater Gulf of Mexico to the Canadian oil sands.

Our interstate gas pipeline and domestic midstream interests are largely held through our significant investment in Williams Partners L.P. (WPZ), one of the largest energy master limited partnerships. We own the general partner interest and, as of February 29, 2012, a 70 percent limited-partner interest in WPZ. We also own a Canadian midstream and domestic olefins production business, which processes oil sands off-gas and produces olefins for petrochemical feedstocks.

Recent Developments

Caiman Acquisition

On March 19, 2012, we announced that WPZ had entered into an agreement with Caiman Energy, LLC (Caiman Energy) to acquire Caiman Eastern Midstream, LLC (the Caiman Acquisition), which operates a gathering and processing business in northern West Virginia, southwestern Pennsylvania and eastern Ohio, for $1.78 billion in cash and 11,779,296 common units representing limited partner interests (WPZ Common Units) valued at approximately $720 million. The Caiman Acquisition is expected to close during the second quarter of 2012, subject to customary closing conditions and regulatory approvals. WPZ expects to fund the payment of the cash consideration for the Caiman Acquisition through a combination of a public offering of WPZ Common Units and/or debt securities, the incurrence of bank borrowings, the use of cash on hand, and the sale of additional WPZ Common Units to us.

We intend to use the net proceeds of this offering of shares of our common stock, together with drawings under our revolving credit facility and/or cash on hand, to purchase up to 16,360,133 additional WPZ Common Units for approximately $1.0 billion, at a per-unit price equal to the price used in calculating the number of units to be paid to Caiman Energy in the Caiman Acquisition. However, depending on the ultimate mix of funding available to WPZ for the payment of the cash consideration for the Caiman Acquisition, we may elect to purchase fewer WPZ Common Units. Any net proceeds from this offering that are not used to purchase additional WPZ Common Units will be used for general corporate purposes. This offering is not conditioned upon WPZ s consummation of the Caiman Acquisition.

WPZ has also obtained a backup financing commitment for an up to $1.78 billion interim liquidity facility (the Caiman Liquidity Facility) from affiliates of certain of the underwriters to fund the payment of the cash consideration for the Caiman Acquisition, if necessary. Pursuant to such commitment, the amount available for borrowing by WPZ under the Caiman Liquidity Facility will be reduced by the amount of any net proceeds received by WPZ from any public offering of WPZ Common Units, from any purchase of WPZ Common Units by us, and from certain bank or capital markets debt that may be incurred by WPZ in connection with the Caiman Acquisition.

We will waive our right to incentive distributions through December 31, 2013 with respect to the 11,779,296 WPZ Common Units to be issued to Caiman Energy as partial consideration for the Caiman Acquisition and with respect to the up to 16,360,133 WPZ Common Units that we plan to purchase from WPZ using the proceeds of this offering.

In connection with the Caiman Acquisition, WPZ has also announced that it intends to participate in a new joint venture with Caiman Energy and its investors and management to develop midstream infrastructure in the NGL- and oil-rich areas of the Utica Shale, primarily in Ohio and northwest Pennsylvania.

Unless otherwise indicated, all percentage numbers contained herein reflecting our total ownership percentage of WPZ or our limited partner interest in WPZ are as of February 29, 2012 and do not reflect our intended purchase of WPZ Common Units in connection with the Caiman Acquisition, any public offering of WPZ Common Units, or the issuance of WPZ Common Units to Caiman Energy in consideration for the Caiman Acquisition. As of February 29, 2012, on a pro forma basis assuming consummation of these transactions as described above other than a public offering of WPZ Common Units, we would have owned approximately 70% of the outstanding WPZ Common Units.

Laser Acquisition

On February 17, 2012, WPZ acquired the Laser Northeast Gathering System and other midstream businesses (the Laser Acquisition) from Delphi Midstream Partners LLC for $325 million in cash, net of cash acquired in the transaction, and 7,531,381 WPZ Common Units. The Laser Northeast Gathering System is currently comprised of 33 miles of 16 inch natural gas pipeline and associated gathering facilities in the Marcellus Shale in Susquehanna County, Pennsylvania, as well as 10 miles of gathering pipeline in southern New York State.

Principal Executive Offices and Internet Address

Our principal executive offices are located at One Williams Center, Tulsa, Oklahoma 74172-0172, and our telephone number is (918) 573-2000. Our website is located at http://www.williams.com. We make our periodic reports and other information filed with or furnished to the SEC available, free of charge, through our website, as soon as reasonably practicable after those reports and other information are electronically filed with or furnished to the SEC. Information on our website or any other website is not incorporated by reference into this prospectus supplement and does not constitute a part of this prospectus supplement.

Underwriting and Conflicts

Some of the underwriters and their affiliates have engaged, and may in the future engage, in commercial banking, investment banking or financial advisory transactions with us and our affiliates, in the ordinary course of their business. For example, UBS Securities LLC is acting as a financial advisor to WPZ in connection with the Caiman Acquisition and affiliates of certain of the underwriters are expected to act as arrangers for the Caiman Liquidity Facility. Such underwriters and their affiliates have received customary compensation and expense reimbursement for these commercial banking, investment banking or financial advisory transactions. In addition, Citigroup Global Markets Inc. and Barclays Capital Inc. are acting as financial advisors to Caiman Energy in connection with the Caiman Acquisition. Please read Underwriting Relationships / FINRA Conduct Rules in this prospectus supplement.

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THE OFFERING

Common stock offered	26,000,000 shares of our common stock, or 29,900,000 shares of our common stock if the underwriters exercise their option to purchase additional shares of common stock in full.
Common stock outstanding after this offering	621,271,347 shares, or 625,171,347 shares if the underwriters exercise their option to purchase additional shares of common stock in full.
Use of proceeds	We intend to use the net proceeds of this offering of shares of our common stock, together with drawings under our revolving credit facility and/or cash on hand, to purchase up to 16,360,133 additional WPZ Common Units in connection with the Caiman Acquisition. Any such net proceeds not used to purchase additional WPZ Common Units in connection with the Caiman Acquisition will be used for general corporate purposes. See Use of Proceeds.
Dividends	On January 19, 2012, we declared a regular dividend of $0.25875 per share of common stock, payable March 26, 2012, to holders of record at the close of business on March 9, 2012.
	On March 19, 2012, we announced that it was our expectation that for full-year 2012 dividends on our common stock would increase to $1.20 per share. However, the amount of any dividends declared by our Board of Directors in future quarters may be materially different. See Forward-Looking Statements.
NYSE symbol	WMB
Risk Factors	See Risk Factors beginning on page S-4 and the other information included in, or incorporated by reference into, this prospectus supplement and the accompanying base prospectus for a discussion of certain factors you should carefully consider before deciding to invest in shares of our common stock.

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RISK FACTORS

An investment in shares of our common stock involves risks. Before you invest in shares of our common stock, you should carefully consider the following risk factors, together with all of the other information included in this prospectus supplement, the accompanying base prospectus and the documents incorporated herein by reference in evaluating an investment in shares of our common stock. If any of the risks discussed below or in the foregoing documents were actually to occur, our business, prospects, financial condition, results of operations, cash flows and, in some cases, our reputation, could be materially adversely affected. In that case, our ability to pay dividends to our shareholders may be reduced, and the trading price of shares of our common stock could decline. Additional risks and uncertainties not currently known to us or those we currently deem to be immaterial may also materially and adversely affect us. In any such case, you may lose all or part of your original investment and not realize any return that you may have expected thereon. See Certain Definitions for definitions of certain terms used in this section.

Risks Related to our Business

The long-term financial condition of our natural gas pipeline and midstream businesses is dependent on the continued availability of natural gas supplies in the supply basins that we access, demand for those supplies in our traditional markets, and the prices of and market demand for natural gas.

The development of the additional natural gas reserves that are essential for our gas pipeline and midstream businesses to thrive requires significant capital expenditures by others for exploration and development drilling and the installation of production, gathering, storage, transportation and other facilities that permit natural gas to be produced and delivered to our pipeline systems. Low prices for natural gas, regulatory limitations, including environmental regulations, or the lack of available capital for these projects could adversely affect the development and production of additional reserves, as well as gathering, storage, pipeline transportation and import and export of natural gas supplies, adversely impacting our ability to fill the capacities of our gathering, transportation and processing facilities.

Production from existing wells and natural gas supply basins with access to our pipeline and gathering systems will also naturally decline over time. The amount of natural gas reserves underlying these wells may also be less than anticipated, and the rate at which production from these reserves declines may be greater than anticipated. Additionally, the competition for natural gas supplies to serve other markets could reduce the amount of natural gas supply for our customers. Accordingly, to maintain or increase the contracted capacity or the volume of natural gas transported on or gathered through our pipeline systems and cash flows associated with the gathering and transportation of natural gas, our customers must compete with others to obtain adequate supplies of natural gas. In addition, if natural gas prices in the supply basins connected to our pipeline systems are higher than prices in other natural gas producing regions, our ability to compete with other transporters may be negatively impacted on a short-term basis, as well as with respect to our long-term recontracting activities. If new supplies of natural gas are not obtained to replace the natural decline in volumes from existing supply areas, if natural gas supplies are diverted to serve other markets, if development in new supply basins where we do not have significant gathering or pipeline systems reduces demand for our services, or if environmental regulators restrict new natural gas drilling, the overall volume of natural gas transported, gathered and stored on our system would decline, which could have a material adverse effect on our business, financial condition and results of operations. In addition, new LNG import facilities built near our markets could result in less demand for our gathering and transportation facilities.

Significant prolonged changes in natural gas prices could affect supply and demand and cause a termination of our long-term transportation and storage contracts or a reduction in throughput on the gas pipeline systems.

Higher natural gas prices over the long term could result in a decline in the demand for natural gas and, therefore, in long-term transportation and storage contracts or throughput on our gas pipeline systems. Also,

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lower natural gas prices over the long term could result in a decline in the production of natural gas resulting in reduced contracts or throughput on the gas pipeline systems. As a result, significant prolonged changes in natural gas prices could have a material adverse effect on our gas pipeline business, financial condition, results of operations and cash flows.

Prices for NGLs, natural gas and other commodities, including oil, are volatile and this volatility could adversely affect our financial results, cash flows, access to capital and ability to maintain our existing businesses.

Our revenues, operating results, future rate of growth and the value of certain components of our businesses depend primarily upon the prices of NGLs, natural gas, oil, or other commodities, and the differences between prices of these commodities. Price volatility can impact both the amount we receive for our products and services and the volume of products and services we sell. Prices affect the amount of cash flow available for capital expenditures and our ability to borrow money or raise additional capital. Any of the foregoing can also have an adverse effect on our business, results of operations, financial condition and cash flows.

The markets for NGLs, natural gas, oil and other commodities are likely to continue to be volatile. Wide fluctuations in prices might result from relatively minor changes in the supply of and demand for these commodities, market uncertainty and other factors that are beyond our control, including:

- Worldwide and domestic supplies of and demand for natural gas, NGLs, oil, petroleum, and related commodities;
- Turmoil in the Middle East and other producing regions;
- The activities of the Organization of Petroleum Exporting Countries;
- Terrorist attacks on production or transportation assets;
- Weather conditions;
- The level of consumer demand;
- The price and availability of other types of fuels;
- The availability of pipeline capacity;
- Supply disruptions, including plant outages and transportation disruptions;
- The price and quantity of foreign imports of natural gas and oil;
- Domestic and foreign governmental regulations and taxes;

Volatility in the natural gas and oil markets;

The overall economic environment;

The credit of participants in the markets where products are bought and sold; and

The adoption of regulations or legislation relating to climate change and changes in natural gas production from exploration and production areas that we serve.

We might not be able to successfully manage the risks associated with selling and marketing products in the wholesale energy markets.

Our portfolio of derivative and other energy contracts may consist of wholesale contracts to buy and sell commodities, including contracts for natural gas, NGLs and other commodities that are settled by the delivery of the commodity or cash throughout the United States. If the values of these contracts change in a direction or manner that we do not anticipate or cannot manage, it could negatively affect our results of operations. In the past, certain marketing and trading companies have experienced severe financial problems due to price volatility in the energy commodity markets. In certain instances this volatility has caused companies to be unable to deliver energy commodities that they had guaranteed under contract. If such a delivery failure were to occur in one of our contracts, we might incur additional losses to the extent of amounts, if any, already paid to, or received from, counterparties. In addition, in our businesses, we often extend credit to our counterparties. Despite performing credit analysis prior to extending credit, we are exposed to the risk that we might not be able to collect amounts owed to us. If the counterparty to such a transaction fails to perform and any collateral that secures our counterparty s obligation is inadequate, we will suffer a loss. Downturns in the economy or disruptions in the global credit markets could cause more of our counterparties to fail to perform than we expect.

Certain of our gas pipeline services are subject to long-term, fixed-price contracts that are not subject to adjustment, even if our cost to perform such services exceeds the revenues received from such contracts.

Our gas pipelines provide some services pursuant to long-term, fixed price contracts. It is possible that costs to perform services under such contracts will exceed the revenues they collect for their services. Although most of the services are priced at cost-based rates that are subject to adjustment in rate cases, under FERC policy, a regulated service provider and a customer may mutually agree to sign a contract for service at a negotiated rate that may be above or below the FERC regulated cost-based rate for that service. These negotiated rate contracts are not generally subject to adjustment for increased costs that could be produced by inflation or other factors relating to the specific facilities being used to perform the services.

We may not be able to maintain or replace expiring natural gas transportation and storage contracts at favorable rates or on a long-term basis.

Our primary exposure to market risk for our gas pipelines occurs at the time the terms of their existing transportation and storage contracts expire and are subject to termination. Upon expiration of the terms, we may not be able to extend contracts with existing customers to obtain replacement contracts at favorable rates or on a long-term basis.

The extension or replacement of existing contracts depends on a number of factors beyond our control, including:

- The level of existing and new competition to deliver natural gas to our markets;
- The growth in demand for natural gas in our markets;
- Whether the market will continue to support long-term firm contracts;
- Whether our business strategy continues to be successful;
- The level of competition for natural gas supplies in the production basins serving us; and
- The effects of state regulation on customer contracting practices.

Any failure to extend or replace a significant portion of our existing contracts may have a material adverse effect on our business, financial condition, results of operations and cash flows.

Our risk management and measurement systems and hedging activities might not be effective and could increase the volatility of our results.

The systems we use to quantify commodity price risk associated with our businesses might not always be followed or might not always be effective. Further, such systems do not in themselves manage risk, particularly risks outside of our control, and adverse changes in energy commodity market prices, volatility, adverse correlation of commodity prices, the liquidity of markets, changes in interest rates and other risks discussed in this report might still adversely affect our earnings, cash flows and balance sheet under applicable accounting rules, even if risks have been identified.

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In an effort to manage our financial exposure related to commodity price and market fluctuations, we have entered and may in the future enter into contracts to hedge certain risks associated with our assets and operations. In these hedging activities, we have used and may in the future use fixed-price, forward, physical purchase and sales contracts, futures, financial swaps and option contracts traded in the over-the-counter markets or on exchanges. Nevertheless, no single hedging arrangement can adequately address all risks present in a given contract. For example, a forward contract that would be effective in hedging commodity price volatility risks would not hedge the contract s counterparty credit or performance risk. Therefore, unhedged risks will always continue to exist. While we attempt to manage counterparty credit risk within guidelines established by our credit policy, we may not be able to successfully manage all credit risk and as such, future cash flows and results of operations could be impacted by counterparty default.

Our use of hedging arrangements through which we attempt to reduce the economic risk of our participation in commodity markets could result in increased volatility of our reported results. Changes in the fair values (gains and losses) of derivatives that qualify as hedges under generally accepted accounting principles (GAAP), to the extent that such hedges are not fully effective in offsetting changes to the value of the hedged commodity, as well as changes in the fair value of derivatives that do not qualify or have not been designated as hedges under GAAP, must be recorded in our income. This creates the risk of volatility in earnings even if no economic impact to us has occurred during the applicable period.

The impact of changes in market prices for NGLs and natural gas on the average prices paid or received by us may be reduced based on the level of our hedging activities. These hedging arrangements may limit or enhance our margins if the market prices for NGLs or natural gas were to change substantially from the price established by the hedges. In addition, our hedging arrangements expose us to the risk of financial loss in certain circumstances, including instances in which:

- Volumes are less than expected;
- The hedging instrument is not perfectly effective in mitigating the risk being hedged; and
- The counterparties to our hedging arrangements fail to honor their financial commitments.

The adoption and implementation of new statutory and regulatory requirements for derivative transactions could have an adverse impact on our ability to hedge risks associated with our business and increase the working capital requirements to conduct these activities.

In July 2010, federal legislation known as the Dodd-Frank Wall Street Reform and Consumer Protection Act (the Act) was enacted. The Act provides for new statutory and regulatory requirements for derivative transactions, including oil and gas hedging transactions. Among other things, the Act provides for the creation of position limits for certain derivatives transactions, as well as requiring certain transactions to be cleared on exchanges for which cash collateral will be required. The final impact of the Act on our hedging activities is uncertain at this time due to the requirement that the SEC and the Commodities Futures Trading Commission (CFTC) promulgate rules and regulations implementing the new legislation within 360 days from the date of enactment. These new rules and regulations could significantly increase the cost of derivative contracts, materially alter the terms of derivative contracts or reduce the availability of derivatives. Although we believe the derivative contracts that we enter into should not be impacted by position limits and should be exempt from the requirement to clear transactions through a central exchange or to post collateral, the impact upon our businesses will depend on the outcome of the implementing regulations adopted by the CFTC.

Depending on the rules and definitions adopted by the CFTC or similar rules that may be adopted by other regulatory bodies, we might in the future be required to provide cash collateral for our commodities hedging transactions under circumstances in which we do not currently post cash collateral. Posting of such additional cash collateral could impact liquidity and reduce our cash available for capital expenditures. A requirement to post cash collateral could therefore reduce our ability to execute hedges to reduce commodity price uncertainty and thus protect cash flows. If we reduce our use of derivatives as a result of the Act and regulations, our results of operations may become more volatile and our cash flows may be less predictable.

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We depend on certain key customers for a significant portion of our revenues. The loss of any of these key customers or the loss of any contracted volumes could result in a decline in our business.

Our gas pipeline and midstream businesses rely on a limited number of customers for a significant portion of their revenues. Although some of these customers are subject to long-term contracts, extensions or replacements of these contracts may not be renegotiated on favorable terms, if at all. The loss of all, or even a portion of the revenues from natural gas, NGLs or contracted volumes, as applicable, supplied by these customers, as a result of competition, creditworthiness, inability to negotiate extensions or replacements of contracts or otherwise, could have a material adverse effect on our business, financial condition, results of operations, and cash flows, unless we are able to acquire comparable volumes from other sources.

We are exposed to the credit risk of our customers and counterparties, and our credit risk management may not be adequate to protect against such risk.

We are subject to the risk of loss resulting from nonpayment and/or nonperformance by our customers and counterparties in the ordinary course of our business. Generally, our customers are rated investment grade, are otherwise considered creditworthy or are required to make prepayments or provide security to satisfy credit concerns. However, our credit procedures and policies may not be adequate to fully eliminate customer and counterparty credit risk. We cannot predict to what extent our business would be impacted by deteriorating conditions in the economy, including declines in our customers and counterparties creditworthiness. If we fail to adequately assess the creditworthiness of existing or future customers and counterparties, unanticipated deterioration in their creditworthiness and any resulting increase in nonpayment and/or nonperformance by them could cause us to write-down or write-off doubtful accounts. Such write-downs or write-offs could negatively affect our operating results in the periods in which they occur, and, if significant, could have a material adverse effect on our business, results of operations, cash flows and financial condition.

Our industry is highly competitive, and increased competitive pressure could adversely affect our business and operating results.

We have numerous competitors in all aspects of our businesses, and additional competitors may enter our markets. Other companies with which we compete may be able to respond more quickly to new laws or regulations or emerging technologies, or to devote greater resources to the construction, expansion or refurbishment of their facilities than we can. In addition, current or potential competitors may make strategic acquisitions or have greater financial resources than we do, which could affect our ability to make investments or acquisitions. Similarly, a highly-liquid competitive commodity market in natural gas and increasingly competitive markets for natural gas services, including competitive secondary markets in pipeline capacity, have developed. As a result, pipeline capacity is being used more efficiently, and peaking and storage services are increasingly effective substitutes for annual pipeline capacity. We may not be able to compete successfully against current and future competitors and any failure to do so could have a material adverse effect on our business, financial condition, results of operations, and cash flows.

Our operations are subject to operational hazards and unforeseen interruptions for which they may not be adequately insured.

There are operational risks associated with gathering, transporting, storage, processing and treating of natural gas and the fractionation and storage of NGLs, including:

- Hurricanes, tornadoes, floods, fires, extreme weather conditions, and other natural disasters;
- Aging infrastructure and mechanical problems;
- Damages to pipelines and pipeline blockages or other pipeline interruptions;
- Uncontrolled releases of natural gas (including sour gas), NGLs, brine or industrial chemicals;

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- Collapse or failure of storage caverns;
- Operator error;
- Damage caused by third-party activity, such as operation of construction equipment;
- Pollution and other environmental risks;
- Fires, explosions, craterings and blowouts;
- Risks related to truck and rail loading and unloading;
- Risks related to operating in a marine environment; and
- Terrorist attacks or threatened attacks on our facilities or those of other energy companies.

Any of these risks could result in loss of human life, personal injuries, significant damage to property, environmental pollution, impairment of our operations and substantial losses to us. In accordance with customary industry practice, we maintain insurance against some, but not all, of these risks and losses, and only at levels we believe to be appropriate. The location of certain segments of our facilities in or near populated areas, including residential areas, commercial business centers and industrial sites, could increase the level of damages resulting from these risks. In spite of our precautions, an event such as those described above could cause considerable harm to people or property, and could have a material adverse effect on our financial condition and results of operations, particularly if the event is not fully covered by insurance. Accidents or other operating risks could further result in loss of service available to our customers.

Our costs of testing, maintaining or repairing our facilities may exceed our expectations and the FERC or competition in our markets may not allow us to recover such costs in the rates we charge for our services.

We have experienced unexpected leaks or ruptures on one of our gas pipeline systems, including a rupture near Appomattox, Virginia in 2008 and a rupture near Sweet Water, Alabama in 2011. We could experience additional unexpected leaks or ruptures on our gas pipeline systems, or be required by regulatory authorities to test or undertake modifications to our systems that could result in a material adverse impact on our business, financial condition and results of operations if the costs of testing, maintaining or repairing our facilities exceed current expectations and the FERC or competition in our markets do not allow us to recover such costs in the rates we charge for our service. For example, in response to a recent third-party pipeline rupture, PHMSA issued an Advisory Bulletin which, among other things, advises pipeline operators that if they are relying on design, construction, inspection, testing, or other data to determine the pressures at which their pipelines should operate, the records of that data must be traceable, verifiable and complete. More recently, the Pipeline Safety, Regulatory Certainty, and Job Creation Act of 2011 became law and under this statute PHMSA may issue additional regulations addressing such records. Locating such records and, in the absence of any such records, verifying maximum pressures through physical testing or modifying or replacing facilities to meet the demands of such pressures, could significantly increase our costs. Additionally, failure to locate such records or verify maximum pressures could result in reductions of allowable operating pressures, which would reduce available capacity on our pipelines.

We do not insure against all potential losses and could be seriously harmed by unexpected liabilities or by the inability of our insurers to satisfy our claims.

We are not fully insured against all risks inherent to our business, including environmental accidents. We do not maintain insurance in the type and amount to cover all possible risks of loss.

We currently maintain excess liability insurance with limits of $610 million per occurrence and in the annual aggregate with $2 million per occurrence deductible. This insurance covers us, our subsidiaries, and certain of our affiliates for legal and contractual liabilities arising out of bodily injury or property damage,

including resulting loss of use to third parties. This excess liability insurance includes coverage for sudden and accidental pollution liability for full limits, with the first $135 million of insurance also providing gradual pollution liability coverage for natural gas and NGL operations.

Although we maintain property insurance on certain physical assets that we own, lease or are responsible to insure, the policy may not cover the full replacement cost of all damaged assets or the entire amount of business interruption loss we may experience. In addition, certain perils may be excluded from coverage or sub-limited. We may not be able to maintain or obtain insurance of the type and amount we desire at reasonable rates. We may elect to self insure a portion of our risks. We do not insure our onshore underground pipelines for physical damage, except at certain locations such as river crossings and compressor stations. Offshore assets are covered for property damage when loss is due to a named windstorm event and coverage for loss caused by a named windstorm is significantly sub-limited a