Corrected Transcript

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The Williams Cos., Inc. (WMB)

Barclays CEO Energy Power Conference

CORPORATE PARTICIPANTS

Alan S. Armstrong
President and Chief Executive Officer, The Williams Cos., Inc.

OTHER PARTICIPANTS

Christine Cho
Analyst, Barclays Capital, Inc.

MANAGEMENT DISCUSSION SECTION

Christine Cho
Analyst, Barclays Capital, Inc.

Next up, we have a company who has the premier pipeline to serve all the gas demand up and down the Eastern Seaboard and also with a large gathering and processing footprint in the Marcellus and Utica, which is positioned to benefit when there is sufficient takeaway out of the region. They're constantly reinventing themselves to fit in with the times. And here to talk on some updates is Alan Armstrong, President and CEO of Williams Companies.

Alan S. Armstrong
President and Chief Executive Officer, The Williams Cos., Inc.

Great. Thank you, Christine, and good afternoon, everyone. Excited to be up here today to talk about what really is, we think, the strategy within the natural gas space and, certainly, our assets are extremely well-positioned right now to continue to take advantage of the growth in demand. I'm going to move right through the forward-looking statements there. You can read those at your pleasure and move on to slide 5 here really for our key messages for today.

First of all, I don't think it's any secret for those of you all that followed Williams, that our assets, particularly the Transco asset is the largest and the fastest growing. That's hard to accomplish, to be both the largest and the fastest growing in the natural gas transmission space. And we have enjoyed tremendous growth to date, but as you'll see through some of the presentation today, that growth continues to accelerate as demand for low-cost natural gas continues to expand along that corridor.

You'll also notice today that in the North East, today, we have about 38% of the gathered volumes in the North East are either on our – mostly on our directly owned and operated assets and then the balance on investments that we have in assets like Blue Racer up there. So, incredible position on the demand side and as you'll see, a great follow on position as the supply side on natural gas eventually responds to all the tremendous demand that we have.

One of the things you're going to see here today is we have taken a lot of very immediate action and we're continuing to announce those as we did with Geismar today. We are really focused on streamlining our business to take advantage of the natural gas volume growth, period.

And so as we announced today, we're disposing of our Geismar. We're going to move to our process to monetize our position in Geismar and this is going to make our story simpler and simpler and the focus really is on taking advantage of how strongly we're positioned in the natural gas. That's not by accident. We've been doing that, but this later move as we're both deleveraging and concentrating where we think our strengths are is going to allow us to have a really unique position today in terms of natural gas volume.

The market is certainly recognizing some of the efforts that we have taken. Prices were up 38% since first part of July on WMB and 11% on WPZ. And we still believe, as we'll show today, we still think we're substantially undervalued up against our peer valuations and so I'll show you a little data on that as well.

First of all, some of the moves that we have been taking on, you can see enlisted here. One of the things that I find interesting on this EBITDA picture here first of all is even despite the decline in oil prices, of course, that happened in late 2014, we have continued to grow our EBITDA. So if you back up to the first quarter of 2015 right after the price drop at the end of 2014, you would see that we've grown our EBITDA by 15%.

We were up in the first half of the year comparison. The first half 2015, we were up 10% and so we continue to grow our EBITDA despite commodity prices that have been lower and certainly have affected a lot of our peers a lot more substantially than they've impacted us.

We continue to execute on projects. You'll see here in a minute that we've actually, since 2010, we've grown our fee-based revenues in our business by $2.6 billion over that timeframe. And so, we continue to execute on projects. So far this year, we've turned Leidy Southeast in in January. Horizon Offgas came on in March of this year. Kodiak came on in May. Gunflint came on in mid-July. And Rock Springs was just placed in service here August 1. And so, we continue to execute on these projects that are driving that growth in fee-based revenues.

We also just recently restructured the Barnett contract in the Mid-Continent with Chesapeake. That is yet to close. We did announce that though and we're pending approvals of some of Chesapeake's third-party counterparts in that deal, but a tremendous opportunity for us. Not only did that preserve the value in that contract, it also really helped to strengthen Chesapeake as well. And as Chesapeake strengthen, allows them to take and apply capital into their other basins like the Haynesville and the Utica dry and Eagle Ford, where we make tremendous revenues off of that growth in their business as that comes up.

We also have been going after our costs in the second quarter. We realized $55 million of savings, as compared to the Q2 of 2015 and we continue to do even better as we go forward on cost reduction. So, really excited about the way the organization is responding in that regard.

And as we sell off things like Canada and Geismar, those assets are things that are a little bit extraneous to our business of moving natural gas, so they require different kind of support services, different technical support. And so, we think we'll be able to, with that streamlining, be able to even reduce our cost further on a unit cost basis against our business.

We also have 19 projects right now in the queue that we're working on along the Transco, Northwest Pipeline and Gulfstream system. Most of that business is on Transco. I think two of those projects are on Northwest Pipeline and one of those is on Gulfstream. But these are projects that we haven't yet finalized the contracting in that business. But the point is, these opportunities along the Transco system just continue to come at us. And so, as you look at our growth opportunities for the future, you should expect more and more of that.

In terms of the financing measures, we announced that we signed the Canadian asset sale and that transaction is moving towards closing and everything is going very well on that front. We announced the DRIP program and, as of Friday, we got that made effective and the Geismar process, we've initiated that and announced that this morning. We also brought on three very highly qualified directors, and I'll introduce that here at the end of this presentation.

In terms of how we've done since the beginning of July, you can see the chart here, MB being up 38% against our peers at 4.3% and WPZ being up 11% against the AMZ of 1.9%. And you can see that against the backdrop of fairly flat commodity prices with some decline on WTI. So, we continue to take steps that we think our investors are paying attention to and are the right steps towards really streamlining the business and making it very, very clear to folks where the growth is going to come from as well as the stability of cash flows for our business.

As we move on and look at a valuation picture here, you can see that starting back in June of 2012, that we pretty well traded in line with our peers there, an average of 14 versus the peer median of 14.3 up until the ETE transaction. And that was announced, you can see when that was announced, we went above the peers and then obviously as that deal transpired, you can see we traded well below that. And now you can see, we're back to closing the gap on our peers again and that really is our goal, to get back above that.

And frankly, when you look at the quality of our assets, the stability of our cash flow and the very identifiable growth, we shouldn't really be targeting our peers. We should be targeting well above our peers because really nobody has the growth that we have right now in the space. And really, if you look at stability of EBITDA and DCF, we also have performed extremely well over the last six quarters compared to our peers.

So, you've heard me talk about what we're leveraged to. And here's what you really have to believe in to want to invest in Williams. You really do need to believe that the natural gas market is going to continue to grow. We don't really care what the price is going to be. We do care about volume growth and we're very confident in that volume growth to happening on our systems because we do have the competitively advantage systems both on the demand side as well on the supply side. And our cash flow stability is improving dramatically. And if you look at the last quarter's that's great evidence of how consistent our cash flows have been and we continue to see growth in those cash flows, but at a very stable rate.

Moving onto this next slide here, it shows why we're so well positioned. You can see the growth in the supply basin first of all starting up there in the Northeast and this is a Wood Mac projection and balances obviously supply versus growth. You can see that the supply in the Northeast is expected to double by 2025 and it's going to take that gas to meet all of that demand that you see in the rest of the chart particularly in the Southeast and Northeast there where Transco really is uniquely positioned to serve that growth in the market. And with the access to supply that we have in the Northeast, it's going to be critical.

So, we've been investing very heavily for the last five years in the Northeast getting a premier position in the Marcellus and the Utica and, as I mentioned earlier today, we gather now either directly or through our investments 38% of that position of huge acreage dedications to our positions up there and we've already done a lot of the heavy lifting.

So when people ask us about what our growth capital looks like for the Northeast, it's really not the appropriate question anymore because now what we're looking at is to really harvest all of the capital that we've invested in the Northeast and, today, we have about 700 million a day shut-in up there that as soon as these downstream markets open up, that is just incremental cash flow without any new capital investment that will come to us. You can also see how our position up against the growth in the Southeast and then into the Louisiana, Mississippi and Texas markets as well.

So, if you look at where the growth is expected to come from and you just take the markets that are served by Transco, you can see why we're getting such an outsized response on our systems versus our peers is because our pipeline just happens to be in exactly the right spot. It's in the very heavily populated area. Heavily populated areas mean as people shift over from coal to natural gas, that's going to come to us.

And every LNG project right now that is forecasted to be executed by 2020, Transco either has already got a contract to serve or very likely will be the party that is serving those LNG facilities. So whether you're talking about Cove Point, or you're talking about Corpus Christi, Freeport or Sabine Pass, we're all positioned. Even Elba Island, we're very well-positioned to bring supplies available that will be transported to third-party pipeline in the Elba Island. So really excited about the way we are positioned against all of these growing markets.

If you look on the Northeast production fees and so this is – you can see the checkmarks over there on the right are all of the basins that we operate in and have a substantial position in. And you can see again, the Northeast is where the supply increases are going to have to come through to meet all this demand and you can see that really Williams has got these basins covered.

So, whether we're right exactly about where the split comes from in terms of volume growth, really is not all that significant because really we've got it covered, if it does shift from one basin to the other, we've really got it covered. Really the only area that's significant that we don't have covered frankly is the Western Canadian Sedimentary Basin is really the only area that we're not well-positioned.

And you can also see on this chart, we get a lot of questions about where we're spending our non-Transco capital or non-interstate pipeline capital. And you can see here about $600 million in 2016 that spread out with about half of that being in the Northeast. And then you can see in 2017 about the same picture with again half of that being spent in the Northeast, some in the Permian. And so this gives you a good picture of where that capital that we have going in on the unregulated side of the businesses.

One of the drivers for growth is in the Northeast in particular, that I think has probably not been understood very well, there is a lot of new gas-fired generation coming in, in the PJM area. And so, as you can see, the number of power plants, that means that power plant burn is going to come on there without the pipeline capacity being built. So, there is some overlap here between pipeline capacity and power plant, but look at the number of power plants that are within the zone and effectively people are using the electric transmission systems to get the BTUs out of here rather than a gas pipeline.

We think that's a good thing because the gathering volumes that will serve those power plants, we're in the process of making interconnects to those parties, many of the contracts for this are held by our producing customer. Cabot's been able to capture a lot of those contracts. And so, we sit there with the gathering volumes and the gathering systems in place and that will be advantaged as both these power plants come on the line and this long number of pipeline projects come into service.

Now, we won't sit here and tell you we think all 21 Bcf a day of capacity is going to get built out on this list. But we do think a very significant portion of it is going to get built out. And every time there's an increment, our gathering systems are going to sit there and grow because that's all we are missing right now is these markets. We're not missing the infrastructure. We've invested in the infrastructure and so this means incremental cash flows for our gathering systems in the area.

This is another picture that kind of shows you where we're making some of our investments. All of these projects are fully contracted projects. You also heard me talk about another 19 projects that we're working on right behind these, but these are 2017 through 2018. And if you look on the top left hand side there, it kind of shows you what the multiple that we're getting on these cash flows. Now, this is not speculative. Every one of the projects listed here are fully contracted.

We are not dependent on any incremental contracts or revenue. The capacity is fully subscribed and so when we show the EBITDA run rate there, the annual EBITDA run rate, the only thing that is really pending on that is the timing of that project coming into service. The revenues are a known entity and I will tell you our cost structure is such a low incremental cost to our existing business that there's really very little variation in that. And so, you can see this ranges from about a 5.7 multiple up to just a little over 7 multiple on these projects, and many more of those to come.

We get a lot of questions as well on the permitting process and I would tell you as an investor in this space, you should. This clearly, in my mind, is really the biggest challenge that we have in this industry. We have very well positioned asset. Taking on these permitting issues has become a real challenge, but we are making great progress on our FERC certificates.

You can look there everything to the right of the FERC certificate are certificates we've received this year. And so, those are the ones, where we're moving ahead on those projects. And then you can see back to the left the projects where we've already gotten the shipper commitments all the way up to those where we're pending, an EIS, Atlantic Sunrise. We're expecting to get that EIS, here in October and that will be the final EIS for that. So, we're really about the way that project's moving ahead.

State of Pennsylvania has been extremely cooperative. A lot of concern on their part frankly, as regulators, a lot of the environmental opposition but they're working very closely with us. They understand, in Pennsylvania, they understand how critical the natural gas industry is to their state, and therefore, they're working hard to get permitted.

Atlantic Sunrise, even though it's a huge project, the only pipeline we have to construct for that because we're using our existing Transco corridor, south of Pennsylvania, the only new pipeline we have to construct is in the State of Pennsylvania, so a much better prospects for getting things built in a state that also is enjoying the revenues and the benefits of jobs in developing the gas resources in the first place.

So, if you think about the business we haven't talked about much, it's really the West and Central business. And so, this is just a picture of how incredibly steady our business has been out there, despite changes in commodity prices. Look how incredibly steady quarter to quarter to quarter our Western and Central business has been. And I would tell you that, in the long term, I think that the Haynesville, the Greater Green River which feeds in our Opal operation as well as even the Barnett, the only three major sources of gas outside of the Northeast that have gas that can be developed economically for less than $3 and we also happen to have those basins well covered as well.

So, really excited about, ultimately, what we'll see in those areas, but in the meantime just very, very steady cash flows coming out of this business and that is not by accident. Our teams have been able to run these business even though we've had some decline in volumes in the Rockies. Through the pressure on cost, our team has been able to keep the business very steady there.

This is one of my favorite slides in the whole deck here. This just shows what we've been able to accomplish here since 2011 in terms of fee-based revenue growth and you can see a $2.6 billion growth in our fee-based revenues up against almost $1 billion decline in NGL margins during that same period. But despite the heavy decline in NGL margins we've been able to offset those with dramatic growth in our fee-based revenues and that is going to continue as we continue and invest in all of these new projects out in front of us.

So you want to talk about execution, this is a lot of projects to execute on and bring on this much fee-based revenue. And it's very dependent on execution. It's not dependent on commodity prices. At the same time, I would say we've positioned ourselves extremely well now in the Northeast, and eventually that's going to grow some tremendous fee-based revenues in that area as well.

And so if you look at our picture of the commodities that we have, exposure that we have today, as we think about repositioning the company to really be at the top of our peer valuation, not at the midpoint, but at the top, it means that we need to de-risk some things and so we've gone after that. We went after the de-risking the Chesapeake credit risk, and very excited about where we've gotten to on that. It means taking commodity risk out of the business.

Today, the first half of 2016 about 7% of our gross margin came from commodities and if you look at this on a pro forma basis with the sale of Geismar and the sale of Canada where there is both olefins and NGL margin risk in Canada, you would see less than 2% of our gross margin would be coming from NGL margins as we pro forma that on a forward-looking basis. And in addition to that, obviously, we're making big investments into our pipeline business so that 34% will continue to grow. And so, we think we're taking all the right steps to really de-risk the business and really have the steadiest of cash flows available in the industry.

We talked about the Geismar sale, so just a quick note on that here. First of all, we are initiating a strategic review process, and so we're really looking at two avenues here. One's an outright sale. The other is a fee-based structure. I would tell you that all things being equal, I would suggest that a sale is probably most beneficial to us. It accomplishes a lot of thing including reducing our equity issuance at the WPZ level while maintaining a strong credit profile and, certainly, as well we think will allow the rating agencies to look at us very differently when our commodity exposure is less than 2%.

So we think for a lot of reasons, this is a really big step for us. And we think we're catching the market at a really opportune time right now. For those of you all that don't follow this business, the ethylene margin here over the last month has really spurred up and we're actually selling forward ethylene into the first quarter of 2017.

So, not only is the market very high right now on margin. The link that's available right now is pretty impressive as well. And so, the market starting to feel, what it's like to have short ethylene, and they're pushing up the polyethylene or the derivative pricings to catch up with that. So we think we're really coming into the market at a great time. The Geismar facility is extremely well positioned. The Mississippi River market is short ethylene and it is the only merchant ethylene provider into that market. And so, we think we're going to have a robust process there to take advantage of the capacity that the Geismar facility offers into that market today.

I also would just compliment our team there at Geismar. Since the expansion came online, tremendous safety record there that they've been able to accomplish, intense focus on that as well as their operating history, even here through – as you all know, there were some tremendous floods there in the Baton Rouge area and despite all that, our team has been able to keep the plant up and running at full rates. And so, hats off to our team there at Geismar who have really done a terrific job turning that facility around.

Next item here, three new independent directors, really excited about the experience and the breadth of the experience that we're pulling in with these three new directors. And so all the way from the upstream end of the business with Scott Sheffield to the downstream end the business with Bill Spence, and really great experience, Steve Bergstrom really a – historically, Dynegy was a rank competitor to the Williams Companies, but we always had a lot of respect for his strategic vision and always thinking two steps ahead, so really excited to have his thinking hitched up with this.

And as well, Bill Spence has done a tremendous job positioning PPL Corporation in the utility space and, importantly, knows the regulatory issues and the challenges of building infrastructure in the same space that we build infrastructure very well, so excited to have his insight as well. So couldn't be more excited about the three new directors and I hope you are as well.

Finally, just to reiterate our key messages, we do have the natural gas asset base that's available in the space today, best position on the demand side, by far best position on the supply side. We are taking all the quick actions that we know to take to really streamlined the business and position ourselves for getting to the top of the peer group. And certainly, the market is starting to recognize that and we've got good momentum in that direction and the Geismar action, again, is a continued change towards accomplishing that.

So, big things ahead for us. The organization's very excited to execute on the plan that we have today. And everybody can really see the great future that we have ahead of us as we take advantage of the growing natural gas markets.

So, with that, Christine, I'll take questions.

QUESTION AND ANSWER SECTION

Christine Cho
Analyst, Barclays Capital, Inc.

Q

We're going to open up to questions. We have one over there, all the way back there, by the door.

Q

Just a quick question on the Rockies, I'm wondering whether you thought about or looked at making Northwest pipeline bidirectional given what's happening with the basis differentials in the Northwest?

Alan S. Armstrong
President and Chief Executive Officer, The Williams Cos., Inc.

A

Yeah. Northwest is capable of serving bidirectional markets and we do sell some displaced firm time to time, so that is available on the system and it's a matter of how we price that as to how we accomplish that. And certain capacity holders have the control of some of that bidirectional as well. So a lot of times, the gas doesn't actually move, as you know, the gas doesn't actually move in that direction, but we can sell that capacity in that direction in anyway.

Christine Cho
Analyst, Barclays Capital, Inc.

Q

I thought maybe we would go over to the Marcellus.

Alan S. Armstrong
President and Chief Executive Officer, The Williams Cos., Inc.

A

Sure.

Christine Cho
Analyst, Barclays Capital, Inc.

Q

You talked about 700 million cubic feet a day being shut in, a lot of capital has been spent in the region. What do we have to see for that gas to get realized? And would I also be pushing my luck if you were to give EBITDA expectations if that 700 million a day came out?

Alan S. Armstrong
President and Chief Executive Officer, The Williams Cos., Inc.

A

Yeah. Well, I don't think we're going to provide guidance on that, but if you look at our average rates in that basin depending on if you're in the Northeast, the rates range from about $0.40 an Mcf to $0.55 an Mcf and if you look in the South, the rates depending on the NGL volumes and they generally range from about $0.50 Mcf to up near $1 an Mcf. So it kind of depends on where that gas is sourced from.

But certainly we have a strong leverage to that 700 million a day. And in terms of what has to happen that long list of pipeline projects, which are occurring there is new capacity coming on all the time as well as some of that power generation market, when those start to open up, that $700 million a day will be converted in the cash flow for us.

Christine Cho
Analyst, Barclays Capital, Inc.

Q

Okay. Maybe we would go to the Geismar sale, that monetization that was announced today. You talk about how obviously it would be most beneficial if you were to outright and sale it, but can you talk about maybe tax basis in the asset, and what that would do to your cash tax or non-cash taxing situation that we have right now?

Alan S. Armstrong
President and Chief Executive Officer, The Williams Cos., Inc.

A

Yeah. Sure. We have about a $2 billion NOL. And so that will go to offset. We do not have any tax basis in the asset. In fact, we have a little bit of a negative tax basis in the asset so that some of that NOL would be used. But because of the capital investment that we talked about both in the near-term and as you look out for the Transco system, we don't expect to be – even without the NOL, even if we had to use all of that NOL, that we still have a significant tax coverage past 2020. So we just soon hang on to it. Obviously, it's a valuable asset, but it isn't going to impact our dividend anytime soon.

Christine Cho
Analyst, Barclays Capital, Inc.

Q

A question over there.

Q

Alan, is the asset base broad enough at Williams, when you think long-term down the road? I mean, there was a time when you would have Kern River going down into the Pacific Southwest, you would have Cove Point. There was the Central Pipeline. I mean, Williams has gone through a lot of travails over the last decade and a half and what I'm trying to understand is, with what's left, is it all you need? If five years from now, you're presenting at this conference, are we going to be talking about Transco in Northwest or is there another piece to the Williams puzzle that will have to come into place between now and then in order to make it a long-term viable competitor in the industry?

Alan S. Armstrong
President and Chief Executive Officer, The Williams Cos., Inc.

A

Yeah, great question. I would tell you that through our asset sales over the years, we have really high graded the asset base that we have today. And if you look at the amount, just think about in 2010, our capacity on Transco was about 10.7 BCF a day and when at the end of 2017, we'll have over 17.5 BCF a day of capacity. So, we've built out at Kern River a Texas gas in terms of economic impact, because I would say we held on to the right assets and where the growth has occurred.

So, I would say, it's very concentrated set of assets and a very high graded set of assets and over the years we've really held on to the things that we thought were most valuable. The Northeast supply, the Utica and the Marcellus was an incredible gift to the Transco business because it allowed – the problem with Transco was it couldn't get enough supply into those growing markets.

Now with having those supplies coming from the north, it's allowed Transco to have a new life and a business that on a map, it looks like the same old piece of pipeline, but for that line that you see, there's six pipelines in that loop. And the economic power of that investment is very concentrated. But frankly, a lot better than having a bunch of pipelines that are mediocre spread throughout the country's side. Thank you for the question.

Christine Cho
Analyst, Barclays Capital, Inc.

Q

We have the time for one more question.

Q

Okay. I'm just curious after the recent efforts of renegotiation for the contract with Chesapeake. At this point, do you see more work to be done to stabilize the cash flow going forward and what kind of the commodity price labels right now would keep you awake at night and thinking about maybe you should rethink over the cash flow going forward?

Alan S. Armstrong
President and Chief Executive Officer, The Williams Cos., Inc.

A

Yeah. Our cash flow right now from a commodity price standpoint is really not all that subject to anything that's going to last for any timeframe. Low gas prices, ultimately are going to build market for us in terms of demand and we're going to have the supply eventually that's going to get pulled through that demand. So I'd actually hate to see – I think the worst thing it could happen right now is us to see gas fly up to $6 or $7 and I know people go, that would never happen, we've been around this industry long enough, you've seen those never going to happen, happen.

But I would say that'd be a bad thing because it certainly would curtail the growth, ultimately in the demand side of the business. So I actually think keeping prices in this $250 million to $325 million kind of range is perfect for our business model. So I would say high gas prices actually could be more of a problem long-term than low gas prices for our business model.

In terms of the Chesapeake risk, yeah, Barnett really was where our credit exposure was with Chesapeake. They have a great, great asset in their acreage that's dedicated to us. We're excited to have that dedicated to us. I'd say, in terms of next steps with Chesapeake, it's probably to assist them in whatever asset sales they decide to do, it's for us to assist them in getting that done.

And so I would just say I think from here forward with Chesapeake, is very much on the positive because getting Barnett done allows them to take some of those cash flows and put it back into the drill bit in the other areas that already dedicated to us. So any dollar they can take and put into a drill bit is going to come to us because the balance of their acreage is dedicated to us.

So we're really excited to see them getting healthier and we really see upside coming out of this Barnett transaction and probably most of our work with them will be around accommodating their assets sales. That will bring in people with new capitals to drill on that same acreage. Does that answer your question?

Q

Yeah.

Alan S. Armstrong
President and Chief Executive Officer, The Williams Cos., Inc.

A

Okay.

Q

[inaudible] (36:27) another big one I hope like Chesapeake but do you see similar situation coming up maybe in more smaller sales?

Alan S. Armstrong
President and Chief Executive Officer, The Williams Cos., Inc.

A

With other producers.

Q

Yeah.

Alan S. Armstrong
President and Chief Executive Officer, The Williams Cos., Inc.

A

Yeah. For the most part, the essential services of gathering the gas, taking it from the well heading and getting it to a processing plant is pretty limited risk because the gathering contract we had within the Barnett was a bit unique relative to other gathering business. And I would say there's not a place where we have kind of out of market contracts like that and we don't – we have very little downstream business with producers on things like our long-haul pipelines. So most all LDCs and power companies that held to capacity on our long hauls, those are the ones that are really at risk to credit risk because somebody can decide tomorrow not to move their gas long haul. They can't decide not to move it from the wellhead to a market clearing point. And so that's typically – that's the risk we would have and we have very little of that.

Christine Cho
Analyst, Barclays Capital, Inc.

We are out of time. Thank you for coming. There will be no breakout.

Additional Information

Williams intends to file a proxy statement with the U.S. Securities and Exchange Commission (the "SEC") with respect to the 2016 Annual Meeting. INVESTORS AND SECURITY HOLDERS ARE URGED TO READ ANY SUCH PROXY STATEMENT, THE ACCOMPANYING WHITE PROXY CARD AND OTHER DOCUMENTS THAT HAVE BEEN OR MAY BE FILED WITH THE SEC CAREFULLY AND IN THEIR ENTIRETY AS THEY CONTAIN OR WILL CONTAIN IMPORTANT INFORMATION ABOUT THE 2016 ANNUAL MEETING. Investors and security holders should read the proxy statement carefully before making any voting or investment decisions. Investors and security holders may obtain free copies of these documents and other documents filed with the SEC by Williams through the website maintained by the SEC at http://www.sec.gov. Copies of the documents filed by Williams with the SEC will be available on Williams' website at investor.williams.com.

Participants in the Solicitation

Williams and its directors, executive officers and other members of management and employees may be deemed to be participants in the solicitation of proxies in connection with the matters to be considered at Williams' 2016 Annual Meeting. Information regarding the directors and officers of Williams is contained in Williams' Annual Report on Form 10-K filed with the SEC on February 26, 2016 (as it may be amended from time to time). Additional information regarding the interests of such potential participants is or will be included in the proxy statement and other relevant documents filed with the SEC.

Forward-looking Statements

This communication may contain or incorporate by reference statements that do not directly or exclusively relate to historical facts. Such statements are "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended (Securities Act), and Section 21E of the Securities Exchange Act of 1934, as amended (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 communication 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," "forecasts," "intends," "might," "goals," "objectives," "targets," "planned," "potential," "projects," "scheduled," "will," "assumes," "guidance," "outlook," "in service date" or other similar expressions. The forward-looking statements are based on management's beliefs and assumptions and on information currently available to management and include, among others, statements regarding:

- Expected levels of cash distributions by Williams Partners L.P. ("WPZ") with respect to general partner interests, incentive distribution rights and limited partner interests;
- Levels of dividends to Williams stockholders;

- Future credit ratings of Williams and WPZ;
- Amounts and nature of future capital expenditures;
- Expansion of our business and operations;
- Financial condition and liquidity;
- Business strategy;
- Cash flow from operations or results of operations;
- Seasonality of certain business components;
- Natural gas, natural gas liquids, and olefins prices, supply, and demand;
- Demand for our services.

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 communication. 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 WPZ will produce sufficient cash flows to provide the level of cash distributions, including incentive distribution rights, that we expect;
- Whether Williams is able to pay current and expected levels of dividends;
- Whether we will be able to effectively execute our financing plan including WPZ's establishment of a distribution reinvestment plan and the receipt of anticipated levels of proceeds from planned asset sales;
- Availability of supplies, including lower than anticipated volumes from third parties served by our midstream business, and market demand;
- Volatility of pricing including the effect of lower than anticipated energy commodity prices and margins;
- 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 customers and suppliers);
- The strength and financial resources of our competitors and the effects of competition;
- Whether we are able to successfully identify, evaluate and timely execute our capital projects and other investment opportunities in accordance with our forecasted capital expenditures budget;
- Our ability to successfully expand our facilities and operations;
- Development of alternative energy sources;
- Availability of adequate insurance coverage and the impact of operational and developmental hazards and unforeseen interruptions;
- The impact of existing and future laws, regulations, the regulatory environment, environmental liabilities, and litigation, as well as our ability to obtain permits and achieve favorable rate proceeding outcomes;
- Williams' 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 risk of our customers and counterparties;

- Risks related to financing, including restrictions stemming from debt agreements, future changes in credit ratings as determined by nationally-recognized credit rating agencies and the availability and cost of capital;
- The amount of cash distributions from and capital requirements of our investments and joint ventures in which we participate;
- Risks associated with weather and natural phenomena, including climate conditions and physical damage to our facilities;
- Acts of terrorism, including cybersecurity threats and related disruptions; and
- Additional risks described in our filings with 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 and security holders not to unduly rely on our forward-looking statements. We disclaim any obligations to and do not intend to update the above list or 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 this communication. 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. For a detailed discussion of those factors, see Part I, Item 1A. Risk Factors in our Annual Report on Form 10-K filed with the SEC on February 26, 2016 and in Part II, Item 1A. Risk Factors in our Quarterly Report on Form 10-Q filed on August 2, 2016.