ONEOK INC /NEW/
Form 10-Q
November 05, 2015
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

X Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended September 30, 2015.
OR
___ Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the transition period from __________ to __________.

Commission file number 001-13643

ONEOK, Inc.
(Exact name of registrant as specified in its charter)

Oklahoma (State or other jurisdiction of incorporation or organization)	73-1520922 (I.R.S. Employer Identification No.)
100 West Fifth Street, Tulsa, OK (Address of principal executive offices)	74103 (Zip Code)

Registrant's telephone number, including area code (918) 588-7000

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes X No __

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
Yes X No __

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting

company” in Rule 12b-2 of the Exchange Act.
Large accelerated filer X Accelerated filer __ Non-accelerated filer __ Smaller reporting company__

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

On October 26, 2015, the Company had 209,277,589 shares of common stock outstanding.

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As used in this Quarterly Report, references to “we,” “our” or “us” refer to ONEOK, Inc., an Oklahoma corporation, and its predecessors, divisions and subsidiaries, unless the context indicates otherwise.

The statements in this Quarterly Report that are not historical information, including statements concerning plans and objectives of management for future operations, economic performance or related assumptions, are forward-looking statements. Forward-looking statements may include words such as “anticipate,” “estimate,” “expect,” “project,” “intend,” “pl “believe,” “should,” “goal,” “forecast,” “guidance,” “could,” “may,” “continue,” “might,” “potential,” “scheduled” and other w of similar meaning. Although we believe that our expectations regarding future events are based on reasonable assumptions, we can give no assurance that such expectations or assumptions will be achieved. Important factors that could cause actual results to differ materially from those in the forward-looking statements are described under Part I, Item 2, Management's Discussion and Analysis of Financial Condition and Results of Operations “Forward-Looking Statements,” in this Quarterly Report and under Part I, Item IA, “Risk Factors,” in our Annual Report.

INFORMATION AVAILABLE ON OUR WEBSITE

We make available, free of charge, on our website (www.oneok.com) copies of our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, amendments to those reports filed or furnished to the SEC pursuant to Section 13(a) or 15(d) of the Exchange Act and reports of holdings of our securities filed by our officers and directors under Section 16 of the Exchange Act as soon as reasonably practicable after filing such material electronically or otherwise furnishing it to the SEC. Copies of our Code of Business Conduct, Corporate Governance Guidelines and Director Independence Guidelines are also available on our website, and we will provide copies of these documents upon request. Our website and any contents thereof are not incorporated by reference into this report.

We also make available on our website the Interactive Data Files required to be submitted and posted pursuant to Rule 405 of Regulation S-T.

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GLOSSARY

The abbreviations, acronyms and industry terminology used in this Quarterly Report are defined as follows:

AFUDC	Allowance for funds used during construction
Annual Report	Annual Report on Form 10-K for the year ended December 31, 2014
ASU	Accounting Standards Update
Bbl	Barrels, 1 barrel is equivalent to 42 United States gallons
BBtu/d	Billion British thermal units per day
Bcf	Billion cubic feet
Bcf/d	Billion cubic feet per day
CFTC	U.S. Commodity Futures Trading Commission
Clean Air Act	Federal Clean Air Act, as amended
Clean Water Act	Federal Water Pollution Control Act Amendments of 1972, as amended
DOT	United States Department of Transportation
EBITDA	Earnings before interest expense, income taxes, depreciation and amortization
EPA	United States Environmental Protection Agency
Exchange Act	Securities Exchange Act of 1934, as amended
FASB	Financial Accounting Standards Board
FERC	Federal Energy Regulatory Commission
GAAP	Accounting principles generally accepted in the United States of America
GHG	Greenhouse gas
Intermediate Partnership	ONEOK Partners Intermediate Limited Partnership, a wholly owned subsidiary of ONEOK Partners, L.P.
LIBOR	London Interbank Offered Rate
MBbl/d	Thousand barrels per day
MDth/d	Thousand dekatherms per day
MMBbl	Million barrels
MMBtu	Million British thermal units
MMcf/d	Million cubic feet per day
Moody's	Moody's Investors Service, Inc.
Natural Gas Policy Act	Natural Gas Policy Act of 1978, as amended
NGL(s)	Natural gas liquid(s)
NGL products	Marketable natural gas liquids purity products, such as ethane, ethane/propane mix, propane, iso-butane, normal butane and natural gasoline
NYMEX	New York Mercantile Exchange
NYSE	New York Stock Exchange
ONE Gas	ONE Gas, Inc.
ONEOK	ONEOK, Inc.
ONEOK Credit Agreement	ONEOK's $300 million Amended and Restated Revolving Credit Agreement dated January 31, 2014
ONEOK Partners	ONEOK Partners, L.P.
ONEOK Partners Credit Agreement	ONEOK Partners' $2.4 billion Amended and Restated Revolving Credit Agreement dated January 31, 2014, as amended
ONEOK Partners GP	ONEOK Partners GP, L.L.C., a wholly owned subsidiary of ONEOK and the sole general partner of ONEOK Partners
OPIS	Oil Price Information Service
Partnership Agreement	Third Amended and Restated Agreement of Limited Partnership of ONEOK

Partners, L.P., as amended
PHMSA United States Department of Transportation Pipeline and Hazardous Materials Safety Administration
POP Percent of Proceeds

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Quarterly Report(s)	Quarterly Report(s) on Form 10-Q
S&P	Standard & Poor’s Ratings Services
SCOOP	South Central Oklahoma Oil Province
SEC	Securities and Exchange Commission
West Texas LPG	West Texas LPG Pipeline Limited Partnership and Mesquite Pipeline
WTI	West Texas Intermediate
XBRL	eXtensible Business Reporting Language

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PART I - FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS
ONEOK, Inc. and Subsidiaries
CONSOLIDATED STATEMENTS OF INCOME

	Three Months Ended September 30,		Nine Months Ended September 30,	
(Unaudited)	2015	2014	2015	2014
	(Thousands of dollars, except per share amounts)			
Revenues				
Commodity sales	$1,484,350	$2,754,495	$4,642,320	$8,276,333
Services	414,596	365,650	1,189,984	1,073,990
Total revenues	1,898,946	3,120,145	5,832,304	9,350,323
Cost of sales and fuel	1,360,809	2,583,204	4,307,766	7,807,275
Net margin	538,137	536,941	1,524,538	1,543,048
Operating expenses				
Operations and maintenance	146,979	153,408	442,179	433,457
Depreciation and amortization	88,299	74,588	261,241	214,129
General taxes	17,198	19,087	66,366	60,171
Total operating expenses	252,476	247,083	769,786	707,757
Gain (loss) on sale of assets	(726)	1,534	(610)	1,533
Operating income	284,935	291,392	754,142	836,824
Equity in net earnings (loss) from investments (Note L)	32,244	(52,347)	93,205	6,747
Allowance for equity funds used during construction	177	1,723	1,718	13,947
Other income	71	100	249	3,117
Other expense	(7,508)	(2,506)	(7,754)	(27,827)
Interest expense (net of capitalized interest of $8,851, $14,303, $26,008 and $41,446, respectively)	(106,923)	(86,052)	(306,057)	(269,704)
Income before income taxes	202,996	152,310	535,503	563,104
Income taxes	(38,298)	(37,858)	(123,948)	(95,155)
Income from continuing operations	164,698	114,452	411,555	467,949
Income (loss) from discontinued operations, net of tax (Note B)	(3,860)	(171)	(4,144)	(6,406)
Net income	160,838	114,281	407,411	461,543
Less: Net income attributable to noncontrolling interests	78,681	49,823	187,949	241,980
Net income attributable to ONEOK	$82,157	$64,458	$219,462	$219,563
Amounts attributable to ONEOK:				
Income from continuing operations	$86,017	$64,629	$223,606	$225,969
Income (loss) from discontinued operations	(3,860)	(171)	(4,144)	(6,406)
Net income	$82,157	$64,458	$219,462	$219,563
Basic earnings per share:				
Income from continuing operations (Note J)	$0.41	$0.31	$1.06	$1.08
Income (loss) from discontinued operations	(0.02)	—	(0.02)	(0.03)
Net income	$0.39	$0.31	$1.04	$1.05
Diluted earnings per share:				
Income from continuing operations (Note J)	$0.41	$0.31	$1.06	$1.07
Income (loss) from discontinued operations	(0.02)	—	(0.02)	(0.03)
Net income	$0.39	$0.31	$1.04	$1.04
Average shares (thousands)				
Basic	210,296	209,489	210,138	209,341

Diluted	210,524	210,759	210,509	210,482
Dividends declared per share of common stock	$0.605	$0.575	$1.815	$1.535

See accompanying Notes to Consolidated Financial Statements.

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ONEOK, Inc. and Subsidiaries
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)	Three Months Ended September 30, 2015	Three Months Ended September 30, 2014	Nine Months Ended September 30, 2015	Nine Months Ended September 30, 2014
	(Thousands of dollars)			
Net income	$160,838	$114,281	$407,411	$461,543
Other comprehensive income (loss), net of tax				
Unrealized gains (losses) on energy marketing and risk-management assets/liabilities, net of tax of $(1,109), $(1,160), $(2,156) and $12,664, respectively	14,840	6,219	19,217	(72,627)
Realized (gains) losses in net income, net of tax of $2,957, $(748), $5,621 and $(14,966), respectively	(15,259)	3,132	(35,530)	48,170
Unrealized holding gains (losses) on available-for-sale securities, net of tax of $0, $(73), $648 and $(36), respectively	—	107	(955)	(6)
Change in pension and postretirement benefit plan liability, net of tax of $(1,599), $(1,456), $(4,798) and $(5,379), respectively	2,441	2,185	7,320	8,069
Total other comprehensive income (loss), net of tax	2,022	11,643	(9,948)	(16,394)
Comprehensive income	162,860	125,924	397,463	445,149
Less: Comprehensive income attributable to noncontrolling interests	81,481	55,995	177,760	214,644
Comprehensive income attributable to ONEOK	$81,379	$69,929	$219,703	$230,505

See accompanying Notes to Consolidated Financial Statements.

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ONEOK, Inc. and Subsidiaries
CONSOLIDATED BALANCE SHEETS

(Unaudited)	September 30, 2015	December 31, 2014
Assets	(Thousands of dollars)	
Current assets		
Cash and cash equivalents	$38,371	$172,812
Accounts receivable, net	586,157	745,494
Materials and supplies	62,604	55,833
Natural gas and natural gas liquids in storage	142,308	134,134
Commodity imbalances	30,602	64,788
Other current assets	76,129	117,466
Assets of discontinued operations (Note B)	16,619	16,717
Total current assets	952,790	1,307,244
Property, plant and equipment		
Property, plant and equipment	14,457,280	13,602,647
Accumulated depreciation and amortization	2,178,687	1,940,210
Net property, plant and equipment	12,278,593	11,662,437
Investments and other assets		
Investments in unconsolidated affiliates	1,137,059	1,132,653
Goodwill and intangible assets	1,020,233	1,014,740
Other assets	115,716	124,679
Assets of discontinued operations (Note B)	3,907	20,020
Total investments and other assets	2,276,915	2,292,092
Total assets	$15,508,298	$15,261,773

See accompanying Notes to Consolidated Financial Statements.

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ONEOK, Inc. and Subsidiaries
CONSOLIDATED BALANCE SHEETS
(Continued)

(Unaudited)	September 30, 2015	December 31, 2014
Liabilities and equity	(Thousands of dollars)	
Current liabilities		
Current maturities of long-term debt	$660,650	$10,650
Notes payable (Note F)	287,272	1,055,296
Accounts payable	620,568	891,413
Commodity imbalances	96,192	104,650
Accrued interest	108,454	104,877
Other current liabilities	157,705	180,558
Liabilities of discontinued operations (Note B)	29,980	44,901
Total current liabilities	1,960,821	2,392,345
Long-term debt, excluding current maturities (Note G)	7,773,756	7,150,142
Deferred credits and other liabilities		
Deferred income taxes	1,437,087	1,395,222
Other deferred credits	278,731	281,757
Liabilities of discontinued operations (Note B)	20,598	36,424
Total deferred credits and other liabilities	1,736,416	1,713,403
Commitments and contingencies (Note N)		
Equity (Note H)		
ONEOK shareholders' equity:		
Common stock, $0.01 par value: authorized 600,000,000 shares; issued 245,811,180 shares and outstanding 209,273,336 shares at September 30, 2015; issued 245,811,180 shares and outstanding 208,322,247 shares at December 31, 2014	2,458	2,458
Paid-in capital	1,477,631	1,541,583
Accumulated other comprehensive loss (Note I)	(136,112)	(136,353)
Retained earnings	—	138,128
Treasury stock, at cost: 36,537,844 shares at September 30, 2015, and 37,488,933 shares at December 31, 2014	(929,505)	(953,701)
Total ONEOK shareholders' equity	414,472	592,115
Noncontrolling interests in consolidated subsidiaries	3,622,833	3,413,768
Total equity	4,037,305	4,005,883
Total liabilities and equity	$15,508,298	$15,261,773

See accompanying Notes to Consolidated Financial Statements.

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ONEOK, Inc. and Subsidiaries
CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)	Nine Months Ended September 30, 2015	2014
	(Thousands of dollars)	
Operating activities		
Net income	$407,411	$461,543
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	261,241	225,483
Charges attributable to exit activities	—	1,739
Equity in net earnings from investments	(93,205)	(6,747)
Distributions received from unconsolidated affiliates	92,042	84,298
Deferred income taxes	124,615	96,044
Share-based compensation expense	13,732	23,359
Pension and postretirement benefit expense, net of contributions	10,145	14,282
Allowance for equity funds used during construction	(1,718)	(13,947)
Loss (gain) on sale of assets	610	(1,533)
Changes in assets and liabilities:		
Accounts receivable	157,742	156,555
Natural gas and natural gas liquids in storage	(8,174)	(43,351)
Accounts payable	(191,542)	(111,186)
Commodity imbalances, net	25,728	(33,214)
Settlement of exit activities liabilities	(31,207)	(38,627)
Energy marketing and risk management assets and liabilities	(45,240)	27,924
Accrued interest	3,577	(6,390)
Other assets and liabilities, net	(30,680)	34,307
Cash provided by operating activities	695,077	870,539
Investing activities		
Capital expenditures (less allowance for equity funds used during construction)	(930,316)	(1,204,386)
Cash paid for acquisitions	—	(14,000)
Contributions to unconsolidated affiliates	(27,540)	(1,063)
Distributions received from unconsolidated affiliates in excess of cumulative earnings	25,111	24,925
Proceeds from sale of assets	3,171	2,388
Other	(12,607)	—
Cash used in investing activities	(942,181)	(1,192,136)
Financing activities		
Borrowing (repayment) of notes payable, net	(768,024)	(564,462)
Issuance of ONE Gas debt, net of discounts	—	1,199,994
Issuance of long-term debt, net of discounts	1,291,506	—
ONE Gas long-term debt financing costs	—	(9,663)
Debt financing costs	(17,126)	—
Repayment of long-term debt	(5,795)	(555,768)
Issuance of common stock	13,839	12,908
Issuance of common units, net of issuance costs	375,660	947,472
Dividends paid	(380,498)	(321,051)
Cash of ONE Gas at separation	—	(60,000)
Distributions to noncontrolling interests	(396,847)	(325,158)
Cash provided by financing activities	112,715	324,272

Change in cash and cash equivalents	(134,389)	2,675
Change in cash and cash equivalents included in discontinued operations	(52)	3,163
Change in cash and cash equivalents included in continuing operations	(134,441)	5,838
Cash and cash equivalents at beginning of period	172,812	145,565
Cash and cash equivalents at end of period	$38,371	$151,403

See accompanying Notes to Consolidated Financial Statements.

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

(Unaudited)	ONEOK Shareholders' Equity Common Stock Issued	Common Stock	Paid-in Capital	Accumulated Other Comprehensive Income (Loss)
	(Shares)	(Thousands of dollars)		
January 1, 2015	245,811,180	$2,458	$1,541,583	$(136,353)
Net income	—	—	—	—
Other comprehensive income (loss) (Note I)	—	—	—	241
Common stock issued	—	—	(6,284)	—
Common stock dividends - $1.815 per share (Note H)	—	—	(22,807)	—
Issuance of common units of ONEOK Partners (Note M)	—	—	(34,446)	—
Distributions to noncontrolling interests	—	—	—	—
Other	—	—	(415)	—
September 30, 2015	245,811,180	$2,458	$1,477,631	$(136,112)

(Unaudited)	ONEOK Shareholders' Equity Common Stock Issued	Common Stock	Paid-in Capital	Accumulated Other Comprehensive Income (Loss)
	(Shares)	(Thousands of dollars)		
January 1, 2014	245,811,180	$2,458	$1,433,600	$(121,987)
Net income	—	—	—	—
Other comprehensive income (loss) (Note I)	—	—	—	10,942
Common stock issued	—	—	(20,397)	—
Common stock dividends - $1.535 per share (Note H)	—	—	—	—
Issuance of common units of ONEOK Partners (Note M)	—	—	138,310	—
Distributions of ONE Gas to Shareholders	—	—	—	3,389
Distributions to noncontrolling interests	—	—	—	—
Other	—	—	(36,355)	—
September 30, 2014	245,811,180	$2,458	$1,515,158	$(107,656)

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

(Unaudited)	ONEOK Shareholders' Equity Retained Earnings	Treasury Stock	Noncontrolling Interests in Consolidated Subsidiaries	Total Equity
	(Thousands of dollars)			
January 1, 2015	$138,128	$(953,701)	$3,413,768	$4,005,883
Net income	219,462	—	187,949	407,411
Other comprehensive income (loss) (Note I)	—	—	(10,189)	(9,948)
Common stock issued	—	24,196	—	17,912
Common stock dividends - $1.815 per share (Note H)	(357,691)	—	—	(380,498)
Issuance of common units of ONEOK Partners (Note M)	—	—	428,590	394,144
Distributions to noncontrolling interests	—	—	(396,847)	(396,847)
Other	101	—	(438)	(752)
September 30, 2015	$—	$(929,505)	$3,622,833	$4,037,305

(Unaudited)	ONEOK Shareholders' Equity Retained Earnings	Treasury Stock	Noncontrolling Interests in Consolidated Subsidiaries	Total Equity
	(Thousands of dollars)			
January 1, 2014	$2,020,815	$(997,035)	$2,507,329	$4,845,180
Net income	219,563	—	241,980	461,543
Other comprehensive income (loss) (Note I)	—	—	(27,336)	(16,394)
Common stock issued	—	40,058	—	19,661
Common stock dividends - $1.535 per share (Note H)	(321,051)	—	—	(321,051)
Issuance of common units of ONEOK Partners (Note M)	—	—	739,348	877,658
Distributions of ONE Gas to Shareholders	(1,749,078)	—	—	(1,745,689)
Distributions to noncontrolling interests	—	—	(325,158)	(325,158)
Other	—	—	—	(36,355)
September 30, 2014	$170,249	$(956,977)	$3,136,163	$3,759,395

See accompanying Notes to Consolidated Financial Statements.

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ONEOK, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Our accompanying unaudited consolidated financial statements have been prepared pursuant to the rules and regulations of the SEC. These statements have been prepared in accordance with GAAP and reflect all adjustments that, in our opinion, are necessary for a fair presentation of the results for the interim periods presented. All such adjustments are of a normal recurring nature. The 2014 year-end consolidated balance sheet data was derived from our audited financial statements but does not include all disclosures required by GAAP. These unaudited consolidated financial statements should be read in conjunction with our audited consolidated financial statements in our Annual Report.

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

Organization and Nature of Operations - We are the sole general partner and own limited partner units of ONEOK Partners (NYSE: OKS), which together represent an aggregate 41.2 percent interest in ONEOK Partners at September 30, 2015. The results of operations for our former natural gas distribution and energy services businesses have been classified as discontinued operations for all periods presented. See Note B for additional information.

Unless indicated otherwise, the information in the Notes to the Consolidated Financial Statements relates to our continuing operations.

Goodwill Impairment Test - We assess our goodwill for impairment at least annually on July 1, unless events or changes in circumstances indicate an impairment may have occurred before that time. At July 1, 2015, we assessed qualitative factors to determine whether it was more likely than not that the fair value of each of our reporting units was less than its carrying amount. Due to the current commodity price environment, we elected to perform a quantitative assessment, or Step 1 analysis, to test our goodwill for impairment. The assessment included our current commodity price assumptions, expected contractual terms, anticipated operating costs and volume estimates. Our goodwill impairment analysis performed as of July 1, 2015, did not result in an impairment charge nor did our analysis reflect any reporting units at risk. In each reporting unit, the fair value substantially exceeded its carrying value. Subsequent to that date, no event has occurred indicating that the implied fair value of each of the reporting units is less than the carrying value of its net assets.

Recently Issued Accounting Standards Update - In March 2015, the FASB issued ASU 2015-03, “Interest - Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs,” which requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. In August 2015, the FASB issued ASU 2015-15, “Interest - Imputation of Interest (Subtopic 835-30): Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements - Amendments to SEC Paragraphs Pursuant to Staff Announcement at June 18, 2015 EITF Meeting,” which amended the SEC paragraphs of ASC Subtopic 835-30 to include the language from the SEC Staff Announcement indicating that the SEC would not object to presenting deferred debt issuance costs related to line-of-credit agreements as assets and subsequently amortizing the deferred debt issuance costs ratably over the term of the agreement. This guidance is effective for public companies for fiscal years beginning after December 15, 2015, with early adoption permitted. We elected to adopt this guidance beginning in the second quarter 2015. Retrospective adjustment of prior periods presented was required. Therefore, the December 31, 2014, balance sheet was recast to reclassify $42.8 million of debt issuance costs from other assets to long-term debt. The impact of adopting this guidance was not material.

In April 2014, the FASB issued ASU 2014-08, “Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity,” which alters the definition of a discontinued operation to include only asset disposals that represent a strategic shift with a major effect on an entity’s operations and financial results. The amendment also requires more extensive disclosures about a discontinued operation’s assets, liabilities, income, expenses and cash flows. This guidance will be effective for interim and annual periods for all assets that are disposed of or classified as being held for sale in fiscal years that begin on or after December 15, 2014. We adopted this guidance beginning in the first quarter 2015, and it could impact us in the future if we dispose of any individually significant components.

In September 2015, the FASB issued ASU 2015-16, “Business Combinations (Topic 805) - Simplifying the Accounting for Measurement-Period Adjustments,” which requires that an acquirer recognize adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustment amounts are determined. The amendment also requires the acquirer to record the income statement effects of changes to provisional amounts in the financial

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statements in the period in which the adjustments occurred. This guidance is effective for public companies for fiscal years beginning after December 15, 2015, with early adoption permitted. We expect to adopt this guidance in the first quarter 2016, and it could impact us in the future if we complete any acquisitions with subsequent measurement period adjustments.

In April 2015, the FASB issued ASU 2015-05, "Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40): Customer's Accounting for Fees Paid in a Cloud Computing Arrangement," which clarifies whether a cloud computing arrangement includes a software license. If it does, the customer should account for the software license element of the arrangement consistent with the acquisition of other software licenses; if not, the customer should not account for the arrangement as a service contract. This guidance is effective for public companies for fiscal years beginning after December 15, 2015. Early adoption is permitted. We expect to adopt this guidance in the first quarter 2016, and we do not expect it to materially impact us.

In February 2015, the FASB issued ASU 2015-02, "Consolidation (Topic 810): Amendments to the Consolidation Analysis," which eliminates the presumption that a general partner should consolidate a limited partnership. It also modifies the evaluation of whether limited partnerships are variable interest entities or voting interest entities and adds requirements that limited partnerships must meet to qualify as voting interest entities. This guidance is effective for public companies for fiscal years beginning after December 15, 2015. We expect to adopt this guidance in the first quarter 2016, and we are evaluating the impact on us.

In August 2014, the FASB issued ASU 2014-15, "Going Concern," which provides guidance on determining when and how to disclose going-concern uncertainties in the financial statements. The new standard requires management to perform interim and annual assessments of an entity's ability to continue as a going concern within one year of the date the financial statements are issued. An entity must provide certain disclosures if conditions or events raise substantial doubt about the entity's ability to continue as a going concern. The standard applies to all entities and is effective for annual periods ending after December 15, 2016, and interim periods thereafter, with early adoption permitted. We expect to adopt this guidance beginning in the fourth quarter 2016, and we do not expect it to materially impact us.

In May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers," which outlines the principles an entity must apply to measure and recognize revenue for entities that enter into contracts to provide goods or services to their customers. The core principle is that an entity should recognize revenue at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods or services to a customer. The amendment also requires more extensive disaggregated revenue disclosures in interim and annual financial statements. In August 2015, the FASB issued ASU 2015-14, "Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date," that deferred the effective date of ASU 2014-09 by one year. This update is now effective for interim and annual periods that begin after December 15, 2017, with either retrospective application for all periods presented or retrospective application with a cumulative effect adjustment. We expect to adopt this guidance beginning in the first quarter 2018, and we are evaluating the impact on us.

B. DISCONTINUED OPERATIONS

Separation of ONE Gas - On January 31, 2014, we completed the separation of ONE Gas, which consists of our former natural gas distribution business. ONEOK shareholders of record at the close of business on January 21, 2014, retained their shares of ONEOK stock and received one share of ONE Gas stock for every four shares of ONEOK stock owned in a transaction that was tax-free to ONEOK and its shareholders. We retained no ownership interest in ONE Gas. Excluding cash of ONE Gas at separation, the separation was accounted for as a noncash activity.

Wind Down of Energy Services Business - On March 31, 2014, we completed the wind down of our former energy services business. We executed agreements in 2013 and the first quarter 2014 to release a significant portion of our nonaffiliated natural gas transportation and storage contracts to third parties that resulted in noncash charges, which are included in income (loss) from discontinued operations, net of tax, in our Consolidated Statements of Income.

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The following table summarizes the change in our liability related to released capacity contracts for the periods indicated:

	Nine Months Ended September 30,	
	2015	2014
	(Millions of dollars)	
Beginning balance	$73.8	$122.0
Noncash charges	—	1.7
Settlements	(31.2)	(38.6)
Accretion	0.8	1.5
Ending balance	$43.4	$86.6

We expect future cash payments associated with released transportation and storage capacity contracts from the wind down of our former energy services business to total approximately $26 million on an after-tax basis, which consists of approximately $4 million to be paid in the remainder of 2015, $11 million in 2016, $6 million in 2017 and $5 million over the period 2018 through 2023.

Results of Operations of Discontinued Operations - The results of operations for our former natural gas distribution business and energy services business have been reported as discontinued operations for all periods presented. Income (loss) from discontinued operations, net of tax, in the Consolidated Statements of Income for the three and nine months ended September 30, 2015, consists of accretion expense, net of tax benefit, on the released contracts for our former energy services business and certain tax-related adjustments. The table below provides selected financial information reported in discontinued operations in the Consolidated Statements of Income for the three and nine months ended September 30, 2014:

	Three Months Ended September 30, 2014			Nine Months Ended September 30, 2014		
	Natural Gas Distribution	Energy Services	Total	Natural Gas Distribution	Energy Services	Total
	(Thousands of dollars)					
Revenues	$—	$—	$—	$287,249	$353,404	$640,653
Cost of sales and fuel	—	—	—	190,893	364,648	555,541
Net margin	—	—	—	96,356	(11,244)	85,112
Operating costs	—	142 (b)	142	60,847 (a)	4,664	65,511
Depreciation and amortization	—	—	—	11,035	319	11,354
Operating income (loss)	—	(142)	(142)	24,474	(16,227)	8,247
Other income (expense), net	—	—	—	(888)	(7)	(895)
Interest expense, net	—	—	—	(4,592)	(413)	(5,005)
Income taxes	—	(29)	(29)	(16,415)	7,662	(8,753)
Income (loss) from discontinued operations, net	$—	$(171)	$(171)	$2,579	$(8,985)	$(6,406)

(a) - Includes approximately $23.0 million for the nine months ended September 30, 2014, of costs related to ONE Gas separation.
(b) - Represents primarily accretion expense.

Prior to the ONE Gas separation, natural gas sales and transportation and storage services provided to our former natural gas distribution business by ONEOK Partners were $7.5 million for the nine months ended September 30,

2014. Prior to February 1, 2014, these revenues and related costs were eliminated in consolidation. Beginning February 1, 2014, these revenues represent third-party transactions with ONE Gas and are not eliminated in consolidation for all periods presented, as such sales and services have continued subsequent to the separation and are expected to continue in future periods.

Prior to the completion of the energy services wind down, natural gas sales and transportation and storage services provided to our energy services business by ONEOK Partners were $46.0 million for the nine months ended September 30, 2014. While these transactions were eliminated in consolidation in previous periods, they are reflected now as affiliate transactions and are not eliminated in consolidation for all periods presented as these transactions have continued with third parties.

Statement of Financial Position of Discontinued Operations - At September 30, 2015, and December 31, 2014, assets and liabilities of discontinued operations in our Consolidated Balance Sheets relate primarily to deferred tax assets and capacity release obligations associated with our former energy services business.

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C. ACQUISITIONS

West Texas LPG Acquisition - In November 2014, ONEOK Partners completed the acquisition of an 80 percent interest in the West Texas LPG Pipeline Limited Partnership and a 100 percent interest in the Mesquite Pipeline for approximately $800 million from affiliates of Chevron Corporation. We accounted for this acquisition as a business combination which, among other things, requires assets acquired and liabilities assumed to be measured at their acquisition-date fair values. See Note C in the Notes to Consolidated Financial Statements in our Annual Report for additional information on this acquisition.

Our consolidated balance sheet as of September 30, 2015, reflects the final purchase price allocation. Adjustments to the preliminary purchase price allocation reported in Note C in the Notes to the Consolidated Financial Statements in our Annual Report were not material. Therefore, prior period financial statements have not been recast.

D. FAIR VALUE MEASUREMENTS

Determining Fair Value - We define fair value as the price that would be received from the sale of an asset or the transfer of a liability in an orderly transaction between market participants at the measurement date. We use market and income approaches to determine the fair value of our assets and liabilities and consider the markets in which the transactions are executed. We measure the fair value of a group of financial assets and liabilities consistent with how a market participant would price the net risk exposure at the measurement date.

While many of the contracts in ONEOK Partners' portfolio are executed in liquid markets where price transparency exists, some contracts are executed in markets for which market prices may exist, but the market may be relatively inactive. This results in limited price transparency that requires management's judgment and assumptions to estimate fair values. For certain transactions, we utilize modeling techniques using NYMEX-settled pricing data and implied forward LIBOR curves. Inputs into our fair value estimates include commodity-exchange prices, over-the-counter quotes, historical correlations of pricing data, data obtained from third-party pricing services and LIBOR and other liquid money-market instrument rates. We validate our valuation inputs with third-party information and settlement prices from other sources, where available.

In addition, as prescribed by the income approach, we compute the fair value of our and ONEOK Partners' derivative portfolio by discounting the projected future cash flows from our and ONEOK Partners' derivative assets and liabilities to present value using interest-rate yields to calculate present-value discount factors derived from LIBOR, Eurodollar futures and interest-rate swaps. We also take into consideration the potential impact on market prices of liquidating positions in an orderly manner over a reasonable period of time under current market conditions. We consider current market data in evaluating counterparties', as well as our own, nonperformance risk, net of collateral, by using specific and sector bond yields and monitoring the credit default swap markets. Although we use our best estimates to determine the fair value of the derivative contracts we and ONEOK Partners have executed, the ultimate market prices realized could differ from our estimates, and the differences could be material.

The fair value of our forward-starting interest-rate swaps are determined using financial models that incorporate the implied forward LIBOR yield curve for the same period as the future interest swap settlements.

Fair Value Hierarchy - At each balance sheet date, we utilize a fair value hierarchy to classify fair value amounts recognized or disclosed in our financial statements based on the observability of inputs used to estimate such fair value. The levels of the hierarchy are described below:

- Level 1 - fair value measurements are based on unadjusted quoted prices for identical securities in active markets, including NYMEX-settled prices. These balances are comprised predominantly of exchange-traded derivative contracts for natural gas and crude oil.

- Level 2 - fair value measurements are based on significant observable pricing inputs, such as NYMEX-settled prices for natural gas and crude oil, and financial models that utilize implied forward LIBOR yield curves for interest-rate swaps.
- Level 3 - fair value measurements are based on inputs that may include one or more unobservable inputs, including natural gas basis and NGL price curves that incorporate observable and unobservable market data from broker quotes, third-party pricing services, market volatilities derived from the most recent NYMEX close spot prices and forward LIBOR curves, and adjustments for the credit risk of our counterparties. We corroborate the data on which our fair value estimates are based using our market knowledge of recent transactions, analysis of historical correlations and validation with independent broker quotes. These balances categorized as Level 3 are comprised of derivatives for natural gas and NGLs. We do not believe that our Level 3 fair value estimates have a material impact on our results of

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operations, as the majority of our derivatives are accounted for as hedges for which ineffectiveness has not been material.

Determining the appropriate classification of our fair value measurements within the fair value hierarchy requires management's judgment regarding the degree to which market data is observable or corroborated by observable market data. We categorize derivatives for which fair value is determined using multiple inputs within a single level, based on the lowest level input that is significant to the fair value measurement in its entirety.

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

	September 30, 2015					
	Level 1	Level 2	Level 3	Total - Gross	Netting (a)	Total - Net (b)
	(Thousands of dollars)					
Derivative assets						
Commodity contracts						
Financial contracts	$40,799	$—	$5,756	$46,555	$(29,319)	$17,236
Physical contracts	—	—	4,866	4,866	—	4,866
Total derivative assets	$40,799	$—	$10,622	$51,421	$(29,319)	$22,102
Derivative liabilities						
Commodity contracts						
Financial contracts	$(573)	$—	$(5,326)	$(5,899)	$5,899	$—
Interest-rate contracts	—	(13,648)	—	(13,648)	—	(13,648)
Total derivative liabilities	$(573)	$(13,648)	$(5,326)	$(19,547)	$5,899	$(13,648)

(a) - Derivative assets and liabilities are presented in our Consolidated Balance Sheets on a net basis. We net derivative assets and liabilities when a legally enforceable master-netting arrangement exists between the counterparty to a derivative contract and ONEOK Partners. At September 30, 2015, ONEOK Partners held $23.4 million of cash from various counterparties and no cash collateral posted.

(b) - Included in other current assets, other assets or other current liabilities in our Consolidated Balance Sheets.

	December 31, 2014					
	Level 1	Level 2	Level 3	Total - Gross	Netting (a)	Total - Net (b)
	(Thousands of dollars)					
Assets						
Derivatives						
Commodity contracts						
Financial contracts	$42,880	$—	$354	$43,234	$(25,979)	$17,255
Physical contracts	—	—	9,922	9,922	—	9,922
Interest-rate contracts	—	2,288	—	2,288	—	2,288
Total derivative assets	42,880	2,288	10,276	55,444	(25,979)	29,465
Available-for-sale investment securities	1,773	—	—	1,773	—	1,773
Total assets	$44,653	$2,288	$10,276	$57,217	$(25,979)	$31,238
Liabilities						
Derivatives						
Commodity contracts						
Financial contracts	$(169)	$—	$(968)	$(1,137)	$1,137	$—
Physical contracts	—	—	(23)	(23)	—	(23)
Interest-rate contracts	—	(44,843)	—	(44,843)	—	(44,843)

Total derivative liabilities	$(169)	$(44,843)	$(991)	$(46,003)	$1,137	$(44,866)

(a) - Derivative assets and liabilities are presented in our Consolidated Balance Sheets on a net basis. We net derivative assets and liabilities when a legally enforceable master-netting arrangement exists between the counterparty to a derivative contract and ONEOK Partners. At December 31, 2014, ONEOK Partners held $24.8 million of cash from various counterparties and no cash collateral posted.
(b) - Included in other current assets, other assets or other current liabilities in our Consolidated Balance Sheets.

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The following table sets forth a reconciliation of our Level 3 fair value measurements for our continuing operations for the periods indicated:

Derivative Assets (Liabilities)	Three Months Ended September 30, 2015	Three Months Ended September 30, 2014	Nine Months Ended September 30, 2015	Nine Months Ended September 30, 2014
	(Thousands of dollars)			
Net assets (liabilities) at beginning of period	$10,387	$(1,313)	$9,285	$(782)
Total realized/unrealized gains (losses):				
Included in earnings (a)	(15)	207	95	(688)
Included in other comprehensive income (loss)	(5,076)	402	(4,084)	(2,968)
Purchases, issuances and settlements	—	—	—	3,734
Net assets (liabilities) at end of period	$5,296	$(704)	$5,296	$(704)

(a) - Included in commodity sales revenues in our Consolidated Statements of Income.

Realized/unrealized gains (losses) include the realization of ONEOK Partners' derivative contracts through maturity. During the three and nine months ended September 30, 2015 and 2014, gains or losses included in earnings attributable to the change in unrealized gains or losses relating to assets and liabilities still held at the end of each reporting period were not material.

We recognize transfers into and out of the levels in the fair value hierarchy as of the end of each reporting period. During the three and nine months ended September 30, 2015 and 2014, there were no transfers between levels.

Other Financial Instruments - The approximate fair value of cash and cash equivalents, accounts receivable, accounts payable and notes payable is equal to book value, due to the short-term nature of these items. Our cash and cash equivalents are comprised of bank and money market accounts and are classified as Level 1. Our notes payable are classified as Level 2 since the estimated fair value of the notes payable can be determined using information available in the commercial paper market.

The estimated fair value of our consolidated long-term debt, including current maturities, was $8.1 billion and $7.5 billion at September 30, 2015, and December 31, 2014, respectively. The book value of our consolidated long-term debt, including current maturities, was $8.4 billion and $7.2 billion at September 30, 2015, and December 31, 2014, respectively. The estimated fair value of the aggregate of ONEOK's and ONEOK Partners' senior notes outstanding was determined using quoted market prices for similar issues with similar terms and maturities. The estimated fair value of our consolidated long-term debt is classified as Level 2.

E. RISK-MANAGEMENT AND HEDGING ACTIVITIES USING DERIVATIVES

Risk-Management Activities - ONEOK Partners is sensitive to changes in natural gas, crude oil and NGL prices, principally as a result of contractual terms under which these commodities are processed, purchased and sold. ONEOK Partners uses physical-forward purchases and sales and financial derivatives to secure a certain price for a portion of its natural gas, condensate and NGL products; to reduce its exposure to interest-rate fluctuations; and to achieve more predictable cash flows. ONEOK Partners follows established policies and procedures to assess risk and approve, monitor and report its risk-management activities. ONEOK Partners has not used these instruments for trading purposes. We and ONEOK Partners are also subject to the risk of interest-rate fluctuation in the normal course of business.

Commodity price risk - Commodity price risk refers to the risk of loss in cash flows and future earnings arising from adverse changes in the price of natural gas, NGLs and condensate. ONEOK Partners uses the following commodity derivative instruments to mitigate the near-term commodity price risk associated with a portion of the forecasted sales of these commodities:

- Futures contracts - Standardized contracts to purchase or sell natural gas and crude oil for future delivery or settlement under the provisions of exchange regulations;
- Forward contracts - Nonstandardized commitments between two parties to purchase or sell natural gas, crude oil or NGLs for future physical delivery. These contracts are typically nontransferable and can only be canceled with the consent of both parties; and
- Swaps - Exchange of one or more payments based on the value of one or more commodities. These instruments transfer the financial risk associated with a future change in value between the counterparties of the transaction, without also conveying ownership interest in the asset or liability.

ONEOK Partners may also use other instruments including options or collars to mitigate commodity price risk. Options are contractual agreements that give the holder the right, but not the obligation, to buy or sell a fixed quantity of a commodity at a fixed price within a specified period of time. Options may either be standardized and exchange traded or customized and nonexchange traded. A collar is a combination of a purchased put option and a sold call option, which places a floor and a ceiling price for commodity sales being hedged.

The Natural Gas Gathering and Processing segment is exposed to commodity price risk as a result of receiving commodities in exchange for services associated with its POP contracts. ONEOK Partners also is exposed to basis risk between the various production and market locations where it receives and sells commodities. As part of ONEOK Partners' hedging strategy, it uses the previously described commodity derivative financial instruments and physical-forward contracts to reduce the impact of price fluctuations related to natural gas, NGLs and condensate.

The Natural Gas Liquids segment is exposed to location price differential risk, primarily as a result of the relative value of NGL purchases at one location and sales at another location. ONEOK Partners is also exposed to commodity price risk resulting from the relative values of the various NGL products to each other, NGLs in storage and the relative value of NGLs to natural gas. ONEOK Partners utilizes physical-forward contracts and commodity derivative financial instruments to reduce the impact of price fluctuations related to NGLs.

The Natural Gas Pipelines segment is exposed to commodity price risk because its intrastate and interstate natural gas pipelines retain natural gas from its customers for operations or as part of its fee for services provided. When the amount of natural gas consumed in operations by these pipelines differs from the amount provided by its customers, ONEOK Partners' pipelines must buy or sell natural gas, or store or use natural gas from inventory, which can expose it to commodity price risk depending on the regulatory treatment for this activity. To the extent that commodity price risk in the Natural Gas Pipelines segment is not mitigated by fuel cost-recovery mechanisms, ONEOK Partners uses physical-forward sales or purchases to reduce the impact of price fluctuations related to natural gas. At September 30, 2015, and December 31, 2014, there were no financial derivative instruments with respect to ONEOK Partners' natural gas pipeline operations.

Interest-rate risk - We and ONEOK Partners manage interest-rate risk through the use of fixed-rate debt, floating-rate debt and interest-rate swaps. Interest-rate swaps are agreements to exchange interest payments at some future point based on specified notional amounts. At December 31, 2014, ONEOK Partners had forward-starting interest-rate swaps with notional amounts totaling $900 million that were designated as cash flow hedges of the variability of interest payments on a portion of forecasted debt issuances that may result from changes in the benchmark interest rate before the debt is issued. Upon ONEOK Partners' debt issuance in March 2015, it settled $500 million of its interest-rate swaps and realized a loss of $55.1 million, which is included in accumulated other comprehensive loss and will be amortized to interest expense over the term of the related debt. At September 30, 2015, ONEOK Partners' remaining interest-rate swaps with notional amounts totaling $400 million have settlement dates of less than 12 months.

Accounting Treatment - We and ONEOK Partners record all derivative instruments at fair value, with the exception of normal purchases and normal sales transactions that are expected to result in physical delivery. Commodity price and interest-rate volatility may have a significant impact on the fair value of derivative instruments as of a given date. The accounting for changes in the fair value of a derivative instrument depends on whether it has been designated and qualifies as part of a hedging relationship and, if so, the reason for holding it.

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The table below summarizes the various ways in which we account for our derivative instruments and the impact on our consolidated financial statements:

		Recognition and Measurement		
Accounting Treatment		Balance Sheet		Income Statement
Normal purchases and normal sales	-	Fair value not recorded	-	Change in fair value not recognized in earnings
Mark-to-market	-	Recorded at fair value	-	Change in fair value recognized in earnings
Cash flow hedge	-	Recorded at fair value	-	Ineffective portion of the gain or loss on the derivative instrument is recognized in earnings
	-	Effective portion of the gain or loss on the derivative instrument is reported initially as a component of accumulated other comprehensive income (loss)	-	Effective portion of the gain or loss on the derivative instrument is reclassified out of accumulated other comprehensive income (loss) into earnings when the forecasted transaction affects earnings
Fair value hedge	-	Recorded at fair value	-	The gain or loss on the derivative instrument is recognized in earnings
	-	Change in fair value of the hedged item is recorded as an adjustment to book value	-	Change in fair value of the hedged item is recognized in earnings

To reduce its exposure to fluctuations in natural gas, NGLs and condensate prices, ONEOK Partners periodically enters into futures, forward purchases and sales, options or swap transactions in order to hedge anticipated purchases and sales of natural gas, NGLs and condensate. Interest-rate swaps are used from time to time to manage interest-rate risk. Under certain conditions, we designate these derivative instruments as a hedge of exposure to changes in fair values or cash flows. We formally document all relationships between hedging instruments and hedged items, as well as risk-management objectives and strategies for undertaking various hedge transactions, and methods for assessing and testing correlation and hedge ineffectiveness. We specifically identify the forecasted transaction that has been designated as the hedged item in a cash flow hedge relationship. We assess the effectiveness of hedging relationships quarterly by performing an effectiveness analysis on our fair value and cash flow hedging relationships to determine whether the hedge relationships are highly effective on a retrospective and prospective basis. ONEOK Partners also documents its normal purchases and normal sales transactions that are expected to result in physical delivery and that ONEOK Partners elects to exempt from derivative accounting treatment.

The realized revenues and purchase costs of our and ONEOK Partners’ derivative instruments not considered held for trading purposes and derivatives that qualify as normal purchases or normal sales that are expected to result in physical delivery are reported on a gross basis. Cash flows from futures, forwards and swaps that are accounted for as hedges are included in the same category as the cash flows from the related hedged items in our Consolidated Statements of Cash Flows.

Fair Values of Derivative Instruments - See Note D for a discussion of the inputs associated with our fair value measurements. The following table sets forth the fair values of derivative instruments for our continuing operations for the periods indicated:

	September 30, 2015		December 31, 2014	
	Assets (a)	(Liabilities) (a)	Assets (a)	(Liabilities) (a)
	(Thousands of dollars)			
Derivatives designated as hedging instruments				
Commodity contracts				
Financial contracts	$45,534	$(5,108)	$43,234	$(1,137)
Physical contracts	4,866	—	9,922	—
Interest-rate contracts	—	(13,648)	2,288	(44,843)
Total derivatives designated as hedging instruments	50,400	(18,756)	55,444	(45,980)
Derivatives not designated as hedging instruments				
Commodity contracts				
Financial contracts	1,021	(791)	—	—
Physical contracts	—	—	—	(23)
Total derivatives not designated as hedging instruments	1,021	(791)	—	(23)
Total derivatives	$51,421	$(19,547)	$55,444	$(46,003)

(a) - Included on a net basis in other current assets, other assets or other current liabilities in our Consolidated Balance Sheets.

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Notional Quantities for Derivative Instruments - The following table sets forth the notional quantities for derivative instruments for our continuing operations for the periods indicated:

	Contract Type	September 30, 2015 Purchased/ Payor	September 30, 2015 Sold/ Receiver	December 31, 2014 Purchased/ Payor	December 31, 2014 Sold/ Receiver
Derivatives designated as hedging instruments:					
Cash flow hedges					
Fixed price					
- Natural gas (Bcf)	Futures and swaps	—	(38.7)	—	(41.2)
- Crude oil and NGLs (MMBbl)	Futures, forwards and swaps	—	(3.5)	—	(0.5)
Basis					
- Natural gas (Bcf)	Futures and swaps	—	(38.7)	—	(41.2)
Interest-rate contracts (Millions of dollars)	Forward-starting swaps	$400.0	$—	$900.0	$—
Derivatives not designated as hedging instruments:					
Fixed price					
- Crude oil and NGLs (MMBbl)	Futures, forwards and swaps	0.5	(0.5)	—	—

These notional amounts are used to summarize the volume of financial instruments; however, they do not reflect the extent to which the positions offset one another and, consequently, do not reflect ONEOK Partners' actual exposure to market or credit risk.

Cash Flow Hedges - ONEOK Partners uses derivative instruments to hedge the cash flows associated with anticipated purchases and sales of natural gas, NGLs and condensate and cost of fuel used in the transportation of natural gas. Accumulated other comprehensive loss at September 30, 2015, includes unrealized gains of approximately $12.0 million, net of tax, related to these hedges that will be realized within the next 15 months as the forecasted transactions affect earnings. If commodity prices remain at current levels, we will recognize $10.7 million in net gains over the next 12 months and net gains of $1.3 million thereafter. The amount deferred in accumulated other comprehensive loss attributable to our and ONEOK Partners' settled interest-rate swaps is a loss of $50.6 million, net of tax, which will be recognized over the life of the long-term, fixed-rate debt, including losses of $6.2 million, net of tax, that will be reclassified into earnings during the next 12 months as the hedged items affect earnings. The remaining amounts in accumulated other comprehensive loss are attributable primarily to ONEOK Partners' forward-starting interest-rate swaps with future settlement dates, which will be amortized to interest expense over the life of long-term, fixed-rate debt upon issuance of ONEOK Partners' debt.

The following table sets forth the unrealized effect of cash flow hedges recognized in other comprehensive income (loss) for the periods indicated:

Derivatives in Cash Flow Hedging Relationships	Three Months Ended September 30, 2015	Three Months Ended September 30, 2014	Nine Months Ended September 30, 2015	Nine Months Ended September 30, 2014
	(Thousands of dollars)			
Continuing Operations				
Commodity contracts	$36,559	$17,133	$47,650	$(24,743)
Interest-rate contracts	(20,610)	(9,755)	(26,277)	(56,849)
Total unrealized gain (loss) recognized in other comprehensive income (loss) on derivatives (effective portion) for continuing operations	$15,949	$7,378	$21,373	$(81,592)

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The following table sets forth the effect of cash flow hedges in our Consolidated Statements of Income for the periods indicated:

Derivatives in Cash Flow Hedging Relationships	Location of Gain (Loss) Reclassified from Accumulated Other Comprehensive Income (Loss) into Net Income (Effective Portion)	Three Months Ended September 30,		Nine Months Ended September 30,	
		2015	2014	2015	2014
		(Thousands of dollars)			
Continuing Operations					
Commodity contracts	Commodity sales revenues	$22,770	$(355)	$54,020	$(31,961)
Interest-rate contracts	Interest expense	(4,554)	(3,525)	(12,869)	(18,372)
Total gain (loss) reclassified from accumulated other comprehensive income (loss) into net income on derivatives (effective portion) for continuing operations		$18,216	$(3,880)	$41,151	$(50,333)

For the nine months ended September 30, 2014, an unrealized loss of $3.7 million was recognized in other comprehensive income (loss) and a realized loss of $12.8 million was reclassified from accumulated other comprehensive income (loss) related to cash flow hedges for our former energy services business.

Ineffectiveness related to cash flow hedges was not material for the three and nine months ended September 30, 2015 and 2014. In the event that it becomes probable that a forecasted transaction will not occur, we would discontinue cash flow hedge treatment, which would affect earnings. For the three and nine months ended September 30, 2015, and the three months ended September 30, 2014, there were no gains or losses due to the discontinuance of cash flow hedge treatment. For the nine months ended September 30, 2014, we reclassified losses of $4.6 million, net of taxes of $3.1 million, to interest expense from accumulated other comprehensive loss due to the discontinuance of cash flow hedge treatment related to the early retirement of long-term debt. See Note G for additional information.

Credit Risk - We and ONEOK Partners monitor the creditworthiness of counterparties and compliance with policies and limits established by our Risk Oversight and Strategy Committee. We and ONEOK Partners maintain credit policies with regard to counterparties that we believe minimize overall credit risk. These policies include an evaluation of potential counterparties' financial condition (including credit ratings, bond yields and credit default swap rates), collateral requirements under certain circumstances and the use of standardized master-netting agreements that allow us to net the positive and negative exposures associated with a single counterparty. ONEOK Partners has counterparties whose credit is not rated, and for those customers, it uses internally developed credit ratings.

Some of ONEOK Partners' financial derivative instruments contain provisions that require it to maintain an investment-grade credit rating from S&P and/or Moody's. If ONEOK Partners' credit ratings on its senior unsecured long-term debt were to decline below investment grade, the counterparties to the derivative instruments could request collateralization on derivative instruments in net liability positions. There were no financial derivative instruments with contingent features related to credit risk that were in a net liability position at September 30, 2015.

The counterparties to ONEOK Partners' derivative contracts consist primarily of major energy companies, financial institutions and commercial and industrial end users. This concentration of counterparties may affect ONEOK Partners' overall exposure to credit risk, either positively or negatively, in that the counterparties may be affected similarly by changes in economic, regulatory or other conditions. Based on ONEOK Partners' policies, exposures, credit and other reserves, we do not anticipate a material adverse effect on our financial position or results of operations as a result of counterparty nonperformance.

At September 30, 2015, the net credit exposure from ONEOK Partners' derivative assets is primarily with investment-grade companies in the financial services sector.

F. CREDIT FACILITIES AND SHORT-TERM NOTES PAYABLE

ONEOK Credit Agreement - The ONEOK Credit Agreement, which is scheduled to expire in January 2019, is a $300 million revolving credit facility and contains certain financial, operational and legal covenants. Among other things, these covenants include maintaining a ratio of indebtedness to Consolidated EBITDA (EBITDA, as defined in our ONEOK Credit Agreement) of no more than 4.0 to 1. Upon breach of certain covenants by us in the ONEOK Credit Agreement, amounts outstanding under the ONEOK Credit Agreement, if any, may become due and payable immediately. At September 30, 2015, ONEOK's ratio of indebtedness to Consolidated EBITDA was 2.4 to 1, and ONEOK was in compliance with all covenants under the ONEOK Credit Agreement. As a result of a reduction in the borrowing capacity of the ONEOK Credit Agreement due to the ONE Gas separation, we wrote off approximately $2.9 million in interest expense of previously deferred credit agreement issuance costs in the first quarter 2014.

The ONEOK Credit Agreement also includes a $50 million sublimit for the issuance of standby letters of credit and a $50 million sublimit for swingline loans. Under the terms of the ONEOK Credit Agreement, ONEOK may request an increase in the size of the facility to an aggregate of $500 million from $300 million by either commitments from new lenders or increased commitments from existing lenders. The ONEOK Credit Agreement contains provisions for an applicable margin rate and an annual facility fee, both of which adjust with changes in our credit rating. Based on our current credit rating, borrowings, if any, will accrue at LIBOR plus 145 basis points, and the annual facility fee is 30 basis points.

At September 30, 2015, ONEOK had $1.1 million in letters of credit issued and no borrowings under the ONEOK Credit Agreement. In February 2014, we repaid all amounts outstanding under our commercial paper program, with a portion of the proceeds received from ONE Gas in connection with the separation, and terminated the program. See Note G for additional information.

ONEOK Partners Credit Agreement - At September 30, 2015, ONEOK Partners had $287.3 million of commercial paper outstanding, $14.0 million in letters of credit issued and no borrowings under the ONEOK Partners Credit Agreement.

The ONEOK Partners Credit Agreement, which is scheduled to expire in January 2019, is a $2.4 billion revolving credit facility and includes a $100 million sublimit for the issuance of standby letters of credit and a $150 million swingline sublimit. The ONEOK Partners Credit Agreement is available for general partnership purposes. During the first quarter 2015, ONEOK Partners increased the size of the ONEOK Partners Credit Agreement to $2.4 billion from $1.7 billion by exercising its option to increase the capacity of the facility through increased commitments from existing lenders and a commitment from one new lender. During the first quarter 2015, ONEOK Partners also increased the size of its commercial paper program to $2.4 billion from $1.7 billion. Amounts outstanding under ONEOK Partners' commercial paper program reduce the borrowing capacity under the ONEOK Partners Credit Agreement.

The ONEOK Partners Credit Agreement contains provisions for an applicable margin rate and an annual facility fee, both of which adjust with changes in its credit rating. Under the terms of the ONEOK Partners Credit Agreement, based on ONEOK Partners' current credit ratings, borrowings, if any, will accrue at LIBOR plus 117.5 basis points, and the annual facility fee is 20 basis points. The ONEOK Partners Credit Agreement is guaranteed fully and unconditionally by the Intermediate Partnership. Borrowings under the ONEOK Partners Credit Agreement are nonrecourse to ONEOK.

The ONEOK Partners Credit Agreement contains certain financial, operational and legal covenants. Among other things, these covenants include maintaining a ratio of indebtedness to adjusted EBITDA (EBITDA, as defined in the ONEOK Partners Credit Agreement, adjusted for all noncash charges and increased for projected EBITDA from certain lender-approved capital expansion projects) of no more than 5.0 to 1. If ONEOK Partners consummates one or more acquisitions in which the aggregate purchase price is $25 million or more, the allowable ratio of indebtedness to adjusted EBITDA will increase to 5.5 to 1 for the quarter in which the acquisition was completed and the two following quarters. As a result of the West Texas LPG acquisition ONEOK Partners completed in the fourth quarter 2014, the allowable ratio of indebtedness to adjusted EBITDA increased to 5.5 to 1 through the second quarter 2015. If ONEOK Partners were to breach certain covenants in the ONEOK Partners Credit Agreement, amounts outstanding under the ONEOK Partners Credit Agreement, if any, may become due and payable immediately. At September 30, 2015, ONEOK Partners' ratio of indebtedness to adjusted EBITDA was 4.3 to 1, and it was in compliance with all covenants under the ONEOK Partners Credit Agreement.

Neither ONEOK nor ONEOK Partners guarantees the debt or other similar commitments of unaffiliated parties. ONEOK does not guarantee the debt, commercial paper or other similar commitments of ONEOK Partners, and ONEOK Partners does not guarantee the debt or other similar commitments of ONEOK.

G. LONG-TERM DEBT

ONEOK Debt Issuance - In August 2015, we completed an underwritten public offering of $500 million, 7.5 percent senior notes due 2023. The net proceeds, after deducting underwriting discounts, commissions and other expenses, were approximately $487.1 million. We used the proceeds together with cash on hand to purchase $650 million of additional common units from ONEOK Partners.

The indenture governing ONEOK’s senior notes due 2023 includes an event of default upon the acceleration of other indebtedness of $100 million or more. Such an event of default would entitle the trustee or the holders of 25 percent in aggregate principal amount of the outstanding senior notes due 2023 to declare those senior notes immediately due and payable

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in full. The indenture also contains a provision that allows the holders of the notes to require ONEOK to offer to repurchase all or any part of their notes if a change of control and a credit rating downgrade occur at a purchase price of 101 percent of the principal amount, plus accrued and unpaid interest, if any.

ONEOK may redeem the remaining balance of its senior notes due 2023 at a redemption price equal to the principal amount, plus accrued and unpaid interest, starting three months before the maturity date. Prior to this date, ONEOK may redeem these senior notes in whole or in part, at any time prior to their maturity at a redemption price equal to the principal amount, plus accrued and unpaid interest and a make-whole premium. The redemption price will never be less than 100 percent of the principal amount of the respective note plus accrued and unpaid interest to the redemption date. ONEOK's senior notes due 2023 are senior unsecured obligations, ranking equally in right of payment with all of ONEOK's existing and future unsecured senior indebtedness.

ONEOK Partners Debt Issuance - In March 2015, ONEOK Partners completed an underwritten public offering of $800 million of senior notes, consisting of $300 million, 3.8 percent senior notes due 2020, and $500 million, 4.9 percent senior notes due 2025. The net proceeds, after deducting underwriting discounts, commissions and other expenses, were approximately $792.3 million. ONEOK Partners used the proceeds to repay amounts outstanding under its commercial paper program and for general partnership purposes.

These notes are governed by an indenture, dated September 25, 2006, between ONEOK Partners and Wells Fargo Bank, N.A., the trustee, as supplemented. The indenture does not limit the aggregate principal amount of debt securities that may be issued and provides that debt securities may be issued from time to time in one or more additional series. The indenture contains covenants including, among other provisions, limitations on ONEOK Partners' ability to place liens on its property or assets and to sell and lease back its property. The indenture includes an event of default upon acceleration of other indebtedness of $100 million or more. Such events of default would entitle the trustee or the holders of 25 percent in aggregate principal amount of any of ONEOK Partners' outstanding senior notes to declare those notes immediately due and payable in full.

ONEOK Partners may redeem its 3.8 percent senior notes due 2020 and its 4.9 percent senior notes due 2025 from the March 2015 offering at par, plus accrued and unpaid interest to the redemption date, starting one month and three months, respectively, before their maturity dates. Prior to these dates, ONEOK Partners may redeem these notes, in whole or in part, at a redemption price equal to the principal amount, plus accrued and unpaid interest and a make-whole premium. The redemption price will never be less than 100 percent of the principal amount of the respective note plus accrued and unpaid interest to the redemption date. ONEOK Partners' senior notes are senior unsecured obligations, ranking equally in right of payment with all of ONEOK Partners' existing and future unsecured senior indebtedness, and structurally subordinate to any of the existing and future debt and other liabilities of any ONEOK Partners' nonguarantor subsidiaries.

ONEOK Partners Debt Maturity - ONEOK Partners' $650 million, 3.25 percent senior notes mature on February 1, 2016. The carrying amount of these notes is reflected in current portion of long-term debt in our Consolidated Balance Sheet as of September 30, 2015.

ONE Gas Debt Issuance - In January 2014, ONE Gas, which at the time was our wholly owned subsidiary, completed a private placement of three series of senior notes aggregating $1.2 billion, consisting of $300 million of five-year senior notes at 2.07 percent; $300 million of 10-year senior notes at 3.61 percent; and $600 million of 30-year senior notes at 4.658 percent. ONE Gas received approximately $1.19 billion from the offering, net of issuance costs. Our obligations related to the ONE Gas Senior Notes terminated in connection with the completion of the separation of ONE Gas.

ONEOK Debt Repayment - ONE Gas made a cash payment to us of approximately $1.13 billion from the proceeds of the ONE Gas senior notes offering. In February 2014, we retired approximately $152.5 million of the 4.25 percent senior notes due in 2022 through a tender offer. The total amount paid was approximately $150 million.

In February 2014, we called our $400 million, 5.2 percent senior notes due in 2015. The full repayment occurred in March 2014 and totaled $430.1 million, including accrued but unpaid interest to the redemption date. We recorded a loss on extinguishment of $24.8 million related to the debt retirements, which is included in other expense in our Consolidated Statements of Income.

H. EQUITY

Dividends - Dividends paid on our common stock to shareholders of record at the close of business on January 30, 2015, April 30, 2015, and August 3, 2015, were $0.605 per share in each instance. A dividend of $0.615 per share was declared for shareholders of record at the close of business on November 2, 2015, payable November 13, 2015.

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See Note M for a discussion of ONEOK Partners' issuance of common units and distributions to noncontrolling interests.

I. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

The following table sets forth the balance in accumulated other comprehensive income (loss) for the period indicated:

	Unrealized Gains (Losses) on Risk-Management Assets/Liabilities (a)	Unrealized Holding Gains (Losses) on Investment Securities (a)	Pension and Postretirement Benefit Plan Obligations (a) (b)	Accumulated Other Comprehensive Income (Loss) (a)
	(Thousands of dollars)			
January 1, 2015	$(37,349)	$955	$(99,959)	$(136,353)
Other comprehensive income (loss) before reclassifications	3,661	(955)	65	2,771
Amounts reclassified from accumulated other comprehensive income (loss)	(9,785)	—	7,255	(2,530)
Net current period other comprehensive income (loss) attributable to ONEOK	(6,124)	(955)	7,320	241
September 30, 2015	$(43,473)	$—	$(92,639)	$(136,112)

(a) All amounts are presented net of tax.
(b) Includes amounts related to supplemental executive retirement plan.

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The following table sets forth the effect of reclassifications from accumulated other comprehensive income (loss) in our Consolidated Statements of Income for the periods indicated:

Details about Accumulated Other Comprehensive Income (Loss) Components	Three Months Ended September 30, 2015	Three Months Ended September 30, 2014	Nine Months Ended September 30, 2015	Nine Months Ended September 30, 2014	Affected Line Item in the Consolidated Statements of Income
	(Thousands of dollars)				
Unrealized (gains) losses on risk-management assets/liabilities					
Commodity contracts	$(22,770)	$355	$(54,020)	$31,961	Commodity sales revenues
Interest-rate contracts	4,554	3,525	12,869	18,372	Interest expense
	(18,216)	3,880	(41,151)	50,333	Income before income taxes
	2,957	(748)	5,621	(9,845)	Income tax expense
	(15,259)	3,132	(35,530)	40,488	Income from continuing operations
	—	—	—	7,682	Income (loss) from discontinued operations
	(15,259)	3,132	(35,530)	48,170	Net income
Noncontrolling interests	(10,150)	1,928	(25,745)	24,574	Less: Net income attributable to noncontrolling interests
	$(5,109)	$1,204	$(9,785)	$23,596	Net income attributable to ONEOK
Pension and postretirement benefit plan obligations (a)					
Amortization of net loss	$4,422	$4,009	$13,268	$11,936	
Amortization of unrecognized prior service cost	(392)	(368)	(1,176)	(1,102)	
	4,030	3,641	12,092	10,834	Income before income taxes
	(1,612)	(1,456)	(4,837)	(4,334)	Income tax expense
	2,418	2,185	7,255	6,500	Income from continuing operations
	—	—	—	1,648	Income from discontinued operations
	$2,418	$2,185	$7,255	$8,148	Net income attributable to ONEOK
Total reclassifications for the period attributable to ONEOK	$(2,691)	$3,389	$(2,530)	$31,744	Net income attributable to ONEOK

(a) These components of accumulated other comprehensive income (loss) are included in the computation of net periodic benefit cost. See Note K for additional detail of our net periodic benefit cost.

J. EARNINGS PER SHARE

The following tables set forth the computation of basic and diluted EPS from continuing operations for the periods indicated:

	Three Months Ended September 30, 2015		
	Income	Shares	Per Share Amount
	(Thousands, except per share amounts)		
Basic EPS from continuing operations			
Income from continuing operations attributable to ONEOK available for common stock	$86,017	210,296	$0.41
Diluted EPS from continuing operations			
Effect of dilutive securities	—	228	
Income from continuing operations attributable to ONEOK available for common stock and common stock equivalents	$86,017	210,524	$0.41

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	Three Months Ended September 30, 2014		
	Income	Shares	Per Share Amount
	(Thousands, except per share amounts)		
Basic EPS from continuing operations			
Income from continuing operations attributable to ONEOK available for common stock	$64,629	209,489	$0.31
Diluted EPS from continuing operations			
Effect of dilutive securities	—	1,270	
Income from continuing operations attributable to ONEOK available for common stock and common stock equivalents	$64,629	210,759	$0.31

	Nine Months Ended September 30, 2015		
	Income	Shares	Per Share Amount
	(Thousands, except per share amounts)		
Basic EPS from continuing operations			
Income from continuing operations attributable to ONEOK available for common stock	$223,606	210,138	$1.06
Diluted EPS from continuing operations			
Effect of dilutive securities	—	371	
Income from continuing operations attributable to ONEOK available for common stock and common stock equivalents	$223,606	210,509	$1.06

	Nine Months Ended September 30, 2014		
	Income	Shares	Per Share Amount
	(Thousands, except per share amounts)		
Basic EPS from continuing operations			
Income from continuing operations attributable to ONEOK available for common stock	$225,969	209,341	$1.08
Diluted EPS from continuing operations			
Effect of dilutive securities	—	1,141	
Income from continuing operations attributable to ONEOK available for common stock and common stock equivalents	$225,969	210,482	$1.07

K. EMPLOYEE BENEFIT PLANS

The following tables set forth the components of net periodic benefit cost for our pension and postretirement benefit plans for our continuing operations for the periods indicated:

	Pension Benefits		
	Three Months Ended September 30,		Nine Months Ended September 30,
	2015	2014	2015