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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): November 21, 2003

The Williams Companies, Inc.

(Exact name of registrant as specified in its charter)

Delaware	1-4174	73-0569878
(State or other jurisdiction of incorporation)	(Commission File Number)	(I.R.S. Employer Identification No.)

One Williams Center, Tulsa, Oklahoma	74172
(Address of principal executive offices)	(Zip Code)

Registrant’s telephone number, including area code: 918/573-2000

Not Applicable

(Former name or former address, if changed since last report)

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Item 7. Financial Statements and Exhibits.

Williams files the following exhibit as part of this report:

Exhibit 99.1 Copy of Williams' slide presentation dated November 21, 2003.

Item 9. Regulation FD Disclosure.

The Williams Companies, Inc. wishes to disclose for Regulation FD purposes its slide presentation, filed herewith as Exhibit 99.1, to be utilized during a public conference call and webcast held the morning of November 21, 2003.

Pursuant to the requirements of the Securities Exchange Act of 1934, Williams has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

THE WILLIAMS COMPANIES, INC.

Date: November 21, 2003

/s/ Brian K. Shore

Name: Brian K. Shore
Title: Secretary

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INDEX TO EXHIBITS

EXHIBIT NUMBER	DESCRIPTION
99.1	Copy of Williams' slide presentation utilized during the November 21, 2003, public conference call and webcast.

Williams Power Tutorial

- Williams' intention to exit
- Interim liquidity characteristics and risk mitigation
- Accounting, earnings and valuation

November 21, 2003

Forward Looking Statements

Williams' reports, filings, and other public announcements might contain or incorporate by reference statements that do not directly or exclusively relate to historical facts. Such statements are "forward-looking statements" with in the meaning of Private Securities Litigation Reform Act of 1995. You typically can identify forward-looking statements by the use of forward-looking words, such as "anticipate," believe," "could," "continue," "estimate," "expect," "forecast," "may," "plan," "potential," "project," "schedule," "will," and other similar words. These statements are based on our intentions, beliefs, and assumptions about future events and are subject to risks, uncertainties, and other factors. Actual results could differ materially from those contemplated by the forward-looking statements. In addition to any assumptions and other factors referred to specifically in connection with such statements, other factors could cause our actual results to differ materially from the results expressed or implied in any forward-looking statements. Those factors include, among others:

- changes in general economic conditions and changes in the industries in which Williams conducts business;
- changes in federal or state laws and regulations to which Williams is subject, including tax, environmental and employment laws and regulations;
- the cost and outcomes of legal and administrative claims proceedings, investigations, or inquiries;
- the results of financing efforts, including our ability to obtain financing on favorable terms, which can be affected by various factors, including our credit ratings and general economic conditions;
- the level of creditworthiness of counterparties to our transactions;
- the amount of collateral required to be posted from time to time in our transactions;
- the effect of changes in accounting policies;
- the ability to control costs;
- the ability of each business unit to successfully implement key systems, such as order entry systems and service delivery systems;
- the impact of future federal and state regulations of business activities, including allowed rates of return, the pace of deregulation in retail natural gas and electricity markets, and the resolution of other regulatory matters;
- changes in environmental and other laws and regulations to which Williams and its subsidiaries are subject or other external factors over which we have no control;
- changes in foreign economies, currencies, laws and regulations, and political climates, especially in Canada, Argentina, Brazil, and Venezuela, where Williams has direct investments;
- the timing and extent of changes in commodity prices, interest rates, and foreign currency exchange rates;
- the weather and other natural phenomena;
- the ability of Williams to develop or access expanded markets and product offerings as well as their ability to maintain existing markets;
- the ability of Williams and its subsidiaries to obtain governmental and regulatory approval of various expansion projects;
- future utilization of pipeline capacity, which can depend on energy prices, competition from other pipelines and alternative fuels, the general level of natural gas and petroleum product demand, decisions by customers not to renew expiring natural gas transportation contracts;
- the accuracy of estimated hydrocarbon reserves and seismic data; and
- global and domestic economic repercussions from terrorist activities and the government's response to such terrorist activities.

In light of these risks, uncertainties, and assumptions, the events described in the forward-looking statements might not occur or might occur to a different extent or at a different time that we have described. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Power Restructuring Outlook

3Q '03 Earnings Call

Williams

- **Actively pursuing full exit of power business**
- **Progress**
  - Sold or liquidated nearly $600 million of power-related assets and contracts since June 2002
  - Agreed to terminate contract with Allegheny
- **Managing in the interim to**
  - Reduce risk
  - Generate cash
  - Meet contractual commitments
- **Exit timing and value uncertain**
  - Remaining positions complex
  - Power markets have deteriorated
  - Value in West; little or negative value in remainder

Tutorial Rationale

- **Reinforce Williams' business strategy**
  - Integrated natural gas business
    - Power is non core
    - Disciplined focus on divesting non-core businesses
  - Financial strategy is return to investment-grade credit characteristics by end of 2005
    - For Williams, Power is incompatible with regaining investment-grade credit
    - Pursuing full exit of Power business

Tutorial Rationale

- **Underscore current state of Power**
  - Williams' strategy regarding Power
    - Increase transparency of business
    - Reduce risk
    - Generate cash
    - Meet contractual commitments
  - Exiting the business
    - Progress to date is disappointing
    - Current environment makes full, immediate exit difficult

Tutorial Rationale

- **Underscore current state of Power** continued
  - Earnings
    - Continues to play a significant role
    - Continued volatility, related to accounting treatments
  - Liquidity
    - Manageable liquidity requirements
    - YTD '03 – cash-flow positive, including sales
  - Investors
    - Perceived overhang

Tutorial Rationale

- **Increase understanding of Williams' power portfolio, forecasted cash flows, risks**
  - Greater transparency
  - New detail today
    - Hedged positions and underlying contracts
    - Expected cash flows – consolidated and by region
    - Expected volumes (run rates) – consolidated and by region
    - Spark-spread curves and sensitivities by region
    - Business risks by region

Key Concepts

- **Working toward full exit of Power**
- **Characteristics in the interim:**
  - Manageable liquidity requirements
  - Contracts provide foundation to be cash flow positive through current down cycle
  - Continued earnings volatility
  - Current environment makes significant additional long-term hedging difficult
- **Strategy in the interim:**
  - Increase transparency of business
  - Reduce risk
  - Generate cash
  - Meet contractual commitments

Agenda

- **Business overview**
- **Risks**
- **Regions**
  - West, Mid-Continent, East
  - Positions, fundamentals, financials, risks
- **Consolidated financials and sensitivities**
- **Accounting**
- **Legal and regulatory**
- **Q&A**

Business Overview

Power, Then and Now

What it was:	What it is now:
Originator of short- and long-term structured transactions	Origination focused on selling unhedged MWs and capturing value from contracts
Point-of-view trading	Trading around assets and contractual positions
Third-party marketer	Gas bought and sold to support existing power portfolio and WMB assets
1,000 employees	225 employees
Principal growth driver	Manage portfolio for cash flow, risk reduction until exit

Characteristics

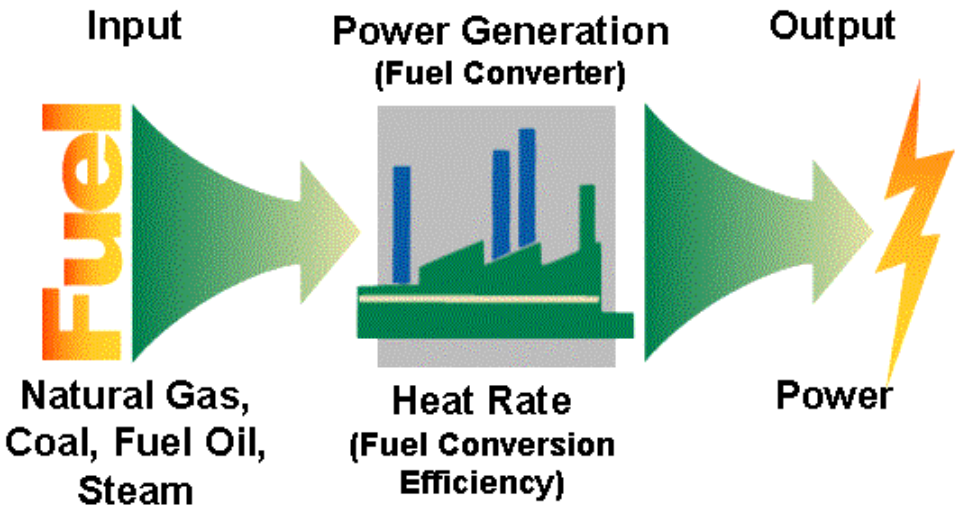
- **Asset-based power business with long-term contractual commitments**
  - 6 tolling contracts
    - Approximately 7,500 megawatts
    - Approximately $400 million in annual demand charges
  - 8 key offsetting contracts
    - Estimated coverage of demand payment = 102% through 2010 (9/30/03)

Physical Natural Gas

- **Average annual requirements**
  - 2.5 Bcf/d with peak of 3.5 Bcf/d
    - 48% for Power
      - 20% power-plant supply
      - 28% third-party transactions
    - 52% for Williams' core businesses
- **Transportation**
  - 2.5 Bcf/d
    - 35% for Power
    - 65% for Williams' core businesses
- **Storage**
  - 21 Bcf
    - 67% for Power
    - 33% for Williams' core businesses
- **Improving market liquidity and credit**

Tolling Concept

Tolling - Fuel conversion arrangement. Williams supplies fuel to plants and markets electricity output. Plant owner receives fixed fee and retains operational responsibility.



Heat Rate Concept

Heat rate – The amount of fuel a power plant requires to produce one unit of power. A measure of the efficiency of generating plants.

$$\frac{\text{MMBtu}}{\text{MWh}} = \textbf{Heat Rate}$$

Key concepts

- The lower the heat rate, the more efficient the power-generation unit.
- Heat rate generally determines a power-generation unit's economic viability in a given market.

Spark Spread Concept

Spark spread - The difference between the price of power and the cost it takes to produce it at a given facility.

$$\text{Power Price} - \left[\text{Fuel Cost} \times \text{Heat Rate}\right]_{\text{Power Cost:}} = \text{Spark Spread}$$

Example:

$$\$42/\text{Mwh} - \left[\$4/\text{MMBtu} \times 10\text{MMBtu/MWh}\right] = \$2/\text{MWh}$$

Key concepts

- The higher the spark spread, the higher the margin.
- A negative spark spread indicates it is more economical to purchase power to meet commitments than run generating facilities "out of the money."

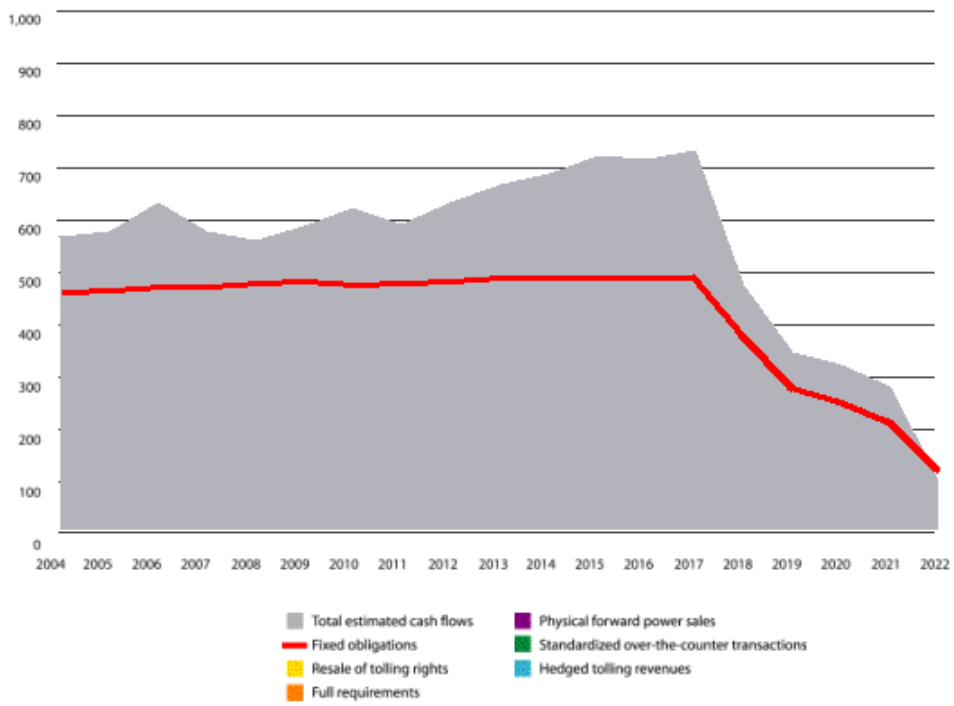
6 Tolling Contracts

	Megawatts*
AES 4000	3,956
AES Ironwood	665
AES Red Oak	766
CLECO Evangeline	765
Kinder Morgan - Jackson	540
Tenaska - Lindsay Hill	844
	7,536

* Subject to variation

Fixed Obligations & Estimated Cash Flows

Estimated as of 9/30/03



Vehicles for Capturing Value from Tolling Contracts

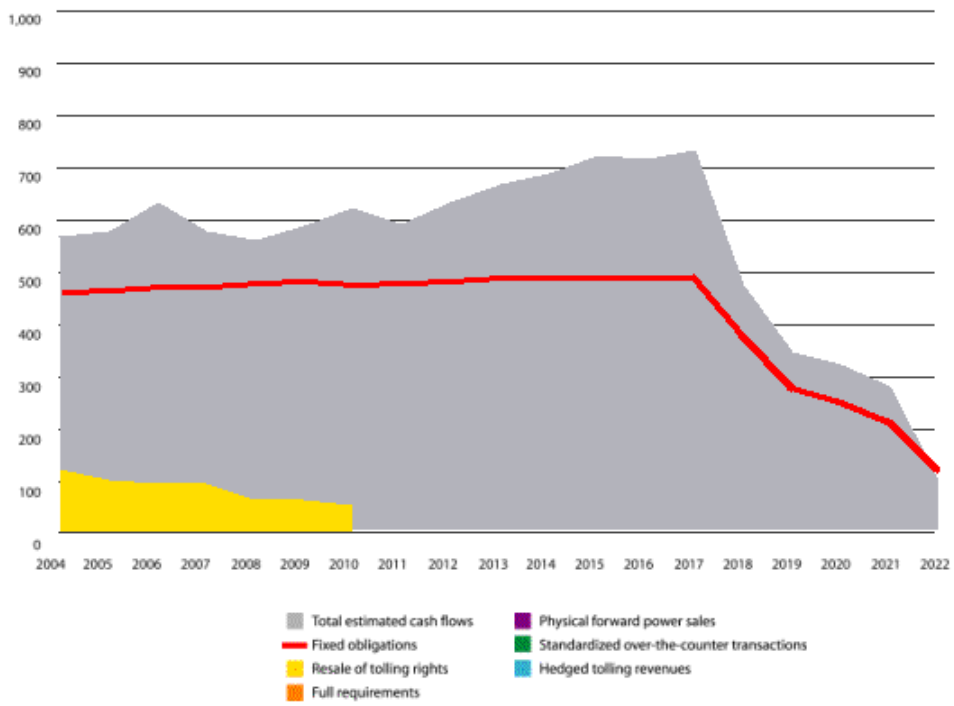
- Resale of tolling rights
- Full requirements
- Physical forward power sales
- Standardized over-the-counter transactions

- All of the above contribute to total hedged tolling revenues

Resale of Tolling Rights

- **Resale of all or part of Williams Power's rights under its tolling arrangements**
- **Example**
  - California Department of Water Resources (CDWR) Product D
    - Essentially mirrors underlying tolling contract

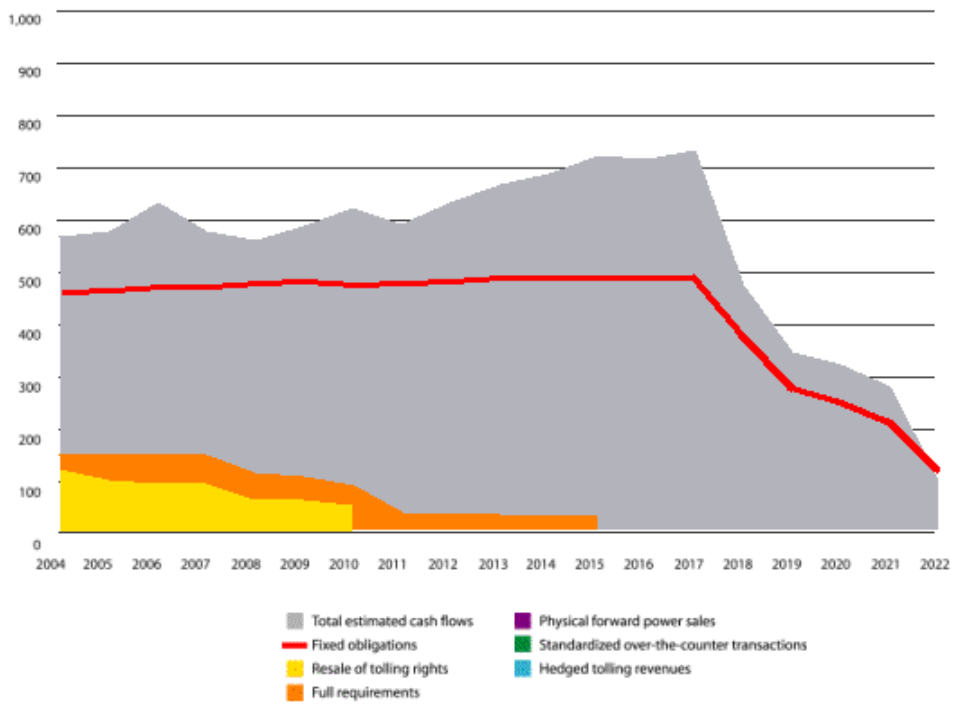
Resale of Tolling Rights
Estimated as of 9/30/03



Full Requirements

- **Counterparty-tailored arrangement where Williams Power…**
  - Serves counterparty's load power demand requirements
  - Dispatches counterparty's power plants / resources
  - Markets excess energy produced by these resources and covers short positions
- **Examples**
  - Georgia Electric Membership Corporations
    - Four individual contracts
  - Allegheny Electric Cooperative

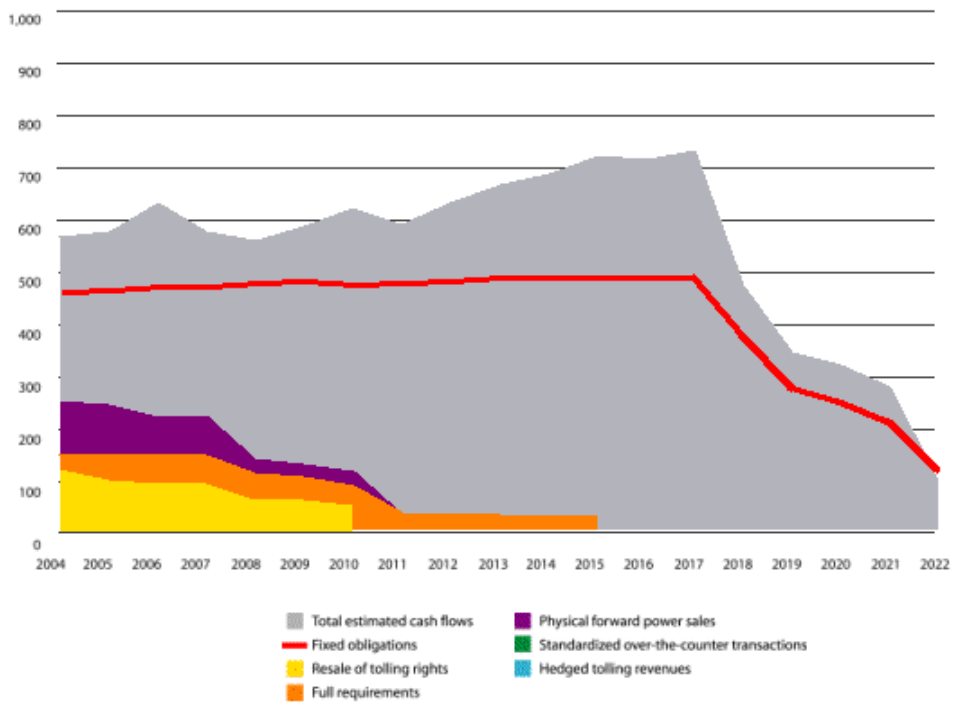
Full Requirements
Estimated as of 9/30/03



Physical Forward Power Sales

- **Physical sale of a defined quantity of power over a set period of time**
  - Generally more standardized than resale of tolling rights or full requirements transactions
- **Examples**
  - CDWR Products A, B and C
  - CLECO Utility Group

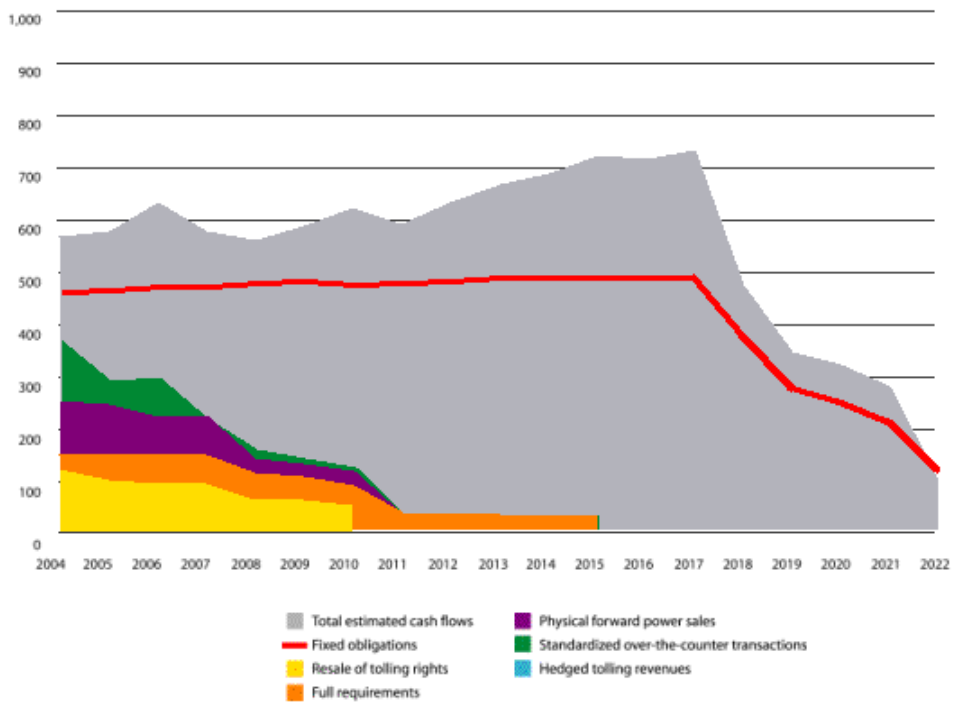
Physical Forward Power Sales
Estimated as of 9/30/03



Standardized OTC Transactions

- Physical and financial transactions (buys, sells, swaps, options) on industry-standard documentation (e.g., EEI, ISDA)
- Transactions vary from hourly to multi-year

Standardized OTC Transactions
Estimated as of 9/30/03



Hedged Tolling Revenues

- **Estimated revenues associated with hedges in place:**
  - Value against the underlying toll (versus market)
  - Value for new transactions made possible by hedges (includes assumptions about markets and ability to execute)
  - Actual cash flows may vary; hedges may not provide full protection for estimated tolling cash flows

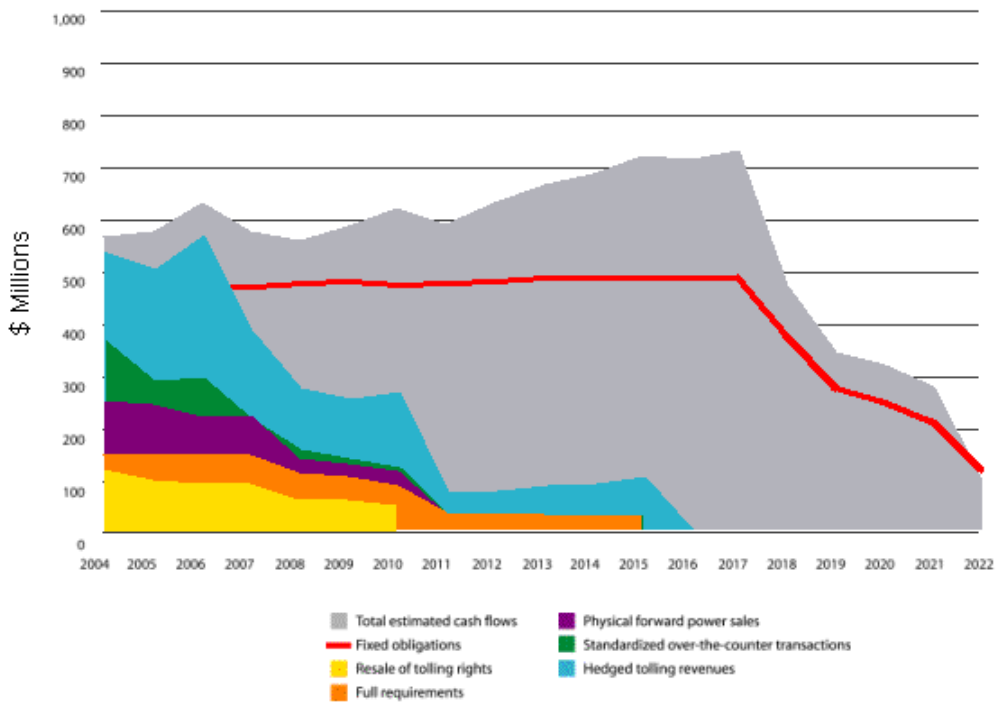
Hedged Tolling Revenues

- Represents the estimated tolling revenues that have been hedged.

	Underlying Toll	Market	Hedge	Estimated Cash Flow *Associated w/ Toll**	*Associated w/ Hedge*	*Net*
Example 1	$25	$35	$35	$10	$0	$10
Example 2	$25	$30	$35	$5	$5	$10
Example 3	$25	$20	$35	$0	$15	$15

* Both the hedge and the underlying toll are marked against current market prices. Shown as Hedged Tolling Revenue on the following chart

Hedged Tolling Revenue
Estimated as of 9/30/03

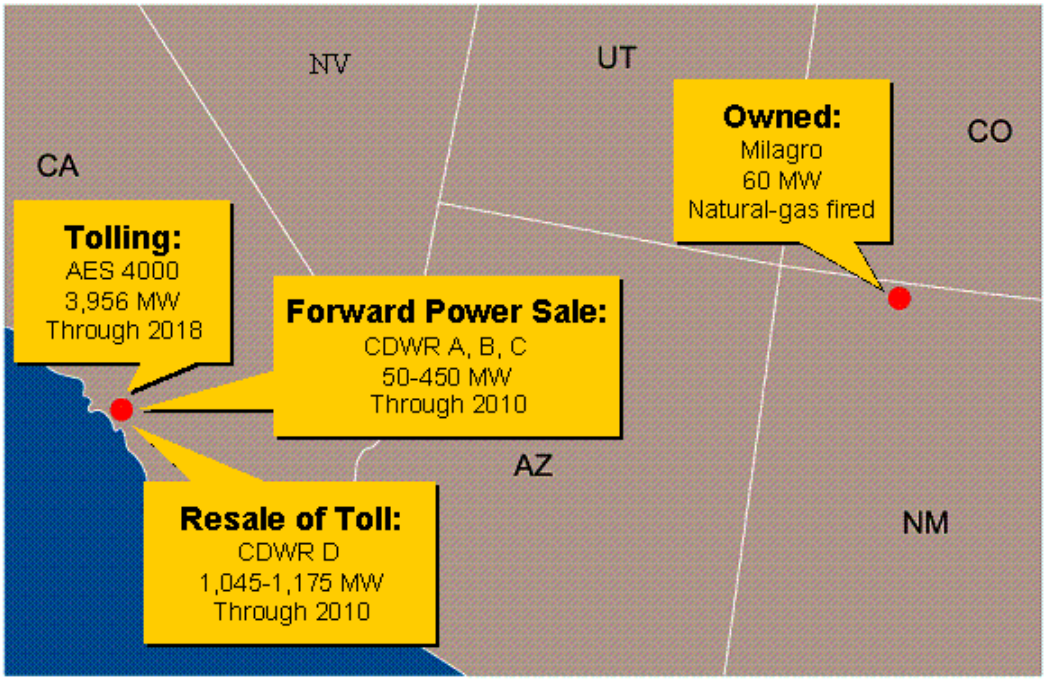


Key Risks and Mitigation Efforts

- **Liquidity requirements**
  - Reducing needs through sales of contracts, liquidation of portfolio components
- **Market**
  - Hedged much of cash flows through '08 to reduce exposure to commodity price fluctuations
- **Operational**
  - Counterparties contractually carry much of the operational risk associated with power plants
- **Regulatory/Legal**
  - Ongoing market reviews
  - Evaluations of power-grid regulation, development

Regional Portfolio – West

Overview of Positions



AES 4000 Tolling Arrangement

- **Capacity: 3,956 MW**
- **Term: June 2013**
  - 5-year option for either party to extend
- **Annual demand payment: $151 million in '03**
  - Escalates 1% annually until 2013
- **Approx. avg. portfolio heat rate: 10,100**
- **Variable O&M payment $2.23/MWh in '03**
  - Annual escalator is lesser of 2.5% or CPI
- **68% hedged until Jan. 2010**
- **80% of total hedges with CDWR**

Contract terms: http://wwwcers.water.ca.gov/newContracts.html

AES 4000 Key Location

- AES 4000 generation "in-city" with premium Los Angeles locations
- Serves constrained load pocket
- Williams sells critical ancillary services to California ISO
- AES 4000-generated energy will benefit from highest locational marginal pricing (LMP) when implemented in 2005
- Development of a market for capacity as a fungible commodity

AES 4000 – Offsetting Contracts

- **CDWR Products A, B, C**
  - Forward power sale
  - Product A
    - July 1, 2003 to Dec 31, 2007
    - 200 MW 7x24 @ $62.50/MWh
  - Product B
    - July 1, 2003 to Dec 31, 2010
    - 175 MW to 450 MWs 6x16 @ $87.00 to $74.07/MWh
  - Product C
    - July 1, 2008 to Dec 31, 2010
    - 50 MW 6x16 @ $70.00/MWh

Contract terms: http://wwwcers.water.ca.gov/newContracts.html

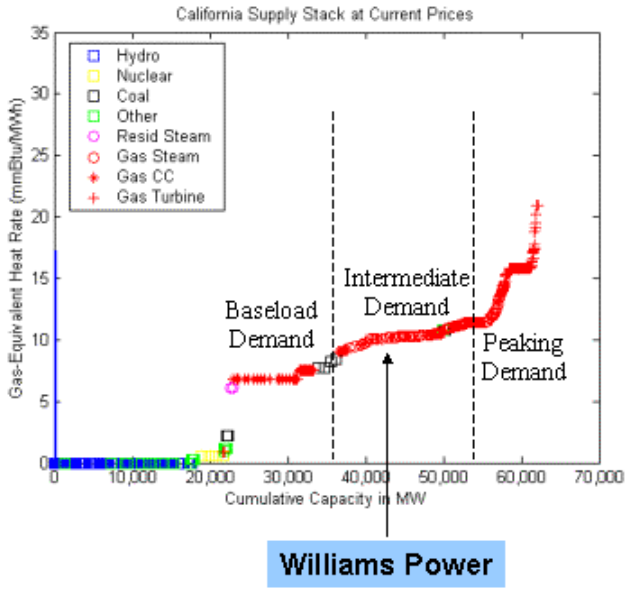
AES 4000 – Offsetting Contracts

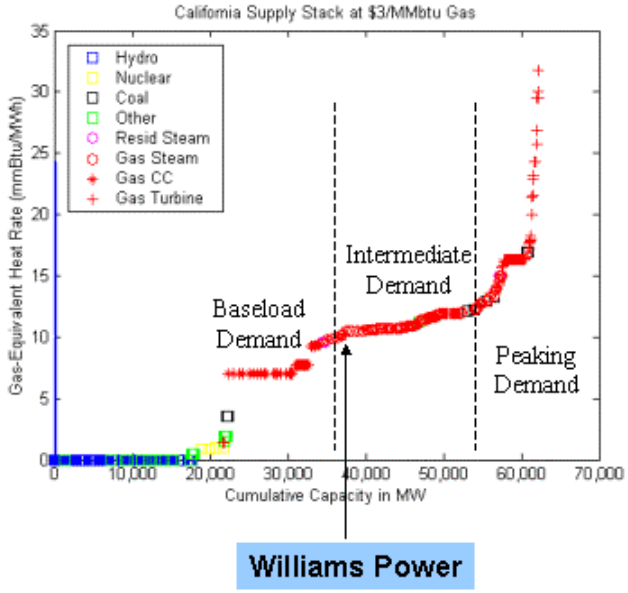
- **CDWR Product D**
  - Resale of tolling rights
    - Essentially, a mirror-image toll
  - Term
    - Jan. 2003 to Dec. 31, 2010
  - Quantity
    - 1,175 MW through Dec. 31, '07
    - 1,045 MW through Dec. 31, '10
  - Price
    - $140/kW-year (to Dec. 31, '07) to $117/kW-year (Jan. 1, '08, to Dec. 31, '10)
  - Includes availability guarantees and potential penalties

Contract terms: http://wwwcers.water.ca.gov/newContracts.html

Market Fundamentals – California

Supply Stack Scenarios

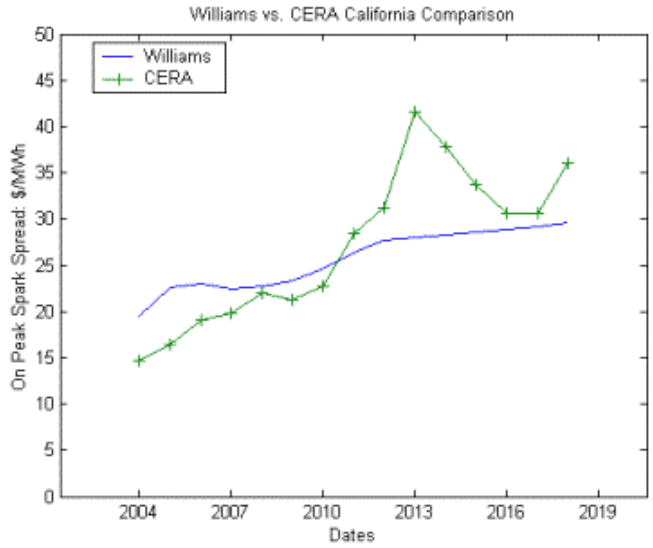




Current price assumes $4.77. Supply stacks relevant only to unhedged portion of portfolio.
Sources: Platt's, internal

Parameter Comparison

Williams and CERA California Spark-Spread Curves



- Spark spread represents the variable net margin per MWh of energy production
- Curves assume a 7 heat rate conversion efficiency and assume no Variable O&M costs
- Spark spread = power price – (7 x gas price)

Notes: Represents nominal data. CERA curve derived based on CERA information from CERA "Rear View Mirror" scenario.

Est. Cash Flows & Volumes – West

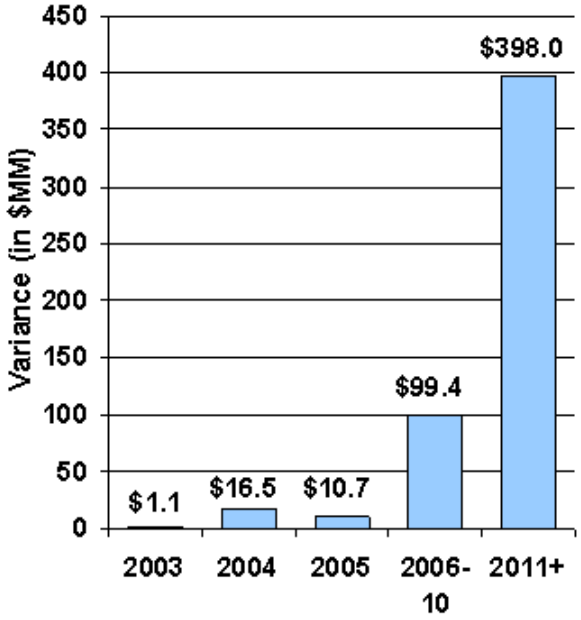
Undiscounted

West Power Portfolio *Estimated as of 9/30/03*	2003 F	2004 F	2005 F	2006-2010 F	2011-2022 F
Tolling Demand Payment Obligations	($146)	($153)	($154)	($795)	($1,240)
Resale of Tolling	$121	$125	$103	$383	$0
Long-term Physical Forward Power Sales	$71	$106	$99	$249	$0
OTC Hedges	($77)	$65	$14	$50	($3)
Estimated Hedged Tolling Revenues	$52	$108	$138	$489	$3
Subtotal	$20	$251	$200	$376	($1,241)
Estimated Merchant Revenues Unhedged	$2	$26	$61	$653	$2,508
	0				
Estimated Cash Flows - West Power Portfolio	$22	$277	$260	$1,029	$1,267
Capacity Available (in MW)	3,956	3,956	3,956	3,956	3,956
Expected Output (in MW)	884	1,297	1,642	1,668	1,846
Total Volume Hedged (in MW)	637	1,047	1,138	714	2
Percentage Volume Hedged	72%	81%	69%	43%	0%

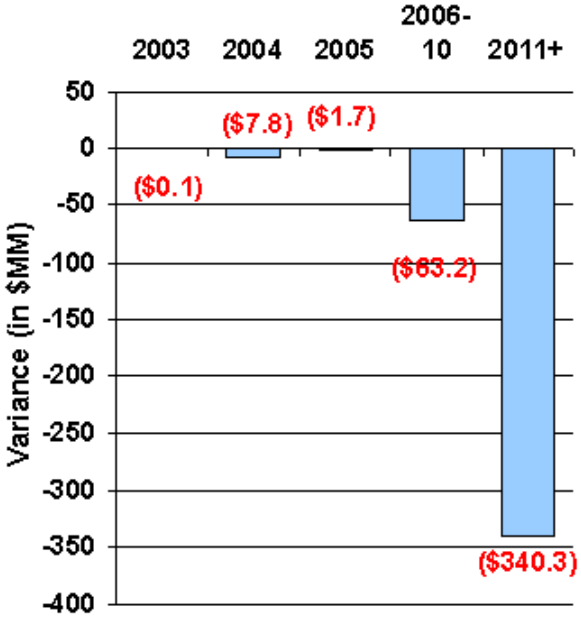
Note: Does not include potential changes in working capital.
Pre-Tax Estimated Cash Flows, Pre-SG&A, Non-Risk-Adjusted
Actual Cash Flows may vary

Sensitivities - West

$1 Increase in Spark Spreads



$1 Decrease in Spark Spreads



Notes: As of 11/13/03. Sensitivities relevant only to unhedged portion of portfolio.

California Risks and Mitigation Efforts

- **Political and/or regulatory interference**
  - Further challenges to CDWR contracts
  - Price caps can limit upside during peak periods
  - Re-regulation
  - Mitigated by:
    - New pro-business governor
    - Williams settlement largely precludes further disputes over CDWR contracts
    - Recent FERC decisions further validate CDWR contracts

California Risks and Mitigation Efforts

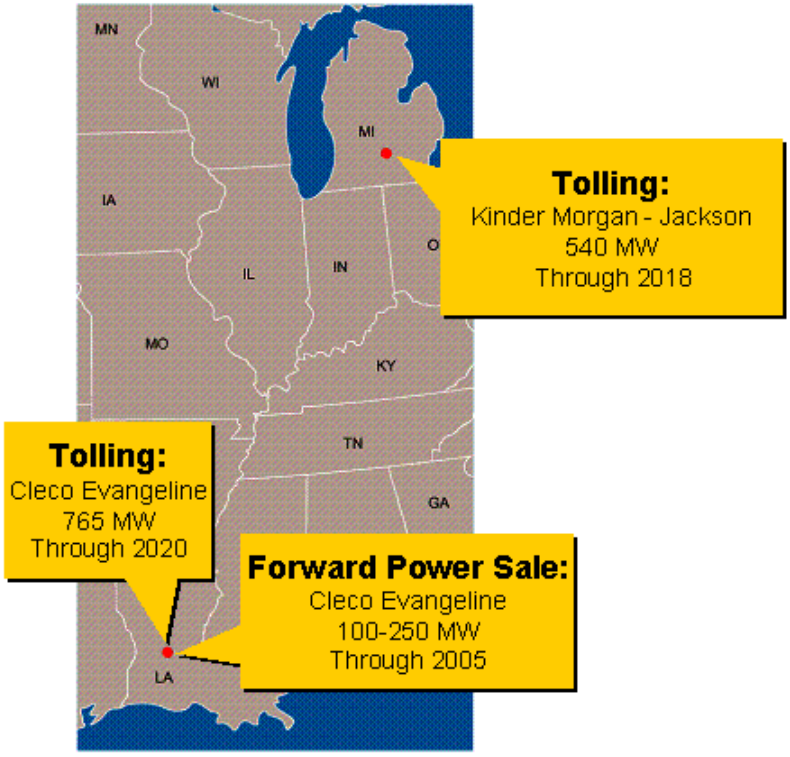
- **Transmission build-out**
  - North to South (path 15 and path 26) expansion (1,500 MW; 400 MW) by 2005
  - Increases imports of cheaper hydro-, coal-generated energy
  - Reduces congestion, dampens volatility, shrinks spark spreads
  - Mitigated by:
    - Threat of new transmission discourages/delays further capacity additions
    - AES 4000 units still critical to L.A. grid integrity – transmission can't replace
    - Short-term impact due to continuing load growth

California Risks and Mitigation Efforts

- **New capacity additions**
  - New combined cycles operate more efficiently and cheaper then AES 4000 units (i.e., better heat rates and startup times)
  - Mitigated by:
    - Significant supply-demand gap still exists in California even if every contemplated project is built
    - Unlikely in Los Angeles due to onerous siting/ permitting
    - AES 4000 contract terms gives Williams the capability to compel the re-powering of existing AES 4000 units to stay competitive (a.k.a. “self-help provisions”)

Regional Portfolio - Mid-Continent

Overview of Positions



Mid-Continent Portfolio Characteristics

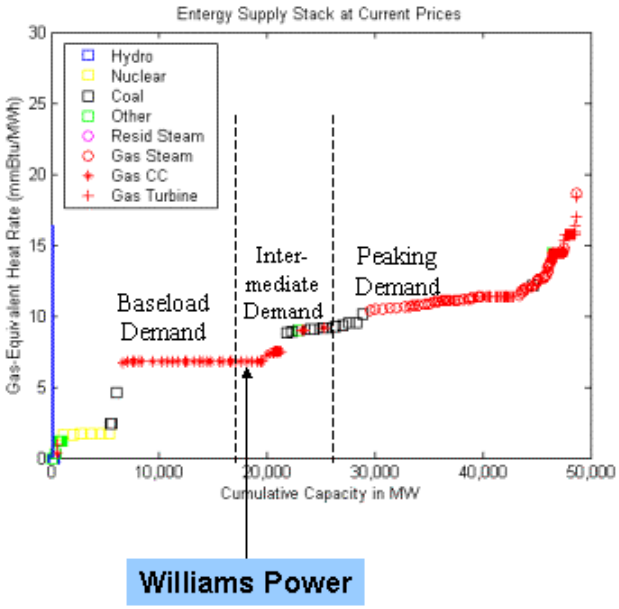
- **Tolling Agreements**
  - 1,305 megawatts
  - 7,700 average heat rate
  - Accounts for approximately 22% of Williams Power's approximately $400 million annual demand charges

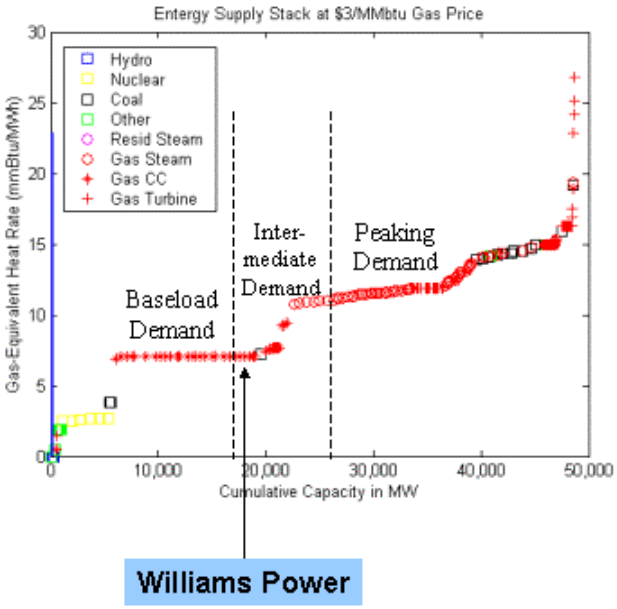
Mid-Continent – Offsetting Contracts

- **Physical Forward Power Sales**
  - Capacity sold from CLECO
    - 250 megawatts through 2004
  - Call option from CLECO
    - 200 megawatts through 2004
    - 100 megawatts through 2005

Market Fundamentals – Mid-Continent

Entergy Supply Stack

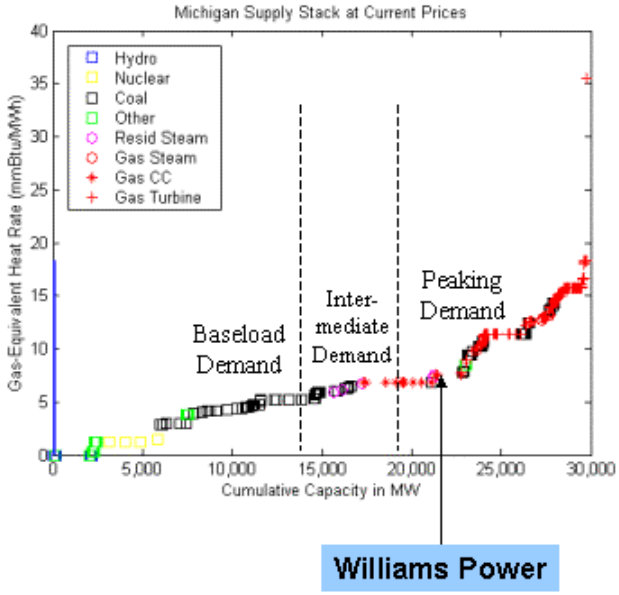


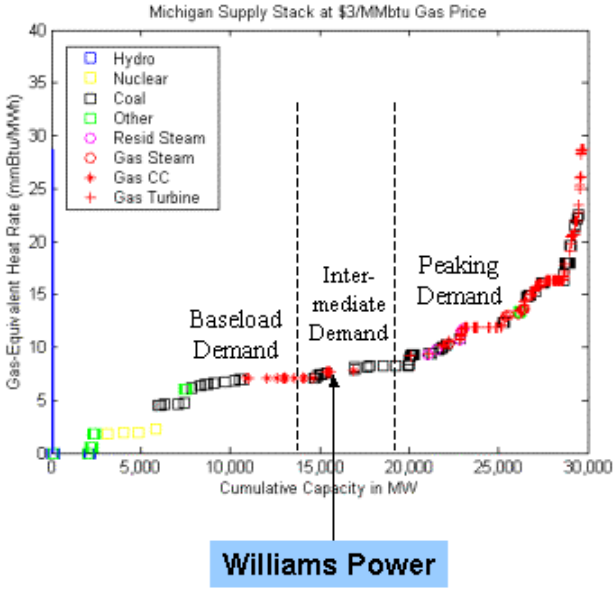


Current price assumes $4.77. Supply stacks relevant only to unhedged portion of portfolio.
Sources: Platt's, internal

Market Fundamentals – Mid-Continent

Michigan Supply Stack
(Kinder Morgan-Jackson)

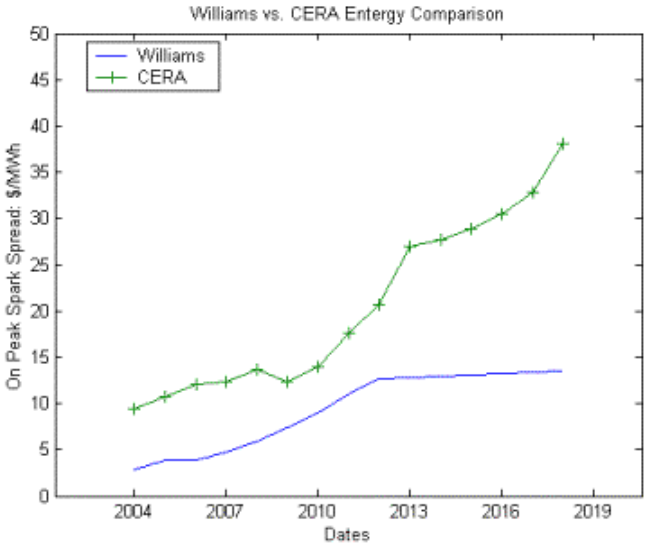




Current price assumes $4.77. Supply stacks relevant only to unhedged portion of portfolio.
Sources: Platt's, internal

Parameter Comparison

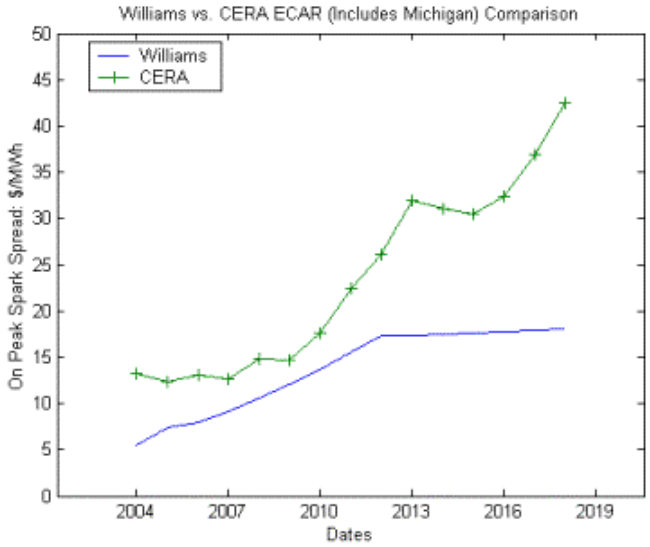
Williams and CERA Entergy Spark-Spread Curves



- Spark spread represents the variable net margin per MWh of energy production
- Curves assume a 7 heat rate conversion efficiency and assume no Variable O&M costs
- Spark spread = power price – (7 x gas price)

Notes: Represents nominal data. CERA curve derived based on CERA information from CERA "Rear View Mirror" scenario.

Parameter Comparison
Williams and CERA ECAR Spark-Spread Curves



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- Spark spread = power price – (7 x gas price)

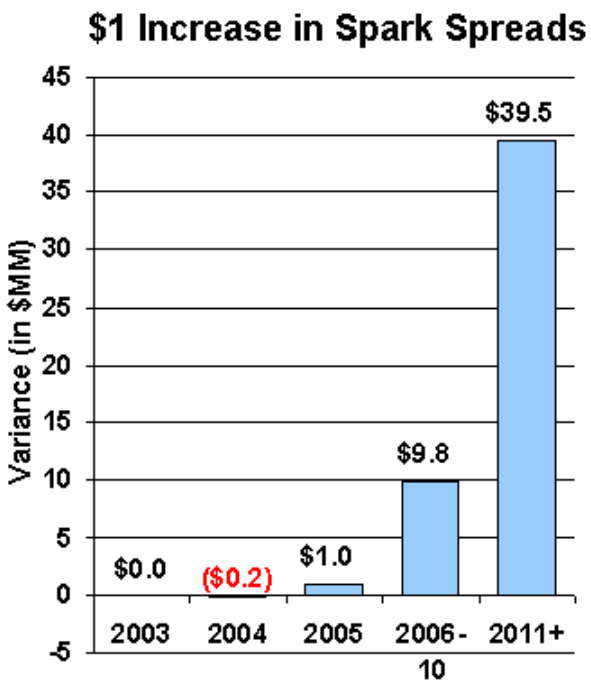
Notes: Represents nominal data. CERA curve derived based on CERA information from CERA "Rear View Mirror" scenario.

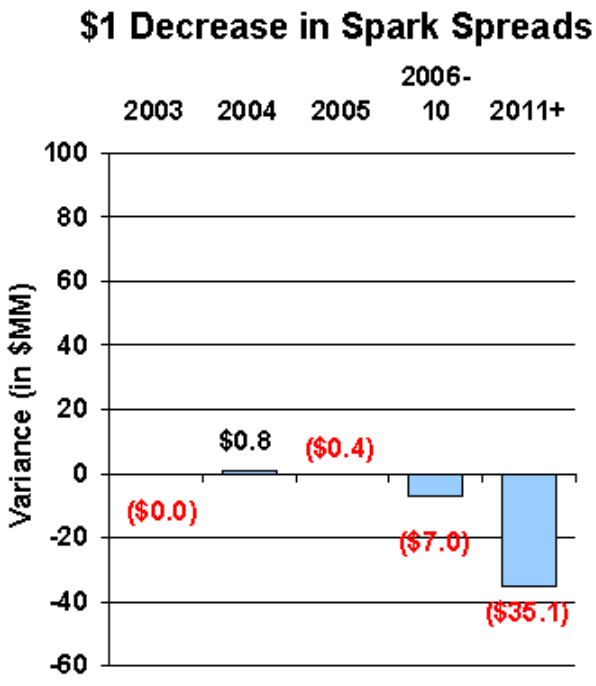
Est. Cash Flows & Volumes – Mid-Cont.
Undiscounted

Mid-Continent Power Portfolio *Estimated as of 9/30/03*	2003 F	2004 F	2005 F	2006-2010 F	2011-2022 F
Tolling Demand Payment Obligations	($87)	($88)	($89)	($455)	($844)
Long-term Physical Forward Power Sales	$1	$5	$2	$0	$0
OTC Hedges	$26	$17	$3	($9)	$0
Estimated Hedged Tolling Revenues	($13)	$18	$26	$84	$108
Subtotal	($73)	($48)	($59)	($380)	($736)
Estimated Merchant Revenues Unhedged	$0	$0	$4	$238	$904
Estimated Cash Flows - MidCon Power Portfolio	($73)	($48)	($56)	($142)	$169
Capacity Available (in MW)	1,305	1,305	1,305	1,305	1,305
Expected Output (in MW)	77	322	392	492	726
Total Volume Hedged (in MW)	77	322	345	128	78
Percentage Volume Hedged	100%	100%	88%	26%	11%

Note: Note: Does not include potential changes in working capital.
Pre-Tax Estimated Cash Flows, Pre-SG&A, Non-Risk-Adjusted
Actual Cash Flows may vary

Sensitivities - Mid-Continent





Notes: As of 11/13/03. Sensitivities relevant only to unhedged portion of portfolio.

Mid-Continent Risks and Mitigation Efforts

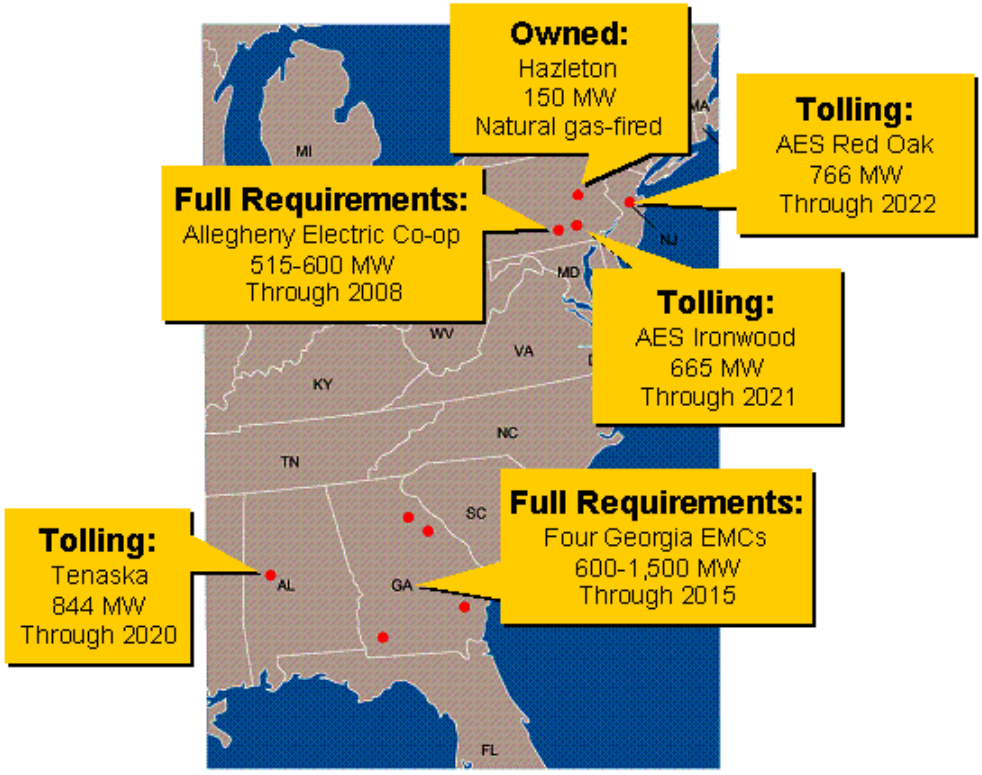
- **Entergy**
  - Generating capacity surplus – equilibrium > 2012-14
  - CLECO Evangeline combined-cycle tied to CLECO system
  - Mitigated by:
    - Transmission expansions to increase export capability
    - Plant situated to serve CLECO load; provides reliability

Mid-Continent Risks and Mitigation Efforts

- **ECAR**
  - Generating capacity surplus - equilibrium > 2010-12
  - New capacity additions still coming
    - 4600 MW in 2004, 920 MW in 2005, 525 MW in 2006
    - Already embedded into price curves
  - Mitigated by:
    - Transmission expansions/reinforcements
      - Increases export capability
      - Improves transfer capability within region reduces congestion
    - Plant retirements
    - Development of an ancillary services market
    - Creation of MISO

Regional Portfolio - East

Overview of Positions



East Portfolio Characteristics

- **Tolling Agreements**
  - 2,275 megawatts
  - 7,000 average heat rate
  - Accounts for approximately 40% of Williams Power's approximately $400 million annual demand charges

East Portfolio – Offsetting Contracts

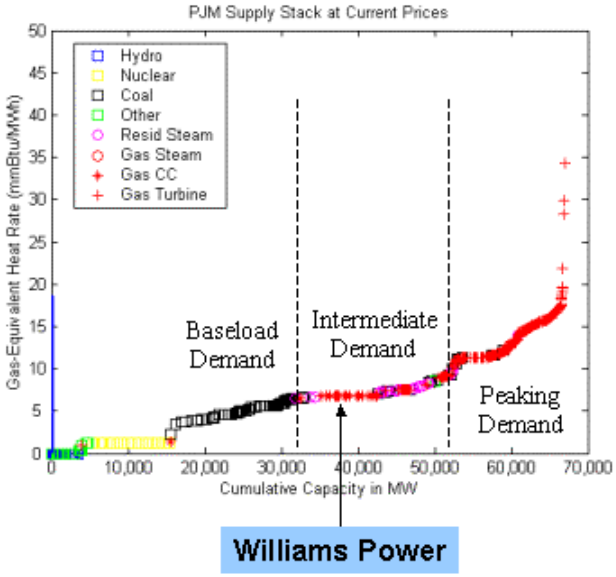
- **Full Requirements**
  - Four agreements with Walton, Colquitt, Satilla and Rayle EMCs
  - Term
    - December 2015
  - Capacity sold
    - 600 MW in 2005, growing to 1,500 MW in 2015
  - Sold Jackson EMC in March 2003
    - Sold at good value ($188 million)
    - Risk-neutral
    - Reduced credit requirements

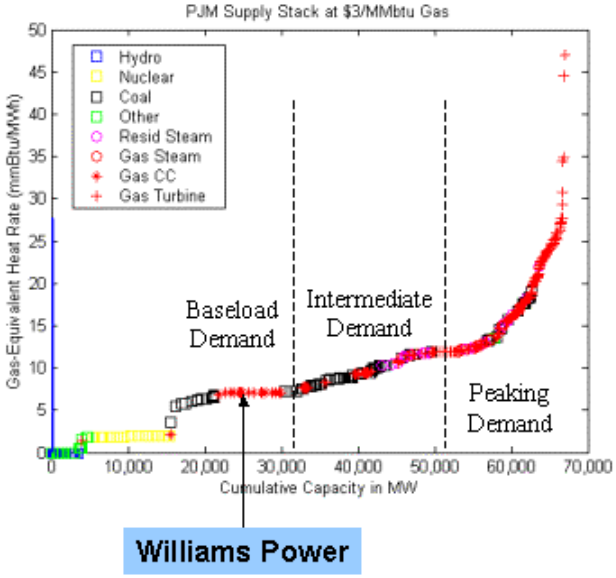
East Portfolio – Offsetting Contract

- **Full Requirements**
  - Agreement with Allegheny Electric Cooperative
    - Not affiliated with Allegheny Energy Supply (AYE)
  - Term
    - December 2008
  - Capacity sold
    - 515 to 600 MW

Market Fundamentals – East

PJM Supply Stack
(Red Oak and Ironwood Market Area)

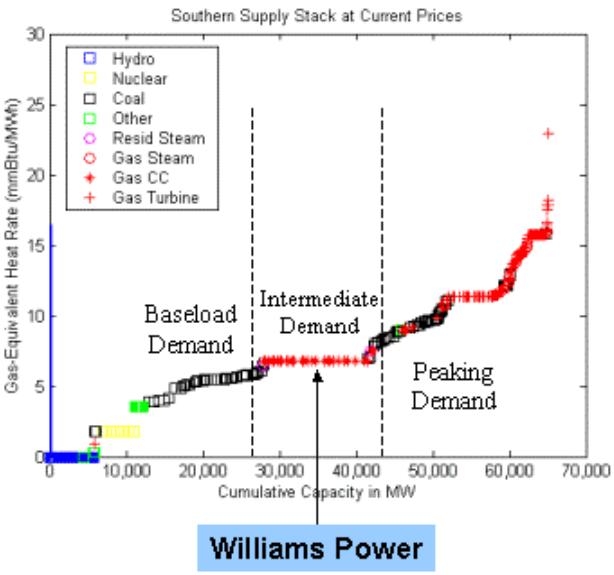


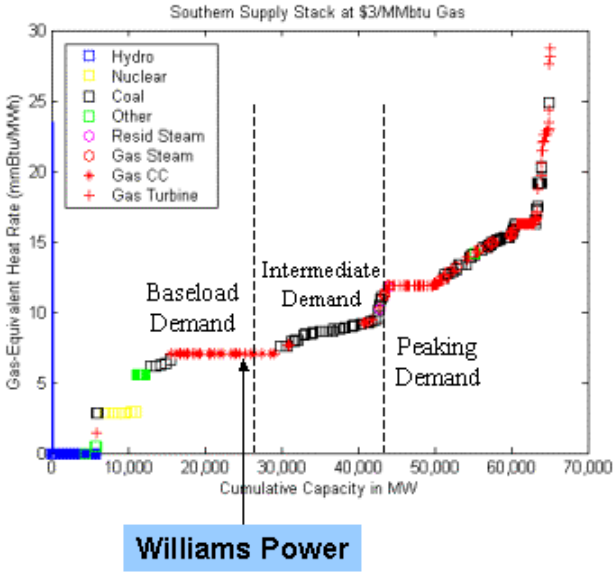


Current price assumes $4.77. Supply stacks relevant only to unhedged portion of portfolio.
Sources: Platt's, internal

Market Fundamentals – East

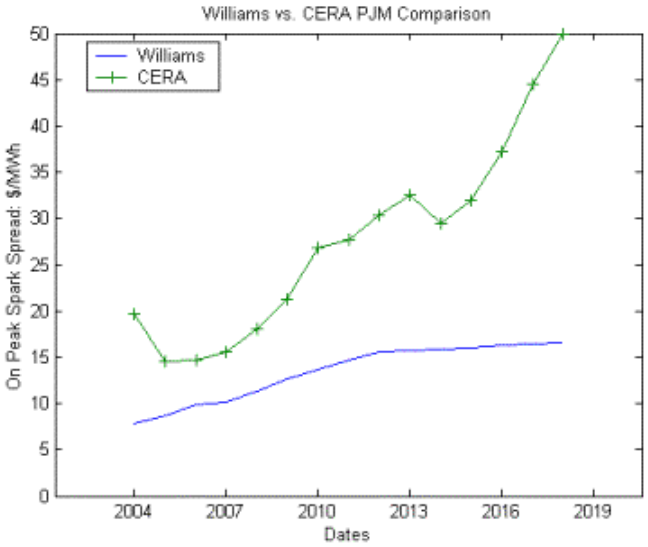
Southern Supply Stack
(Tenaska Market Area)





Current price assumes $4.77. Supply stacks relevant only to unhedged portion of portfolio.
Sources: Platt's, internal

Parameter Comparison
Williams and CERA PJM Spark-Spread Curves

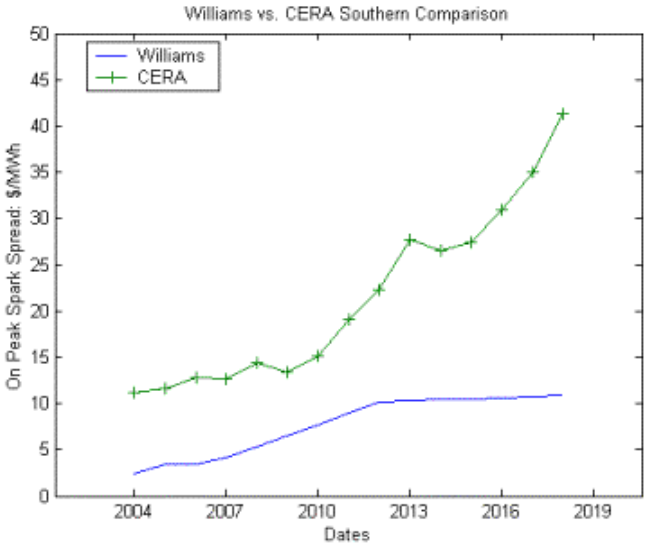


- Spark spread represents the variable net margin per MWh of energy production
- Curves assume a 7 heat rate conversion efficiency and assume no Variable O&M costs
- Spark spread = power price – (7 x gas price)

Notes: Represents nominal data. CERA curve derived based on CERA information from CERA "Rear View Mirror" scenario.

Parameter Comparison

Williams and CERA Southern Spark-Spread Curves



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- Spark spread = power price – (7 x gas price)

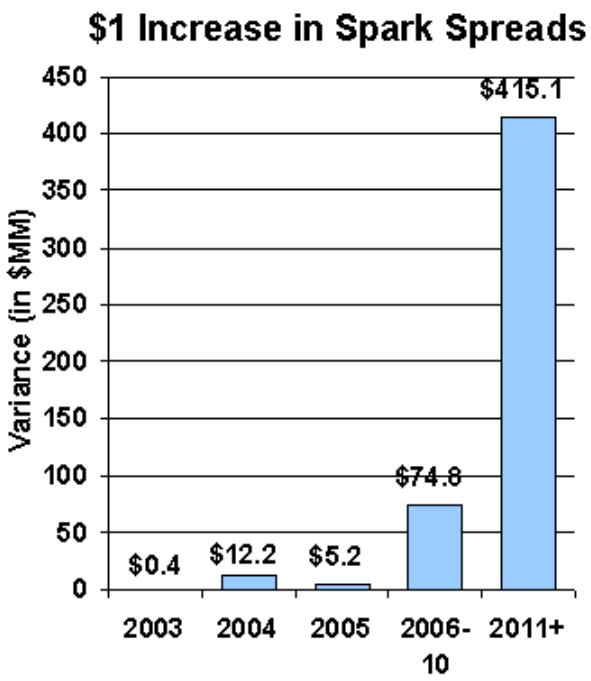
Notes: Represents nominal data. CERA curve derived based on CERA information from CERA "Rear View Mirror" scenario.

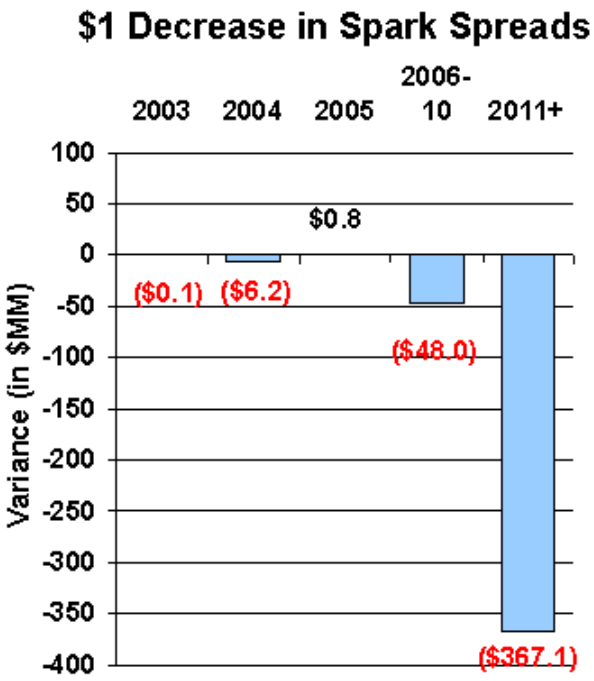
Est. Cash Flows & Volumes – East
Undiscounted

East Power Portfolio *Estimated as of 9/30/03*	2003 F	2004 F	2005 F	2006-2010 F	2011-2022 F
Tolling Demand Payment Obligations	($153)	($151)	($153)	($785)	($1,764)
Full Requirements	$19	$24	$47	$214	$155
OTC Hedges	$54	$37	$25	$44	($1)
Estimated Hedged Tolling Revenues	$17	$49	$62	$346	$213
Subtotal	($64)	($42)	($19)	($181)	($1,397)
Estimated Merchant Revenue Unhedged	$0	$0	$2	$254	$2,449
	0				
Estimated Cash Flows - East Power Portfolio	($64)	($42)	($18)	$72	$1,052
Capacity Available (in MW)	2,275	2,275	2,275	2,275	2,275
Expected Output (in MW)	42	573	729	933	1,875
Total Volume Hedged (in MW)	42	573	709	538	150
Percentage Volume Hedged	100%	100%	97%	58%	8%

Note: Does not include potential changes in working capital.
Pre-Tax Estimated Cash Flows, Pre-SG&A, Non-Risk-Adjusted
Actual Cash Flows may vary

Sensitivities - East





Notes: As of 11/13/03. Sensitivities relevant only to unhedged portion of portfolio.

East Risks and Mitigation Efforts

- **PJM**
  - New capacity additions
    - ~3000 MW in 2004, ~2000 MW in 2005
    - Mitigated by:
      - Capacity additions completed by 2005
      - All capacity additions accounted for in price curves
      - Equilibrium still expected to occur in 2008-10 timeframe
      - Transmission constraints thwart further additions in load pockets
      - Natural-gas infrastructure already inadequate
      - Old, inefficient, expensive-to-operate steam plants will be "first to go"

East Risks and Mitigation Efforts

- **PJM** continued
  - Physical restructuring impacts power-flow dynamics
  - Transmission build-out
    - Expansion of existing transmission connecting ECAR (Ohio) and VCAR (Virginia) to PJM (central Pa.) would increase import capacity into PJM-West
    - Expansion of transmission connecting PJM-West to PJM-East would reduce congestion into key PJM load pocket
    - Could delay equilibrium, dampen price volatility and collapse spark spreads
    - Mitigated by:
      - New transmission into NYC and Long Island
      - Transmission bottlenecks throughout PJM
      - Pressure on older, inefficient units to retire
      - Siting new transmission along densely populated East Coast

East Risks and Mitigation Efforts

- **Southern**
  - Generating capacity surplus - equilibrium > 2011/13
  - New capacity additions still coming
    - 2700 MW in 2004, 1400 MW in 2005
    - Already embedded into price curves
  - Mitigated by:
    - Transmission expansions/reinforcements
      - Increases export capability
      - Improves transfer capability within region reduces congestion
    - Plant retirements

Consolidated Financials

Est. Cash Flows & Volumes – Total
Undiscounted

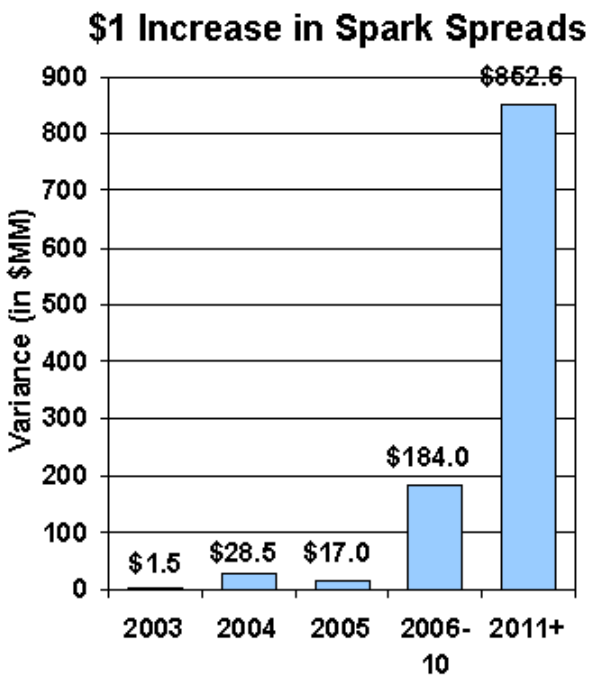
Combined Power Portfolio *Estimated as of 9/30/03*	2003 F	2004 F	2005 F	2006-2010 F	2011-2022 F
Tolling Demand Payment Obligations	($386)	($392)	($396)	($2,034)	($3,848)
Resale of Tolling	$121	$125	$103	$383	$0
Full Requirements	$19	$24	$47	$214	$155
Long-term Forward Physical Power Sales	$72	$111	$101	$249	$0
OTC Hedges	$3	$120	$42	$85	($4)
Estimated Hedged Tolling Revenues	$55	$175	$225	$919	$324
Subtotal	($117)	$162	$121	($185)	($3,373)
Estimated Merchant Revenue Unhedged	$2	$26	$66	$1,144	$5,861
Est. Combined Power Portfolio Cash Flows	($115)	$188	$187	$960	$2,488
Forecasted Direct SG&A	($121)	($50)	($50)	($250)	($500)
Estimated Cash Flows After SG&A	($236)	$138	$137	$710	$1,988
Capacity Available (in MW)	7,536	7,536	7,536	7,536	7,536
Percentage Volume Hedged	100%	89%	77%	44%	5%

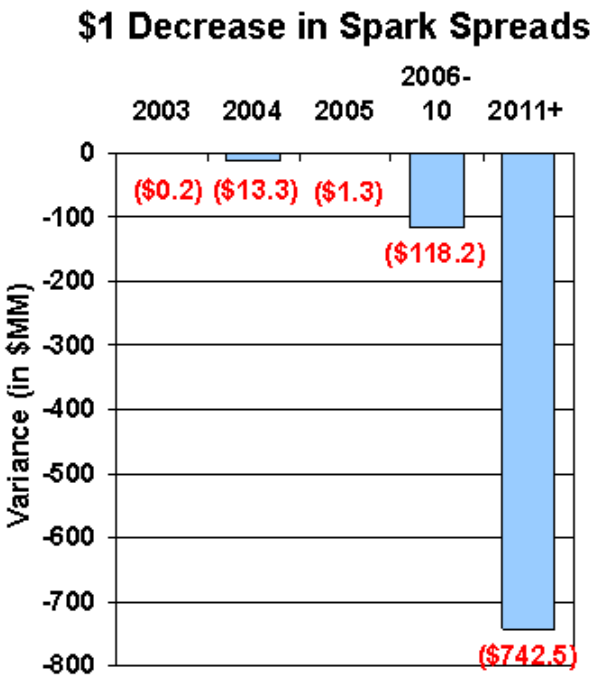
Note: Does not include potential changes in working capital.
Pre-Tax Estimated Cash Flows, Pre-SG&A, Non-Risk-Adjusted
Actual Cash Flows may vary

Credit Characteristics - Total Portfolio

- Investment-grade counterparties make up >60% of total exposure
- Margining agreements are negotiated with counterparties where possible to mitigate credit risk with non-investment-grade counterparties

Sensitivities - Total Portfolio

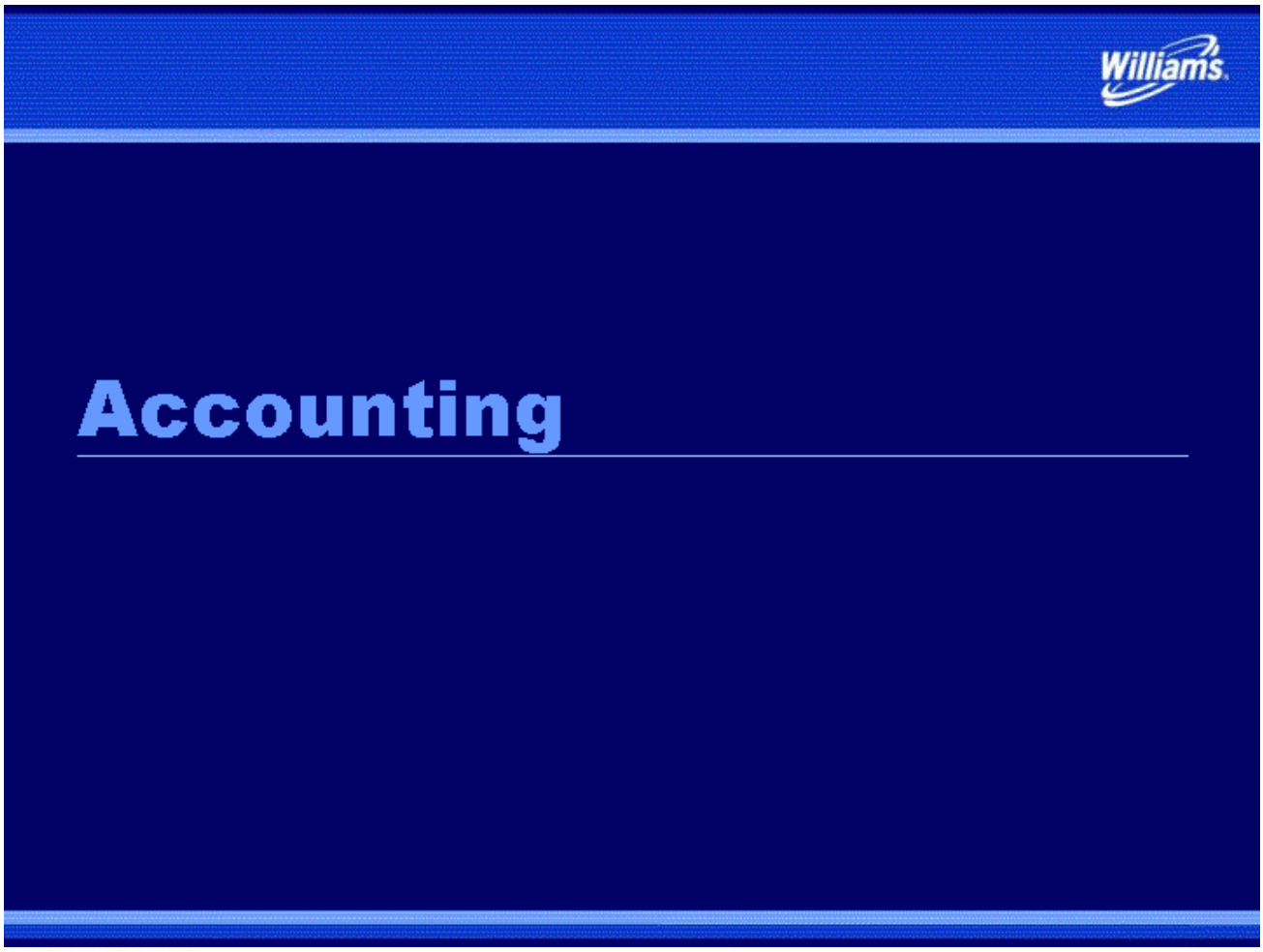




Notes: As of 11/13/03. Sensitivities relevant only to unhedged portion of portfolio.

Liquidity Volatility

- **Margin volatility (99% confidence interval) - liquidity requirement**
  - 30 days $240 million
  - 180 days $308 million
  - 360 days $214 million
- **Represents Williams Power and Williams' core natural gas businesses**


Williams
Accounting

Revenue Recognition
EITF 02-3

- **Adoption of EITF 02-3 on Jan. 1, 2003, requires:**
  - Non-derivative contracts be reported on an accrual basis
  - Derivative contracts continue to be reported on a fair value basis under SFAS 133
- **Williams Power does not currently qualify for cash flow hedge accounting under SFAS 133 due to stated intent to exit the business**

Revenue Recognition
EITF 02-3

- **Prohibits the use of fair value accounting treatment for contracts that do not qualify as derivatives under FAS 133 "Accounting for Derivative Instruments and Hedging Activities"**
- **Derivative instruments:**
  - Underlying
  - Notional
  - Net settlement or instrument is readily convertible to cash
  - Minimal net initial investment

Revenue Recognition
EITF 02-3

- **Derivative instruments**
  - Financial transactions
    - Options
    - Swaps
    - Futures
  - Forward physical transactions
- **Non-derivative instruments**
  - Tolling
  - CDWR Product D
  - Full requirements
  - Storage
  - Transportation
  - Transmission
  - Firm service
  - Spot physical transactions

Revenue Recognition
EITF 02-3

- **Since Williams Power does not currently qualify for cash flow hedge accounting...**
  - Derivative instruments accounted for on a fair value (MTM) basis
    - Changes in the forward value of these instruments are recorded as unrealized gains / losses on the income statement and balance sheet
  - Non-derivatives reported on an accrual basis

Revenue Recognition
EITF 02-3

- **GAAP earnings vary from economic results and cash flows:**
  - MTM gains or losses reflect change in fair value of derivative hedge portfolio, but not change in fair value of underlying non-derivative contracts such as tolling agreements
  - Accrual earnings reflect earnings from underlying non-derivative contracts, but do not include previously recognized unrealized gains or losses from derivative contracts
  - Normal purchases & sales contracts are no longer MTM but reflect realized accrual earnings offset by periodic reversal of previously recognized MTM earnings
- **GAAP earnings are volatile because hedges are MTM without offsetting impact of change in fair value of underlying contract**
- **Cash flows provide proxy for accrual based economic results, but include changes in working capital**

Other changes mandated by EITF 02-3

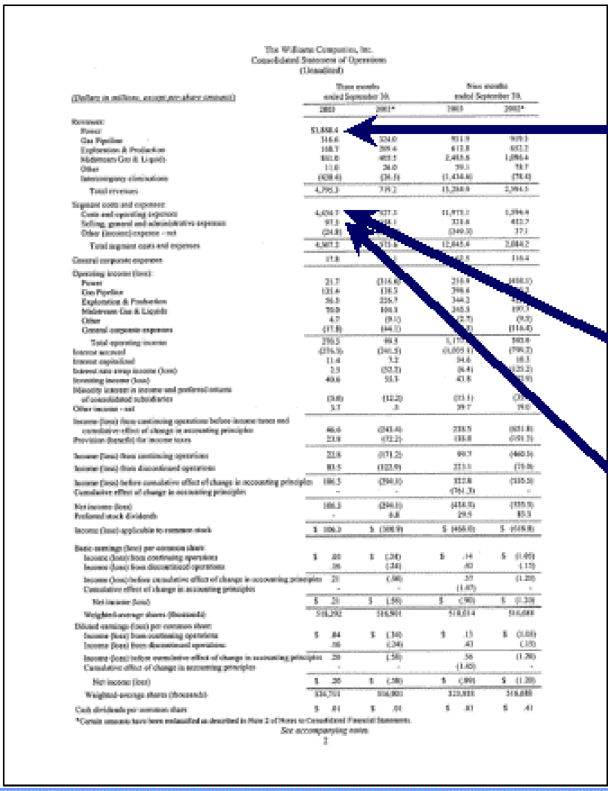
- **Before EITF 02-3**
  - Inventory accounted for on MTM basis
  - All trading revenues reported on a net basis
- **After EITF 02-3**
  - Inventory accounted for on a Lower of Cost or Market (LCM) basis
  - Revenue reporting mixed
    - Unrealized derivative revenues reported net
    - Financially settled realized derivative revenues reported net
    - Non-derivative revenues reported gross
    - Physically settled realized derivative revenues reported gross

Revenue Recognition - EITF 02-3

Summary of Accounting Treatment by Contract type:

Contract Type	Acctg "Bucket"	Acctg Method	Income =Cash?	Revenues Gross/Net
Tolling	Non-Derivative	Accrual	Yes	Gross
Full Requirements	Non-Derivative	Accrual	Yes	Gross
Storage	Non-Derivative	Accrual	Yes	Gross
Transportation	Non-Derivative	Accrual	Yes	Gross
Transmission	Non-Derivative	Accrual	Yes	Gross
Firm Service	Non-Derivative	Accrual	Yes	Gross
CDWR Product D	Non-Derivative	Accrual	Yes	Gross
Spot Physical Trxs	Non-Derivative	Accrual	Yes	Gross
CDWR ABC	Derivative	Normal P&S	No	Gross & Net
OTC/NYMEX Fins	Derivative	MTM	No	Gross & Net
Forward Physicals	Derivative	MTM	No	Gross & Net

Income Statement: 2003 10-Q



<u>Revenues include:</u>

- Gross revenue for non-derivative contracts (eg., tolling)
- Gross revenue for realization of physically settled forward sales contracts
- Net revenues for changes in fair value of derivatives (unrealized gains and losses)
- Note: Changes in fair value of non-derivatives no longer reported

Costs & op exps include:

- Demand payments
- Gross purchases for realization of physically settled forward purchases

Selling, General & Administrative Expenses

Balance Sheet: 2003 10-Q

Williams

The Williams Companies, Inc.
Consolidated Balance Sheet
(Unaudited)

(Dollars in millions, except per-share amounts)	September 30, 2003	December 31, 2002*
ASSETS		
Current assets:		
Cash and cash equivalents	$ 1,425.0	$ 1,650.4
Restricted cash	19.4	102.8
Restricted investments	155.1	-
Accounts and notes receivable less allowance of $116.8 ($111.8 in 2002)	1,691.4	[illegible]
Inventories	270.0	368.1
Energy risk management and trading assets	-	296.7
Derivative assets	3,930.2	[illegible]
Margin deposits	427.9	[illegible]
Assets of discontinued operations	429.4	1,263.6
Deferred income taxes	706.7	569.2
Other current assets and deferred charges	271.9	390.8
Total current assets	11,230.0	13,886.1
Restricted cash	197.3	158.1
Restricted investments	288.6	-
Investments	1,289.0	1,468.6
Property, plant and equipment, at cost	16,048.3	15,689.7
Less accumulated depreciation and depletion	(3,923.0)	(3,663.7)
	12,125.3	12,026.0
Energy risk management and trading assets	-	1,821.6
Derivative assets	3,168.7	[illegible]
Goodwill	1,099.5	1,099.5
Assets of discontinued operations	-	2,941.1
Other assets and deferred charges	743.3	712.4
Total assets	$30,301.7	$34,988.5
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Notes payable	$ 6.6	$ 934.8
Accounts payable	1,397.9	[illegible]
Accrued liabilities	914.4	1,486.4
Liabilities of discontinued operations	86.6	532.1
Energy risk management and trading liabilities	-	244.4
Derivative liabilities	3,765.9	[illegible]
Long-term debt due within one year	1,913.3	1,082.7
Total current liabilities	8,084.7	11,308.5
Long-term debt	10,990.1	11,076.7
Deferred income taxes	3,127.2	3,333.6
Liabilities and minority interests of discontinued operations	-	1,238.0
Energy risk management and trading liabilities	-	680.9
Derivative liabilities	2,788.7	[illegible]
Other liabilities and deferred income	1,017.0	968.3
Contingent liabilities and commitments (Note 11)		
Minority interests in consolidated subsidiaries	98.6	83.7
Stockholders' equity:		
Preferred stock, $1 per share par value, 30 million shares authorized, 1.5 million issued in 2002	-	271.3
Common stock, $1 per share par value, 960 million shares authorized, 521.2 million issued in 2003, 519.9 million issued in 2002	521.2	519.9
Capital in excess of par value	5,192.8	5,177.2
Accumulated deficit	(1,387.8)	(884.3)
Accumulated other comprehensive income (loss)	(84.1)	33.8
Other	(28.1)	(30.2)
	4,214.0	5,087.6
Less treasury stock (at cost), 3.2 million shares of common stock in 2003 and 2002	(38.6)	(38.6)
Total stockholders' equity	4,193.4	5,049.0
Total liabilities and stockholders' equity	$30,301.7	$34,988.5

*Certain amounts have been reclassified as described in Note 2 of Notes to Consolidated Financial Statements.

See accompanying notes.

3

Accounts Receivable: Commodity sales and derivative settlements

Derivative Assets: Fair value (unrealized gains) of derivatives

Margins: Margins, adequate assurance and prepays paid to others

Note: Fair value of non-derivative contracts no longer reported on the balance sheet

Accounts Payable: Commodity purchases

Derivative Liabilities: Fair value (unrealized losses) of derivatives

Regulatory and Legal

Regulatory Perspectives

- **Federal level**
  - RTOs will evolve and mature
  - Evolution will be uneven regionally
  - Price mitigation will constrain prices
  - FERC will strengthen affiliate standards
- **State level**
  - States will support rate-base generation
  - RFPs will feature stakeholder participation and independent monitors
  - Competitive bidding procedures will be formalized

Outstanding Legal Topics

- **Refund proceedings**
  - Filing due to FERC from CAISO and CalPX in March 2004
- **Natural gas trade information reporting**
  - Settlement reached with CFTC in July 2003
  - Ongoing DOJ investigation
- **Trading practices**
  - Settlement being certified for approval by FERC
  - Final decision expected late 2003 or early 2004
  - Ongoing investigation on physical and economic withholding

Outstanding Legal Topics
Continued

- **CA/WA/OR settlement**
  - Effective as to state entities in Nov. 2002
  - Preliminary approval to include civil parties in settlement
  - Final decision expected Feb. 2004

Summary

Power Business - Key Concepts

- **Intention to fully exit business**
  - $600 million liquidated to date, but progress is disappointing
  - Market conditions make full, immediate exit difficult
  - Efforts toward full exit continue
- **Liquidity and risk mitigation**
  - Contracts provide foundation to be cash flow positive through current down cycle
  - Cash flow positive year to date, including sales
  - Continuing work to mitigate risk with additional hedges in the out years
- **Accounting, earnings and valuation**
  - Required accounting treatments varied
  - Continued earnings volatility, related to accounting treatments
  - Estimated total undiscounted cash flows of $3 billion 2004-2022

Q&A