

Williams Cos. taking control of OKC-based Access Midstream Partners LP

By ROD WALTON World Business Editor | Posted: Tuesday, June 17, 2014 12:00 am

Tulsa's own Williams Cos. is positioning itself as one of the nation's biggest energy infrastructure firms by acquiring control of Oklahoma City-based Access Midstream Partners LP, analysts said Monday.

In the \$5.995 billion deal announced Sunday, Williams plans to own 100 percent of Access' general partner management interest and 50 percent of the master limited partnership stake. Williams hopes to complete the acquisition by the third quarter.

Once that's done, the goal is to merge Access with Williams Partners LP, creating a natural gas and natural gas liquids pipeline and processing giant that spans the nation. The merged company will be in nearly every major U.S. energy play, including the massive Marcellus, Eagle Ford, Haynesville and Utica shales.

"I think the cultures of our companies are very similar," Alan Armstrong, CEO of both Williams Cos. and Williams Partners, said in a conference call with analysts Monday morning.

Access, formerly known as a midstream spinoff of Chesapeake Energy Corp., provides natural gas gathering and storage for about 8 million dedicated acres in production. They handle the pipeline and early processing closest to the natural gas wellhead, while the larger Williams Partners' assets stretch into the NGL and petrochemical side.

"This team is very good at the upstream end of the midstream cycle in terms of the gathering and field gathering," Armstrong said of Access Midstream Partners.

"And, frankly, at Williams we focus on the downstream or the larger elements of the midstream space."

If and when the merger is complete, the combined MLP will carry the Williams Partners name and have a market capitalization of close to \$100 billion. This puts Williams

Partners into rarefied air with the other two largest publicly traded infrastructure MLPS — Kinder Morgan Energy Partners and Enterprise Product Partners.

Williams has been looking to take the biggest stake in Access since first spending \$2.4 billion on a joint venture with Global Infrastructure Partners LP (GIP) in 2012. The original deal bought Williams 25 percent of the MLP interest and 50 percent of the general partner.

“GIP indicated they were prepared to monetize (their stake) earlier this year, and we’ve been working on that since that time,” Williams Chief Financial Officer Don Chappell said during the conference call.

In fact, one local financial analyst noted that Williams has had its collective eyes on a major expansion ever since missing out on Houston-based pipeline firm Southern Union Co. Williams fought a bidding war for Southern Union in 2011 but lost after Dallas-based Energy Transfer Equity LP offered more than \$5.5 billion.

“I think they were disappointed that they missed out on that deal,” said Fred Russell, principal of Fredric E. Russell Investment Management Co. in Tulsa. Since then “I think they did some disciplined thinking and planning to make sure they didn’t miss out on the next big deal.”

Williams plans to transform itself into a “pure-play” general-partner holding company. It plans to drop down its remaining NGL and petchem services assets and projects held by the parent company to the master limited partnership by the end of the year.

The merged MLP would keep the Williams Partners LP name and be one of the nation’s largest and fastest-growing MLPs, according to the press release. Expected raw earnings in 2015 would be approximately \$5 billion.

The merged MLP, once completed, would be based in Tulsa and maintain a major office presence in Oklahoma City. Other offices would be in Houston, Pittsburgh, Salt Lake City and Calgary.

Master limited partnerships are structures in which the company is not taxed on profits but must distribute a majority of that cashflow to the unitholder level. Unitholders pay taxes on the distributions.

Williams will fund about half of the acquisition — or roughly \$3 billion — with equity or selling shares of its stocks. The rest will be financed with cash and some debt.

All in all, the stock market applauded the Access acquisition and merger details. Shares of Williams rose nearly 19 percent to close at \$55.99 in Monday trading, while Williams Partners jumped 6 percent to \$55.87 per unit.

“I think this is the type of acquisition every company should make,” Russell said.
“Pipelines are about as safe as buying U.S. Treasury obligations (but) more lucrative.”

In other news, Williams Partners also announced that the rebuild and expansion of its Geismar, Louisiana, petrochemical plant should be ready to begin startup by late July. The Geismar plant was significantly damaged in an explosion and fire that killed two workers last year.

Williams also plans to raise its third-quarter dividend 32 percent to 56 cents per share. The company hopes to follow that by lifting dividend growth approximately 15 percent annually through 2017.