

Williams' bid for Access Midstream attracts attention nationwide

**By ROD WALTON World Business Editor | Posted: Wednesday, June 18, 2014
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Related story: Williams Cos. taking control of OKC-based Access Midstream Partners LP

The news may be a few days old, but Tulsa-based Williams Cos. Inc.'s acquisition of Access Midstream Partners LP is still making ripples in the energy, financial and social media worlds.

The approximately \$6 billion purchase not only positions Williams as a major pipeline player in nearly all of the American shale plays, but could make Williams-controlled Williams Partners LP into the nation's second largest energy infrastructure partnership after Kinder Morgan. The proposed merger of Oklahoma City-based Access and Williams Partners will need federal regulatory approval.

It cements Williams' top stake as a pipeline and processing option in the gas-rich Marcellus Shale of the eastern U.S. Access also is strong in the Bakken, Haynesville, Eagle Ford and Oklahoma energy formations where producers are combining hydraulic fracturing and horizontal drilling to tap major reserves.

"It pushes Williams to the forefront of the competitors in the fracking business," said Fred Russell, financial analyst and principal of Tulsa-based Fredric E. Russell Investment Management Co. "They (already) control 14 percent of the natural gas transmission through pipelines (nationally). This should increase their market position."

The Father's Day announcement also made Williams the virtual talk of the town, whether's that's Wall Street or Main Street. The Street, which covers all things stock market, noted Tuesday that Williams' social media activity was 19 times greater than usual.

The move also attracted the attention of The Motley Fool, a syndicated stock advice and analysis service. Motley Fool contributor Arjun Sreekumar wrote that the cashflow from the combined companies' fee-based activities should be a boom for investors.

“The acquisition will also significantly boost Williams' fee-based revenue to more than 80 percent of its gross margin, providing greater stability and predictability to its business model,” Sreekumar wrote. The move is a positive because “it will allow for much stronger dividend growth.”

The website 24/7 Wall St. called the acquisition and proposed merger a “transformative” move. On Monday, Russell noted that Williams was disappointed about losing a bidding war for Houston-based pipeline firm Southern Union Co. nearly three years ago and was determined not to miss out on that type of growth move again.

S&P downgraded Williams' bond rating shortly after the announcement. The company expected that move and predicted it in its Sunday release on the acquisition.

“Williams expects to retain its investment-grade credit ratings at two of the three ratings agencies,” the release read. “The company expects the third agency to reduce Williams' credit rating one notch to sub-investment-grade as a result of the agency's recently announced proposed change in ratings methodology for general partners, along with Williams' plans to accelerate its move to a GP holding company and the acquisition announced today. The company expects Williams Partners to retain its current strong BBB investment-grade credit ratings.”

Moody's rating service, meanwhile, affirmed its assessment of the Tulsa firm's creditworthiness. Moody's stands behind its Baa2 senior unsecured rating for Williams Partners and its Baa3 for the parent Williams.

“Williams' Baa3 ratings were affirmed because we expect the company's consolidated and parent company only financial leverage to decline from presently high levels over the remainder of 2014 and 2015 through earnings growth from capital projects coming online,” said Pete Speer, Moody's Senior Vice President, in a press release. “The sound strategic fit of the acquisition also supported Williams Baa3 ratings.”

“The merger of Williams Partners and Access Midstream supports WPZ's Baa2 ratings by improving its business risk profile and distribution coverage and lowering its currently high financial leverage,” continued Speer. “Access Midstream's creditors benefit from the combined partnership's increased scale and broader business line and customer diversification.”

Williams, which employs 1,051 people in Tulsa and 5,030 companywide, also will gain a major presence in Oklahoma City with the acquisition and potential merger. Access Midstream Partners employs 500 in Oklahoma City and 1,500 companywide.

Access Midstream Partners was originally called Chesapeake Midstream Partners LP. The pipeline and processing assets were spun off by gas producer Chesapeake Energy Corp. in 2009, but sold to Global Infrastructure Partners when a cash crunch became public in 2012.

Williams bought 25 percent of Access limited partnership units and 50 percent of the general-partner control in late 2012 for \$2.4 billion. The more recent acquisition gives Williams 100-percent control of the general-partner interest and 50 percent, or more than 55 million units, of the LP stake.

Williams is funding half of the transaction by selling \$3 billion worth of its common stock in a public offering. The rest will be financed by cash and debt, according to reports.