ONEOK INC /NEW/
Form 10-K
February 26, 2013

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

X ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2012.
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	73-1520922
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
100 West Fifth Street, Tulsa, OK	74103
(Address of principal executive offices)	(Zip Code)

Registrant’s telephone number, including area code (918) 588-7000
Securities registered pursuant to Section 12(b) of the Act:

Common stock, par value of $0.01	New York Stock Exchange
(Title of each class)	(Name of each exchange on which registered)

Securities registered pursuant to Section 12(g) of the Act: None
Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes X No__

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes __ No X

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 if disclosure of delinquent filers pursuant to Item 405 of Registration S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant’s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.
X

Indicate by checkmark 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. (Check one) Large accelerated filer X Accelerated filer __ Non-accelerated filer __ Smaller reporting company __

Indicate by checkmark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes__ No X

Aggregate market value of registrant’s common stock held by non-affiliates based on the closing trade price on June 30, 2012, was $8.2 billion.

On February 19, 2013, the Company had 204,994,065 shares of common stock outstanding.
DOCUMENTS INCORPORATED BY REFERENCE:
Portions of the definitive proxy statement to be delivered to shareholders in connection with the Annual Meeting of Shareholders to be held May 22, 2013, are incorporated by reference in Part III.

ONEOK, Inc.
2012 ANNUAL REPORT

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

GLOSSARY

The abbreviations, acronyms and industry terminology used in this Annual 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, 2012
ASU	Accounting Standards Update
Bbl	Barrels, 1 barrel is equivalent to 42 United States gallons
Bbl/d	Barrels per day
BBtu/d	Billion British thermal units per day
Bcf	Billion cubic feet
Bcf/d	Billion cubic feet per day
Bighorn Gas Gathering	Bighorn Gas Gathering, L.L.C.
Btu(s)	British thermal units, a measure of the amount of heat required to raise the temperature of one pound of water by one degree Fahrenheit
Bushton Plant	Bushton Natural Gas Processing and Fractionation Plant
CFTC	Commodities 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
Dodd-Frank Act	Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010
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
Guardian Pipeline	Guardian Pipeline, L.L.C.
Intermediate Partnership	ONEOK Partners Intermediate Limited Partnership, a wholly owned subsidiary of ONEOK Partners, L.P.
IRS	Internal Revenue Service
KCC	Kansas Corporation Commission
KDHE	Kansas Department of Health and Environment
LDCs	Local distribution companies
LIBOR	London Interbank Offered Rate
MBbl	Thousand barrels
MBbl/d	Thousand barrels per day
Mcf	Thousand cubic feet
MDth/d	Thousand dekatherms per day
Midwestern Gas Transmission	Midwestern Gas Transmission Company
MMBbl	Million barrels
MMBtu	Million British thermal units
MMBtu/d	Million British thermal units per day
MMcf	Million cubic feet
MMcf/d	Million cubic feet per day
Moody’s	Moody’s Investors Service, Inc.
Natural Gas Act	Natural Gas Act of 1938, as amended
Natural Gas Policy Act	Natural Gas Policy Act of 1978, as amended
NGL products	Marketable natural gas liquid purity products, such as ethane, ethane/propane mix, propane, iso-butane, normal butane and natural gasoline

NGL(s)	Natural gas liquid(s)
Northern Border Pipeline	Northern Border Pipeline Company
NYMEX	New York Mercantile Exchange
NYSE	New York Stock Exchange
OBPI	ONEOK Bushton Processing, L.L.C., formerly ONEOK Bushton Processing, Inc.

OCC	Oklahoma Corporation Commission
ONEOK	ONEOK, Inc.
ONEOK Credit Agreement	ONEOK's $1.2 billion revolving credit agreement dated April 5, 2011
ONEOK Partners	ONEOK Partners, L.P.
ONEOK Partners Credit Agreement	ONEOK Partners' $1.2 billion revolving credit agreement dated August 1, 2011, 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
OSHA	Occupational Safety and Health Administration
Overland Pass Pipeline Company	Overland Pass Pipeline Company LLC
PHMSA	United States Department of Transportation Pipeline and Hazardous Materials Safety Administration
POP	Percent of Proceeds
Quarterly Report(s)	Quarterly Report(s) on Form 10-Q
RRC	Railroad Commission of Texas
S&P	Standard & Poor's Rating Services
SEC	Securities and Exchange Commission
Securities Act	Securities Act of 1933, as amended
VAR	Value-at-Risk
Viking Gas Transmission	Viking Gas Transmission Company
XBRL	eXtensible Business Reporting Language

The statements in this Annual 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," "pla "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 and 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 1A, "Risk Factors," and Part II, Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operation and "Forward-Looking Statements," in this Annual Report.

PART I

ITEM 1. BUSINESS

GENERAL

We are a diversified energy company and successor to the company founded in 1906 as Oklahoma Natural Gas Company. We are a corporation incorporated under the laws of the state of Oklahoma, and our common stock is listed on the NYSE under the trading symbol "OKE." We are the sole general partner and own 43.4 percent of ONEOK Partners (NYSE: OKS), one of the largest publicly traded master limited partnerships. ONEOK Partners is a leader in the gathering, processing, storage and transportation of natural gas in the United States. In addition, ONEOK Partners owns one of the nation's premier natural gas liquids systems, connecting NGL supply in the Mid-Continent and Rocky Mountain regions with key market centers. We are the largest natural gas distributor in Oklahoma and Kansas and the third largest natural gas distributor in Texas, providing service as a regulated public utility to wholesale and retail customers. Our largest distribution markets are Oklahoma City and Tulsa, Oklahoma; Kansas City, Wichita and Topeka, Kansas; and Austin and El Paso, Texas. Our energy services business is engaged in providing premium natural gas marketing services to its customers across the United States. We apply our core capabilities of gathering, processing, fractionating, transporting, storing, marketing and distributing natural gas and NGLs through the rebundling of services across value chains, through vertical integration, in an effort to provide our customers with premium services at lower costs.

EXECUTIVE SUMMARY

In 2012, producers continued to drill aggressively in a number of crude oil and NGL-rich natural gas resource areas in the Mid-Continent and Rocky Mountain regions creating the need for additional natural gas gathering and processing and natural gas liquids infrastructure to bring this additional production to market. Natural gas prices were lower in 2012 caused by increased supply from drilling activities and decreased demand driven primarily by a warmer than normal winter, less natural gas price volatility and narrower natural gas location and seasonal price differentials in the markets we serve. NGL prices, particularly ethane and propane, also decreased in 2012 due primarily to increased NGL production from the development of NGL-rich areas. Propane prices also were affected by a warmer than normal winter.

We generally have seen strong ethane demand from the petrochemical sector in the Gulf Coast region due to the price advantage ethane has over other feedstocks. In 2011, natural gas liquids pipeline capacity between the Conway, Kansas, and Mont Belvieu, Texas, market centers was constrained and contributed to wider location price differentials between those markets. The natural gas supply growth during 2011 resulted in increased NGL supply in the Mid-Continent region, and when coupled with increased demand in the Gulf Coast region, resulted in lower NGL prices in the Mid-Continent market center at Conway, Kansas, relative to prices in the Gulf Coast market center at Mont Belvieu, Texas. During the second half of 2012, due to continued strong production growth from the development of NGL-rich areas, increased demand in the Mid-Continent region and increased capacity available on pipelines that connect the Mid-Continent and Gulf Coast market centers, NGL price differentials narrowed between the Mid-Continent and the Gulf Coast market centers. We expect the narrow NGL price differentials between these market centers to continue as new fractionators and pipelines, including our growth projects discussed below, continue to alleviate constraints affecting NGL prices and location price differentials between the two market centers. Over time, these growing fee-based NGL volumes are expected to fill much of the capacity used historically by ONEOK Partners to capture NGL price differentials between the two market centers.

The price differential between the typically higher valued NGL products and the value of natural gas, particularly the price differential between ethane and natural gas, may influence the volume of ethane and propane available to be gathered from natural gas processing plants. When economic conditions warrant, natural gas processors may elect not

to recover the ethane component of the natural gas stream, also known as ethane rejection, and instead leave the ethane component in the natural gas stream sold at the tailgate of natural gas processing plants. Price differentials between ethane and natural gas resulted in periods of ethane rejection in the Mid-Continent and Rocky Mountain regions during 2012. Ethane rejection did not have a material impact on our financial results. We expect lower natural gas liquids volumes in ONEOK Partners' natural gas liquids business as a result of widespread and prolonged ethane rejection in 2013 that is expected to have a significant impact on our financial results. We do not expect prolonged ethane rejection to continue into 2014.

Despite lower commodity prices, North American natural gas production continues to increase at a faster rate than demand, primarily as a result of increased production from nonconventional resource areas such as shale areas. Producers receive currently higher market prices on a heating-value basis for crude oil and NGLs compared with natural gas. As a result, many producers focused their drilling activity in shale areas that produce crude oil and NGL-rich natural gas rather than areas with

dry natural gas production. We expect continued demand for midstream infrastructure development driven by producers who need to connect emerging production with end-use markets where current infrastructure is insufficient or nonexistent.

Additional natural gas liquids fractionation and pipeline capacity is needed to accommodate the growing NGL supply and demand, as well as new infrastructure to gather, process and transport growing natural gas production from both new and existing resource areas. In response to this increased production and demand for NGL products, ONEOK Partners is investing approximately $4.7 billion to $5.3 billion in new capital projects to meet the needs of crude oil and natural gas producers in the Bakken Shale and Three Forks formations in the Williston Basin, Cana-Woodford Shale, Woodford Shale, Mississippian Lime and Granite Wash areas, and for additional natural gas liquids infrastructure in the Mid-Continent and Gulf Coast areas that will enhance the distribution of NGL products to meet the increasing petrochemical industry and NGL export demand. When completed, ONEOK Partners expects these projects to provide additional earnings and cash flows.

During 2012, we paid cash dividends of $1.27 per share, an increase of approximately 18 percent from the $1.08 per share paid during 2011. In January 2013, we declared a dividend of $0.36 per share ($1.44 per share on an annualized basis), an increase of approximately 18 percent from the $0.305 declared in January 2012.

During 2012, ONEOK Partners paid cash distributions to its limited partners of $2.59 per unit, an increase of approximately 11 percent from the $2.325 per unit paid during 2011. In January 2013, ONEOK Partners GP declared a cash distribution to ONEOK Partners' limited partners of $0.71 per unit ($2.84 per unit on an annualized basis), an increase of approximately 16 percent from the $0.61 declared in January 2012.

In January 2012, we completed an underwritten public offering of senior notes, generating net proceeds of approximately $694.3 million that were used to repay amounts outstanding under our $1.2 billion commercial paper program and for general corporate purposes.

During 2012, we relied primarily on operating cash flow, commercial paper and distributions from ONEOK Partners to fund our short-term liquidity and capital requirements, our purchase of 8.0 million common units from ONEOK Partners for approximately $460 million and our repurchase of approximately 3.4 million shares of our common stock for $150 million. In 2012, ONEOK Partners issued an additional 8.0 million common units and $1.3 billion of senior notes, generating net proceeds of approximately $1.7 billion. ONEOK Partners utilized proceeds from these equity and debt issuances, cash from operations and its commercial paper program to meet its short-term liquidity needs, repay maturing debt and to fund its capital projects.

In June 2012, we completed a two-for-one split of our common stock. We have adjusted all share and per-share amounts contained herein to be presented on a post-split basis.

On February 1, 2012, we sold ONEOK Energy Marketing Company, our retail natural gas marketing business, to Constellation Energy Group, Inc. for $22.5 million plus working capital. We received net proceeds of approximately $32.9 million and recognized an after-tax gain on the sale of approximately $13.5 million. The proceeds from the sale were used to reduce short-term borrowings. The financial information of ONEOK Energy Marketing Company is reflected as discontinued operations in this Annual Report. All prior periods presented have been recast to reflect the discontinued operations.

We anticipate that our cash flow generated from operations, existing capital resources and distributions from ONEOK Partners will enable us to maintain our current and planned levels of operations and provide us flexibility should we elect to execute on any portion of the $300 million remainder of our three-year, $750 million stock repurchase program. ONEOK Partners anticipates that its cash flow generated from operations, existing capital resources and ability to obtain financing will enable it to maintain its current and planned levels of operations. Additionally,

ONEOK Partners expects to fund its capital expenditures with proceeds from short- and long-term debt, the issuance of equity and operating cash flows.

See Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operation, for more information on our growth projects, results of operations, liquidity and capital resources.

BUSINESS STRATEGY

Our primary business strategy is to deliver consistent growth and sustainable earnings, while focusing on safe, reliable and environmentally responsible operations for our customers, employees, contractors and the public through the following:

- Operate in a safe, reliable and environmentally responsible manner - environmental, safety and health issues continue to be a primary focus for us; our emphasis on personal and process safety has produced improvements in

the key indicators we track. We also continue to look for ways to reduce our environmental impact by conserving resources and utilizing more efficient technologies;

- Generate consistent growth and sustainable earnings - during 2012, ONEOK Partners' cash distributions increased by 26.5 cents per unit, an increase of approximately 11 percent compared with 2011; ONEOK Partners is investing approximately $4.7 billion to $5.3 billion in new capital projects to meet the needs of crude oil, NGL and natural gas producers in the Williston Basin, Cana-Woodford Shale, Woodford Shale, Mississippian Lime and Granite Wash areas, and for additional natural gas liquids infrastructure in the Mid-Continent and Gulf Coast areas that will enhance the distribution of NGL products to meet the increasing petrochemical industry and NGL export demand. When completed, these projects are anticipated to provide additional earnings and cash flows. Our Natural Gas Distribution segment benefits from rate strategies, including a performance-based rate mechanism in Oklahoma, capital-recovery mechanisms in Kansas and portions of Texas and cost-of-service adjustments in certain Texas jurisdictions that address investments in rate base and changes in expense; our Natural Gas Distribution segment's operating efficiencies include investments in automated meter-reading devices. Our Energy Services segment is taking steps to realign fixed costs with its current business environment, including attempts to renegotiate various storage and transportation agreements and continuing to realign its contracted storage and transportation capacity with its customers' premium-services requirements;
- Execute strategic acquisitions that provide long-term value - we remain disciplined in our approach and continue to evaluate assets that come to market. We did not consummate any acquisitions in 2012;
- Manage our balance sheet to maintain strong credit ratings at or above current levels - our balance sheet remains strong, and we will seek to maintain our investment-grade credit ratings; and
- Attract, select, develop and retain employees to support strategy execution - we continue to execute on our recruiting strategy that targets colleges, universities and vocational-technical schools in our operating areas. We also continue development efforts with our current employees.

NARRATIVE DESCRIPTION OF BUSINESS

We report operations in the following business segments:

- ONEOK Partners;
- Natural Gas Distribution; and
- Energy Services.

ONEOK Partners

Overview - ONEOK Partners is a diversified master limited partnership involved in the gathering, processing, storage and transportation of natural gas in the United States. In addition, ONEOK Partners owns one of the nation's premier natural gas liquids systems, connecting NGL supply in the Mid-Continent and Rocky Mountain regions with key market centers.

We own approximately 92.8 million common and Class B limited partner units, and the entire 2-percent general partner interest, which, together, represent a 43.4-percent ownership interest in ONEOK Partners. We receive distributions from ONEOK Partners on our common and Class B units and our 2-percent general partner interest, which includes our incentive distribution rights. See Note P of the Notes to Consolidated Financial Statements in this Annual Report for discussion of our incentive distribution rights.

We and ONEOK Partners maintain significant financial and corporate governance separations. We seek to receive increasing cash distributions as a result of our investment in ONEOK Partners, and our investment decisions are made based on the anticipated returns from ONEOK Partners in total, not specific to any of ONEOK Partners' businesses individually. To aid in understanding the important business and financial characteristics of our ONEOK Partners segment, the following describes its business with reference to its underlying activities.

Natural gas gathering and processing business - ONEOK Partners' natural gas gathering and processing business provides nondiscretionary services to producers that include gathering and processing of natural gas produced from crude oil and natural gas wells. ONEOK Partners gathers and processes natural gas in the Mid-Continent region, which includes the NGL-rich Cana-Woodford Shale, Woodford Shale and Granite Wash areas; the Mississippian Lime area of Oklahoma and Kansas; and the Hugoton and Central Kansas Uplift Basins of Kansas. It also gathers and/or processes natural gas in two producing basins in the Rocky Mountain region: the Williston Basin, which spans portions of Montana and North Dakota and includes the oil-producing, NGL-rich Bakken Shale and Three Forks areas; and the Powder River Basin of Wyoming. In the Powder River Basin, the natural gas that ONEOK Partners gathers is coal-bed methane, or dry natural gas that does not require processing or

NGL extraction in order to be marketable; dry natural gas is gathered, compressed and delivered into a downstream pipeline or marketed for a fee.

In the Mid-Continent region and the Williston Basin, unprocessed natural gas is compressed and transported through pipelines to processing facilities where volumes are aggregated, treated and processed to remove water vapor, solids and other contaminants, and to extract NGLs in order to provide marketable natural gas, commonly referred to as residue natural gas. The residue natural gas, which consists primarily of methane, is compressed and delivered to natural gas pipelines for transportation to end users. When the NGLs are separated from the unprocessed natural gas at the processing plants, the NGLs are in the form of a mixed, unfractionated NGL stream. ONEOK Partners' natural gas and NGLs are sold to its affiliates and a diverse customer base.

Revenue from the natural gas gathering and processing business is derived primarily from the following three types of contracts:

- POP - ONEOK Partners retains a percentage of the NGLs and/or a percentage of the residue gas as payment for gathering, treating, compressing and processing the producer's natural gas. This type of contract represented approximately 41 percent and 37 percent of gathering and processing contracted volumes for 2012 and 2011, respectively.
- Fee - ONEOK Partners is paid a fee for the services it provides based on Btus gathered, treated, compressed and/or processed. This type of contract represented approximately 57 percent and 60 percent of gathering and processing contracted volumes for 2012 and 2011, respectively.
- Keep-whole - ONEOK Partners extracts NGLs from unprocessed natural gas and returns to the producer volumes of residue natural gas containing the same amount of Btus as the unprocessed natural gas that was originally delivered. This type of contract represented approximately 2 percent and 3 percent of gathering and processing contracted volumes for 2012 and 2011, respectively. Approximately 78 percent and 75 percent of ONEOK Partners' volume under keep-whole contracts for 2012 and 2011, respectively, contain terms that effectively convert these contracts into fee contracts when the gross processing spread is negative.

Natural gas pipelines business - ONEOK Partners' natural gas pipeline business owns and operates regulated natural gas transmission pipelines and natural gas storage facilities. ONEOK Partners also provides interstate natural gas transportation and storage services in accordance with Section 311(a) of the Natural Gas Policy Act.

ONEOK Partners' FERC-regulated interstate assets transport natural gas through pipelines that access supply from Canada and from the Mid-Continent, Rocky Mountain and Gulf Coast regions. ONEOK Partners' intrastate natural gas pipeline assets are located in Oklahoma, Texas and Kansas, and have access to major natural gas producing areas in those states. ONEOK Partners owns underground natural gas storage facilities in Oklahoma, Kansas and Texas.

ONEOK Partners' revenues from its natural gas pipelines are derived typically from fee-based services provided to its customers. Its revenues are generated from the following types of fee-based contracts:

- Firm service - Customers can reserve a fixed quantity of pipeline or storage capacity for the terms of their contract. Under this type of contract, the customer pays a fixed fee for a specified quantity regardless of their actual usage. The customer then typically pays incremental fees, known as commodity charges, that are based upon the actual volume of natural gas they transport or store, and/or we may retain a specified volume of natural gas in-kind for fuel. Under the firm-service contract, the customer generally is guaranteed access to the capacity they reserve; and
- Interruptible service - Customers with interruptible service transportation and storage agreements may utilize available capacity after firm-service requests are satisfied or on an as-available basis. Interruptible service customers typically are assessed fees, such as a commodity charge, based on their actual usage, and/or we may retain a specified volume of natural gas in-kind for fuel. Under the interruptible service contract, the customer is not guaranteed use of our pipelines and storage facilities unless excess capacity is available.

Natural gas liquids business - ONEOK Partners' natural gas liquids business gathers, treats, fractionates, stores and transports NGLs and distributes and stores NGL products. ONEOK Partners' natural gas liquids gathering pipelines deliver unfractionated NGLs gathered from natural gas processing plants located in Oklahoma, Kansas, Texas and the Rocky Mountain region to fractionators it owns in Oklahoma, Kansas and Texas, as well as to third-party fractionators and pipelines. The NGLs are then separated through the fractionation process into the individual NGL products that realize the greater economic value of the NGL components. The individual NGL products are then stored or distributed to ONEOK Partners' customers, such as petrochemical manufacturers, heating-fuel users, refineries and propane distributors, through ONEOK Partners' FERC-regulated distribution pipelines that move NGL products from Oklahoma and Kansas to the Mid-Continent and Gulf Coast NGL market centers, as well as the Midwest markets near Chicago, Illinois.

Revenues from the natural gas liquids business are derived primarily from nondiscretionary fee-based services provided to ONEOK Partners' customers and physical optimization of its natural gas liquids assets. Its fee-based services have increased due primarily to previously completed capital projects, including the Cana-Woodford Shale and Granite Wash projects and expansion of its fractionation capacity. The sources of revenue are categorized as follows:

- Exchange services' activities - ONEOK Partners primarily gathers, fractionates and treats unfractionated NGLs for a fee, thereby converting them into marketable NGL products that are stored and shipped to a market center or customer-designated location. Many of these exchange volumes are under contracts with minimum volume commitments.
- Optimization and marketing activities - ONEOK Partners utilizes its assets, contract portfolio and market knowledge to capture location and seasonal price differentials. ONEOK Partners transports NGL products between the Mid-Continent and Gulf Coast in order to capture the location price differentials between the two market centers. ONEOK Partners' natural gas liquids storage facilities are also utilized to capture seasonal price variances. A growing portion of its marketing activities serves truck and rail markets.
- Pipeline transportation business - ONEOK Partners transports unfractionated NGLs, NGL products and refined petroleum products primarily under our FERC-regulated tariffs. Tariffs specify the maximum rates ONEOK Partners charges its customers and the general terms and conditions for NGL transportation service on its pipelines.
- Isomerization activities - ONEOK Partners captures the price differential when normal butane is converted into the more valuable iso-butane at its isomerization unit in Conway, Kansas. Iso-butane is used in the refining industry to increase the octane of motor gasoline.
- Storage services - ONEOK Partners stores NGLs at its Mid-Continent and Gulf Coast facilities for a fee.

Market Conditions and Seasonality - Supply - Natural gas and NGL supply is affected by producer drilling activity, which is sensitive to commodity prices, drilling rig availability, exploration success, operating capability, the NGL content of the natural gas that is produced and processed, access to capital and regulatory control. Crude oil prices and advances in horizontal drilling and completion technology have had a positive impact on drilling activity in the crude oil and NGL-rich shale and other nonconventional resource areas, providing an offset to the less favorable supply projections in some of the dry natural gas conventional resource areas.

In the Rocky Mountain region, Williston Basin volumes continue to grow as well connections from drilling completions increase, driven primarily by producer development of Bakken Shale and Three Forks formation crude-oil wells, which also produce associated natural gas containing significant quantities of NGLs. However, ONEOK Partners' natural gas gathering and processing business has experienced declines in natural gas volumes gathered in the Powder River Basin, which produces dry natural gas.

In the Mid-Continent region, ONEOK Partners expects increased drilling activity in the Cana-Woodford Shale and Granite Wash areas of western Oklahoma and the Mississippian Lime area of Oklahoma and Kansas to more than offset the volumetric declines in most conventional wells that supply ONEOK Partners' natural gas gathering and processing facilities and intrastate natural gas pipelines and storage assets.

ONEOK Partners' interstate natural gas pipelines access supply from major producing regions in the Mid-Continent, Rocky Mountain, Gulf Coast and Canada.

ONEOK Partners expects the overall supply of NGLs to continue to increase, as well as demand for its fee-based services, as a result of the development of shale areas and other nonconventional resource areas. Many new natural gas processing plants are being constructed in Oklahoma and the Texas Panhandle to process NGL-rich natural gas being produced in the Cana-Woodford Shale, Granite Wash, Woodford Shale and Mississippian Lime areas. ONEOK Partners' natural gas liquids gathering and fractionation operations receive NGLs from a variety of processors and pipelines, including affiliates, located in these regions.

ONEOK Partners' natural gas gathering and processing and natural gas liquids businesses also are affected by operational or market-driven changes that impact the output of natural gas processing plants. The price differential between the typically higher valued NGL products and the value of natural gas, particularly the price differential between ethane and natural gas, may influence the volume of NGLs available to be gathered from natural gas processing plants. During 2012, the value of ethane was periodically below that of natural gas, which negatively impacted the economic incentive for ethane recovery and caused some natural gas processing plants that deliver NGLs to our natural gas liquids gathering pipelines to reduce ethane production. There are a variety of factors that affect whether a processing plant will reduce or reject ethane production; however, we expect periods of low ethane prices relative to natural gas, causing periods of lower ethane production during 2013. ONEOK Partners'

natural gas processing plant operations can be adjusted to respond to market conditions, such as demand for ethane. By changing operating parameters at certain plants, ONEOK Partners can reduce, to some extent, the amount of ethane and propane recovered in its processing plants if prices or processing margins are unfavorable. During 2012, ethane rejection did not have a material impact on our financial results. We expect lower natural gas liquids volumes in ONEOK Partners' natural gas liquids business as a result of widespread and prolonged ethane rejection in 2013 that is expected to have a significant impact on our financial results. We do not expect prolonged ethane rejection to continue into 2014.

Natural gas and/or natural gas liquids pipeline capacity constraints may also impact the output of natural gas processing plants in total or for specific NGL products in the future. During 2012, we experienced limited reductions of supply related to changes in plant output as a result of pipeline capacity constraints.

Demand - Demand for natural gas gathering and processing services is aligned typically with the production of natural gas from natural gas resource areas or the associated natural gas from wells drilled in crude oil resource areas. Gathering and processing are nondiscretionary services that producers require to market their natural gas and NGL production. As producers continue to develop shale and other resource areas, ONEOK Partners expects demand for its natural gas gathering and processing services to increase.

Demand for natural gas pipeline transportation service and natural gas storage is related directly to demand for natural gas in the markets that ONEOK Partners' natural gas pipelines and storage facilities serve, and is affected by weather, the economy and natural gas and NGL price volatility. ONEOK Partners' natural gas pipelines primarily serve end-users, such as local natural gas distribution companies, electric-generation companies, large industrial companies, municipalities and irrigation customers that require natural gas to operate their businesses and generally are not impacted by location price differentials. However, narrower location price differentials may impact demand for ONEOK Partners' services from natural gas marketers as discussed below under "Commodity Prices." Demand for ONEOK Partners' natural gas pipelines services can also be impacted as coal-fired electric generators consider natural gas as an alternative fuel.

The strength of the economy directly impacts manufacturing and industrial companies that consume natural gas. Commodity price volatility can influence producers' decisions related to the production of natural gas, the level of NGLs processed from natural gas, and natural gas storage injection and withdrawal activity.

Demand for NGLs and the ability of natural gas processors to sustain successfully and economically their operations impacts the volume of unfractionated NGLs produced by natural gas processing plants, thereby affecting the demand for NGL gathering, fractionation and distribution services. Natural gas and propane are subject to weather-related seasonal demand. Other NGL products are affected by economic conditions and the demand associated with the various industries that utilize the commodity, such as butanes and natural gasoline, which are used by the refining industry as blending stocks for motor fuel, denaturant for ethanol and diluents for crude oil. Ethane, propane, normal butane and natural gasoline are used by the petrochemical industry to produce chemical products, such as plastics, rubber and synthetic fibers. Several petrochemical companies announced or completed new plants, plant expansions, additions or enhancements that improve the light-NGL feed capability of their facilities due primarily to the increased supply and attractive price of ethane as a petrochemical feedstock in the United States. As these projects are completed over the next five years, we expect ethane demand to increase. The demand is expected to increase significantly in three to five years when the new petrochemical plants are completed. In addition, international demand for propane is expected to impact positively the NGL market in the future. ONEOK Partners expects this increase in demand for NGLs will provide opportunities for its natural gas liquids exchange services activities to add incremental fee-based earnings.

Commodity Prices - Crude oil, natural gas and NGL prices can be volatile due to changes in market conditions. Commodity prices can also be impacted by demand for products from the petrochemical industry and

other consumers, storage injection and withdrawal rates and available storage capacity. The increase in natural gas supply from shale gas development has caused natural gas prices to decline and natural gas location and seasonal price differentials to narrow across most of the regions where ONEOK Partners operates. However, an increase in crude oil prices and the abundance of NGLs produced from the development of NGL-rich shale resource areas have made producing NGL feedstocks for the petrochemical industry more profitable. ONEOK Partners is exposed to commodity price risk in its natural gas gathering and processing business, as a result of receiving commodities in exchange for services, primarily on POP contracts, and in its natural gas liquids business from the NGLs it purchases and sells.

ONEOK Partners is also exposed to market risk associated with the price differentials between receipt and delivery points along its natural gas and natural gas liquids pipelines, also known as location differentials. Fluctuations in location differentials impact the rates its natural gas pipelines' customers with competitive alternatives are willing to pay and the optimization opportunities for its natural gas liquids business. During the second half of 2012, due to strong production and supply growth

from the development of NGL-rich shale areas, increased demand in the Mid-Continent region and increased capacity available on pipelines that connect the Mid-Continent and Gulf Coast market centers, NGL price differentials narrowed between the Mid-Continent market center at Conway, Kansas, and the Gulf Coast market center at Mont Belvieu, Texas. ONEOK Partners' natural gas and NGL storage revenues are impacted by the differential between the forward price of natural gas and NGLs and the price of natural gas and NGLs on the spot market. Additionally, fluctuations in the relative price differential between natural gas, NGLs and individual NGL products impacts ONEOK Partners' natural gas liquids exchange services and transportation revenues and, to a lesser extent, margins on its natural gas gathering and processing keep-whole contracts.

To minimize the risk from market price fluctuations of natural gas, NGLs and crude oil, ONEOK Partners uses commodity derivative instruments such as futures, swaps and physical-forward contracts to manage commodity-price risk associated with existing or anticipated purchase and sale agreements, existing physical natural gas or natural gas liquids in storage and location price differentials.

Seasonality - Our ONEOK Partners segment's products are subject to weather-related seasonal demand. Cold temperatures typically increase demand for natural gas and propane, which are used to heat homes and businesses. Warm temperatures typically drive demand for natural gas used for natural gas-fired electric generation needed to meet the electricity-generation demand required to cool residential and commercial properties. Precipitation levels also can impact the demand for natural gas that is used to fuel irrigation activity in the Mid-Continent region and demand for propane used to fuel crop-drying activity. Demand for butane and natural gasoline, which are used primarily by the refining industry as blending stocks for motor fuel, denaturant for ethanol and diluents for crude oil, may also be subject to some variability as automotive travel increases and as seasonal gasoline formulation standards are implemented. During periods of peak demand for a certain commodity, prices for that product typically increase, which may influence natural gas processing and NGL fractionation decisions.

Competition - ONEOK Partners' natural gas and natural gas liquids businesses compete directly with other companies for natural gas and NGL supply, markets and services. Competition for natural gas transportation services continues to increase as new infrastructure projects are completed and the FERC and state regulatory bodies continue to encourage additional competition in the natural gas markets. Competition is based primarily on fees for services, quality of services provided, current and forward natural gas and NGL prices and proximity to supply areas and markets. ONEOK Partners believes that the location and integration of its assets enable it to compete effectively.

ONEOK Partners' natural gas gathering and processing business competes for natural gas supplies with independent exploration and production companies that have gathering and processing assets, pipeline companies and their affiliated marketing companies, national and local natural gas gatherers and processors, and marketers in the Mid-Continent and Rocky Mountain regions. ONEOK Partners' natural gas liquids business competes with other fractionators, intrastate and interstate pipeline companies, storage providers, gatherers and transporters for NGL supplies in the Rocky Mountain, Mid-Continent and Gulf Coast regions. The factors that typically affect ONEOK Partners' ability to compete for natural gas and NGL supply are:

- quality of services provided;
- producer drilling activity;
- the petrochemical industry's level of capacity utilization and feedstock requirements;
- fees charged under its contracts;
- current and forward NGL prices;
- location of its assets relative to those of its competitors;
- location of its assets relative to drilling activity;
- proximity to NGL supply areas and markets;
- efficiency and reliability of its operations;
- pressures maintained on its gathering systems; and
-

receipt and delivery capabilities that exist for natural gas and NGLs in each pipeline system, processing plant, fractionator and storage location.

ONEOK Partners is responding to these factors by making capital investments to access new supply; increasing gathering, fractionation and distribution capacity; increasing storage, withdrawal and injection capabilities; and improving natural gas processing efficiency and reducing operating costs. ONEOK Partners' competitors have also recently announced plans for, and in some cases are already constructing or have completed, new natural gas gathering and processing facilities and natural gas liquids pipelines and fractionators to address the growing natural gas and NGL supply and petrochemical demand. ONEOK Partners is also evaluating opportunities to maximize earnings and renegotiating low-margin contracts with the principal goals of improving margins and reducing risk. When completed, ONEOK Partners' growth projects and those of its competitors are expected to impact NGL prices and narrow location price differentials between the Mid-Continent and Gulf Coast market

centers. We believe ONEOK Partners' natural gas gathering and processing, NGL fractionation, pipelines and storage assets are located strategically, connecting diverse supply areas to market centers.

Government Regulation - The FERC traditionally has maintained that a natural gas processing plant is not a facility for the transportation or sale for resale of natural gas in interstate commerce and, therefore, is not subject to jurisdiction under the Natural Gas Act. Although the FERC has made no specific declaration as to the jurisdictional status of ONEOK Partners' natural gas processing operations or facilities, ONEOK Partners' natural gas processing plants are primarily involved in extracting NGLs and, therefore, ONEOK Partners believes its natural gas processing plants are exempt from FERC jurisdiction. The Natural Gas Act also exempts natural gas gathering facilities from the jurisdiction of the FERC. ONEOK Partners believes its natural gas gathering facilities and operations meet the criteria used by the FERC for nonjurisdictional gathering facility status. Interstate transmission facilities remain subject to FERC jurisdiction. The FERC has distinguished historically between these two types of facilities, either interstate or intrastate, on a fact-specific basis. ONEOK Partners also transports residue gas from its natural gas processing plants to interstate pipelines in accordance with Section 311(a) of the Natural Gas Policy Act.

Oklahoma, Kansas, Wyoming, Montana and North Dakota also have statutes regulating, in various degrees, the gathering of natural gas in those states. In each state, regulation is applied on a case-by-case basis if a complaint is filed against the gatherer with the appropriate state regulatory agency.

ONEOK Partners' interstate natural gas pipelines are regulated under the Natural Gas Act and Natural Gas Policy Act, which give the FERC jurisdiction to regulate virtually all aspects of the pipeline activities. ONEOK Partners' intrastate natural gas transportation assets in Oklahoma, Kansas and Texas are regulated by the OCC, KCC and RRC, respectively. ONEOK Partners has flexibility in establishing natural gas transportation rates with customers. However, there are maximum rates that ONEOK Partners can charge its customers in Oklahoma and Kansas.

The operations and revenues of ONEOK Partners' natural gas liquids pipelines are regulated by various state and federal government agencies. Its interstate natural gas liquids pipelines are regulated by the FERC, which has authority over the terms and conditions of service, rates, including depreciation and amortization policies and initiation of service. In Oklahoma, Kansas and Texas, ONEOK Partners' intrastate natural gas liquids pipelines that provide common carrier service are subject to the jurisdiction of the OCC, KCC and RRC, respectively.

PHMSA has asserted jurisdiction over certain portions of ONEOK Partners' natural gas liquids fractionation facilities in Bushton, Kansas, that ONEOK Partners believes are not subject to its jurisdiction. ONEOK Partners has objected to the scope of PHMSA's jurisdiction and is seeking resolution of this matter. We do not anticipate that the cost of compliance will have a material adverse effect on our consolidated results of operations, financial position or cash flows.

See further discussion in the "Environmental and Safety Matters" section.

Unconsolidated Affiliates - Our ONEOK Partners segment has investments in unconsolidated affiliates that include Northern Border Pipeline, Overland Pass Pipeline Company, three partnerships that operate natural gas gathering systems located primarily in the Powder River of Wyoming and other investments. Northern Border Pipeline is a leading transporter of natural gas imported from Canada into the United States. Overland Pass Pipeline Company operates an interstate natural gas liquids pipeline system that transports natural gas liquids from the Rocky Mountain region to the Mid-Continent NGL market center.

See Note O of the Notes to Consolidated Financial Statements in this Annual Report for additional discussion of ONEOK Partners' unconsolidated affiliates.

Natural Gas Distribution

Overview - Our Natural Gas Distribution segment provides natural gas distribution services to more than 2 million customers in Oklahoma, Kansas and Texas through Oklahoma Natural Gas, Kansas Gas Service and Texas Gas Service. We serve residential, commercial, industrial and transportation customers in all three states. In addition, our LDCs serve wholesale and public authority customers. We operate subject to regulations and oversight of the state regulatory agencies. Our regulatory strategy incorporates features that reduce earnings lag, protect margin and mitigate risks.

Our strategies to reduce earnings lag include a performance-based rate mechanism in Oklahoma and capital-recovery mechanisms in Kansas and portions of Texas. In addition, we also have cost-of-service adjustments in certain Texas markets that address investments in rate base and changes in operating expenses.

Margin protection strategies include increasing the portion of our service fees that is fixed rather than volumetrically based. Customer consumption is affected by end-use equipment efficiency, natural gas prices and weather conditions. Weather normalization mechanisms in place in Oklahoma, Kansas and portions of Texas are designed to limit our sensitivity to weather.

Risk mitigation strategies include mechanisms to recover the fuel-related component of bad debts in all three states, pension and other postretirement benefits in Kansas and portions of Texas, and ad valorem taxes in Kansas.

Our operating results are affected primarily by the number of customers, usage and the ability to collect service fees that provide a reasonable rate of return on our investment and recovery of our cost of service. Natural gas costs are passed through to our customers based on the actual cost of natural gas purchased by the respective natural gas distribution company and related expenses, including transportation and storage costs. Substantial fluctuations in natural gas sales can occur from year to year without materially or adversely impacting our net margin, since the fluctuations in natural gas costs affect natural gas sales and cost of gas by an equivalent amount. Higher natural gas costs may cause customers to conserve or use alternative energy sources. Higher natural gas costs may also impact adversely our accounts receivable collections, resulting in higher bad-debt expense.

Oklahoma Natural Gas, Kansas Gas Service and Texas Gas Service distribute natural gas as public utilities to approximately 87 percent, 70 percent and 14 percent of the natural gas distribution customers in Oklahoma, Kansas and Texas, respectively. Natural gas sold to residential and commercial customers as a percentage of our LDC's total natural gas sales by state is presented in the table below:

	Oklahoma	Kansas	Texas
Residential	83%	79%	70%
Commercial	17%	19%	22%

Market Conditions and Seasonality - Supply - Our LDCs purchased 140 Bcf and 163 Bcf of natural gas supply in 2012 and 2011, respectively. Our natural gas supply portfolio consists of long-term, seasonal and short-term contracts from a diverse group of suppliers. These contracts are awarded through competitive-bidding processes to ensure reliable and competitively priced natural gas supply. Our Natural Gas Distribution segment's natural gas supply is acquired from natural gas processing plants, natural gas marketers and natural gas producers.

An objective of our supply-sourcing strategy is to provide value to customers through reliable, competitively priced and flexible natural gas supply and transportation purchases from multiple production areas and suppliers. This strategy is designed to prevent supply from being curtailed by physical interruption, possible financial difficulties of a single supplier, natural disasters and other unforeseen force majeure events, as well as ensuring these resources are reliable and flexible to meet the variations of customer demands.

We do not anticipate problems with securing natural gas supply to satisfy customer demand; however, if supply shortages were to occur, each of our LDCs has curtailment tariff provisions in place that provide for: reducing or discontinuing natural gas service to large industrial users; and requesting that residential and commercial customers reduce their natural gas requirements to an amount essential for public health and safety. In addition, during times of critical supply disruptions, curtailments of deliveries to customers with firm contracts may be made in accordance with guidelines established by appropriate federal, state and local regulatory agencies.

Natural gas supply requirements are affected by weather conditions. In addition, economic conditions impact the requirements of our commercial and industrial customers. Natural gas usage per residential customer may decline as customers change their consumption patterns in response to: (i) more volatile and higher natural gas prices, as discussed above; (ii) customers' improving the energy efficiency of existing homes by replacing doors and windows and adding insulation, and replacing appliances with more efficient appliances; (iii) more energy-efficient construction; and (iv) fuel switching. In each jurisdiction in which we operate, changes in customer-usage profiles are

considered in the periodic redesign of our rates.

In managing our natural gas supply portfolios, we partially mitigate price volatility using a combination of physical and financial derivatives and natural gas in storage. We have natural gas hedging programs that have been authorized by the regulatory authorities in each state in which our LDCs do business. We do not utilize financial derivatives for speculative purposes nor do we have trading operations associated with our Natural Gas Distribution segment. We utilized 39.3 Bcf of contracted storage capacity in 2012, which allows natural gas to be purchased during the off-peak season and stored for use in the winter periods.

Demand - See discussion below under “Seasonality” and “Competition” for factors affecting demand for our services.

Seasonality - Natural gas sales to residential and commercial customers are seasonal, as a substantial portion of their natural gas requirements are for heating. Accordingly, the volume of natural gas sales is higher normally during the months of November through March than in other months of the year. The impact on margins for our LDCs resulting from weather that is above or below normal is offset in part through weather-normalization adjustments (WNA). These adjustments have been approved by the regulatory authorities for our Oklahoma, Kansas and certain Texas service territories. WNA allow us to increase customer billing to offset lower gas usage when weather is warmer than normal and decrease customer billing to offset higher gas usage when weather is colder than normal.

Competition - We encounter competition based on customers’ preference for natural gas, compared with other energy products and their comparative prices. The most significant product competition occurs between natural gas and electricity in the residential and small commercial markets. We compete for space and water heating, cooking, clothes drying and other general energy needs. Customers and builders typically make the decision on the type of equipment at initial installation and use the chosen energy source for the life of the equipment. The markets in our service territories have become increasingly competitive. Changes in the competitive position of natural gas relative to electricity and other energy products have the potential to cause a decline in consumption or in the number of natural gas customers.

However, industry studies have demonstrated that assessing energy efficiency in terms of full fuel-cycle analysis highlights the high overall efficiency of natural gas in residential and commercial uses, compared with electricity. The Department of Energy issued a statement of policy that it will use full fuel-cycle measures of energy use and emissions when evaluating energy-conservation standards for appliances. Further, independent studies show that natural gas provides a cost advantage over electricity for typical home and business applications.

We believe that we must maintain a competitive advantage in order to retain our customers, and, accordingly, we focus on providing safe, reliable and efficient service and controlling costs. Our Natural Gas Distribution segment is subject to competition from other pipelines for our existing industrial load. Oklahoma Natural Gas, Kansas Gas Service and Texas Gas Service compete for service to large industrial and commercial customers, and competition has and may continue to impact margins.

Under our transportation tariffs, qualifying industrial and commercial customers are able to purchase their natural gas commodity from the supplier of their choice and have us transport it for a fee. A portion of transportation services provided is at negotiated rates that are generally below the maximum approved transportation tariff rates. Reduced rate transportation service may be negotiated when a competitive pipeline is in proximity or another viable energy option is available. Increased competition could potentially lower these rates.

Government Regulation - Rates charged for natural gas transportation services by the LDCs in our Natural Gas Distribution segment are established by the OCC for Oklahoma Natural Gas and by the KCC for Kansas Gas Service. Texas Gas Service is subject to regulatory oversight by the various municipalities that it serves, which have primary jurisdiction in their respective areas. Rates in unincorporated areas of Texas and all appellate matters are subject to regulatory oversight by the RRC. Natural gas supply costs for our LDCs are passed on to our customers through a purchased-gas cost-adjustment mechanism. We do not make a profit on the cost of natural gas. Other changes in costs must be recovered through periodic rate adjustments approved by the OCC, KCC, RRC and various municipalities in Texas. See page 56 for a detailed description of our various regulatory initiatives.

See further discussion in the “Environmental and Safety Matters” section.

Energy Services

Overview - Our Energy Services segment is a provider of natural gas supply and risk-management services for natural gas and electric utilities and commercial and industrial customers. We use a network of leased storage and transportation capacity to supply natural gas to our customers. This network connects the major supply and demand centers throughout the United States and into Canada and, coupled with our industry knowledge and market intelligence, allows us to provide our customers with customized services in a more efficient and reliable manner than they can achieve independently.

Strategy - We follow a strategy of optimizing our storage and cross-regional transportation capacity through the application of market knowledge and effective risk management. We seek to maximize value by actively hedging the risks associated with seasonal and location price differentials that are inherent to storage and transportation contracts. At the same time, we attempt to capitalize on opportunities created by market volatility, weather-related events, supply-demand imbalances and market

inefficiencies, which allow us to capture additional margin. Using market information, we manage these asset-based positions and seek to provide incremental margin in our trading portfolio.

To ensure natural gas is available when our customers need it, we offer premium services and products that satisfy our customers' nonuniform supply needs such as swing and peaking natural gas load requirements on a year-round basis. Types of premium services include next-day and no-notice services. Next-day services allow our customers to call on additional gas supply up to an amount agreed upon in a service contract and expect delivery the following day. No-notice services allow customers to call on additional gas supply and expect immediate delivery. We also provide weather-related protection and other custom solutions based on our customers' specific needs. Our storage and transportation assets enable us to provide these services and provide us with opportunities to capture daily, monthly and seasonal value due to market inefficiencies.

As a result of significant increases in the supply of natural gas, primarily from shale production across North America, location and seasonal natural gas price differentials have narrowed significantly, resulting in reduced opportunities to capture margins with our firm transportation and storage capacity. Additionally, price volatility in the natural gas markets remains relatively low compared with volatility in the past, which, coupled with a fairly flat forward price curve, reduces the value of the demand fee we receive for premium services and further limits opportunities to optimize our assets. We have undertaken several steps to better align fixed costs with the current business environment, including allowing nonstrategic contracts to expire and attempting to renegotiate various natural gas storage and transportation contracts. Contract renegotiation activities that we have taken or expect to take include renewing contracts at current market prices at contract expiration, extending contracts in order to negotiate a more favorable rate or paying to terminate contracts in areas that are no longer strategic to our business. It is possible that we may recognize charges to our earnings as a result of certain of these actions. We expect these contractual changes to result in less storage and transportation capacity under lease and a better alignment of our contracted natural gas transportation and storage capacity with the needs of our premium-services customers. We also expect the reduction in our contracted natural gas transportation and storage capacity will reduce our operating costs and working-capital requirements.

Approximately 311.1 MMcf/d, or 32 percent, of our transportation capacity expires by the end of 2013, and an additional 390.4 MMcf/d, or 41 percent, of our transportation capacity expires by the end of 2015. Approximately 22.3 Bcf, or 31 percent, of our storage capacity expires by the end of 2013, and an additional 40.5 Bcf, or 57 percent, of our storage capacity expires by the end of 2015. Our strategy is to either release this capacity or recontract at market rates.

Derivatives - We intend to minimize the mark-to-market earnings impact that our forward hedges have on current period earnings. When possible, we implement hedging strategies using derivative instruments that qualify as hedges for accounting purposes. We actively manage the commodity price and volatility risks associated with providing energy risk-management services to our customers by executing derivative instruments in accordance with the parameters established in our risk-management and compliance policy. The derivative instruments consist of over-the-counter transactions such as forward, swap and option contracts, and NYMEX futures and option contracts.

We utilize our experience to optimize the value of our contracted assets and use our risk management and marketing capabilities to manage risk and generate additional margins. We apply a combination of cash flow and fair value hedge accounting when implementing hedging strategies that take advantage of favorable market conditions. See Note D of the Notes to Consolidated Financial Statements in this Annual Report for additional information. Additionally, certain non-trading transactions, which are economic hedges of our accrual transactions such as certain of our storage and transportation contracts, will not qualify for hedge accounting treatment. These economic hedges receive mark-to-market accounting treatment, as they are derivative contracts and are not designated as part of a hedge relationship. As a result, the underlying risk being hedged receives accrual accounting treatment, while we use mark-to-market accounting treatment for the economic hedges. We cannot predict the earnings

fluctuations from mark-to-market accounting, and the impact on earnings could be material.

In prior years, we were able to hedge location price differentials and seasonal storage price differentials at more favorable levels compared with opportunities currently available to us. These factors have impacted negatively our Energy Services segment's results of operations in 2011 and 2012, and we anticipate these factors will persist throughout 2013. A significant amount of our storage and transportation hedges that were entered into at favorable levels were realized by the end of 2011.

Working Capital - Our Energy Services segment requires working capital to purchase natural gas inventory, to reserve transportation and storage capacity and to meet cash collateral requirements associated with our risk-management activities. Our inventory purchases and hedging strategies are implemented with consideration given to ONEOK's overall working capital requirements and liquidity. Restrictions on our access to working capital may impact our inventory purchases and risk-management activities, which could impact our results. Our working capital costs would be impacted by a change in ONEOK's current investment-grade credit ratings or a significant increase in commodity prices. See discussion under "Credit Risk" of

Note D of the Notes to Consolidated Financial Statements in this Annual Report for additional information about the impact of a change in ONEOK's credit rating.

Our working capital requirements related to our inventory in storage were as high as $202.3 million during 2012 and had decreased to $169.1 million by December 31, 2012. In addition, margin requirements can result in increased working capital requirements. During 2012, the amount we were required to post with counterparties to meet our margin requirements ranged from zero to $31.4 million, and the amount posted for our benefit by our counterparties ranged from zero to $69.7 million.

Sales with Affiliates - Our Energy Services segment conducts business with our ONEOK Partners and Natural Gas Distribution segments. These services are provided under agreements with market-based terms. Additionally, business with our LDCs is awarded through a competitive-bidding process.

Market Conditions and Seasonality - Supply - Our Energy Services segment maintains a natural gas supply portfolio consisting of various term-length contracted supply in all of the major producing regions, including the Rocky Mountain, Mid-Continent and Gulf Coast. During periods of high natural gas demand, we utilize storage capacity that allows us to supplement natural gas supply volumes to meet our peak-day demand obligations or market needs.

An increase in shale natural gas production and related pipeline construction across North America has resulted in greater natural gas supply, putting downward pressure on natural gas prices and narrowing the price differentials between regions. The impact of lower natural gas prices and price volatility and narrower location and seasonal price differentials has resulted in reduced opportunities to capture incremental margin through optimization efforts.

Demand - Demand under our swing and peaking natural gas requirements contracts in our wholesale operation usually is driven by the extent to which temperatures vary from normal levels. A significant portion of this business is contracted during the winter period of November through March.

The displacement of electric power-generation plants from coal to natural gas is resulting in a moderate increase in demand for natural gas. These displacements are being driven by the lower cost of natural gas relative to coal and to a lesser extent due to potential government regulations.

Customers continue to contract for storage, transportation and premium services but at lower prices due to lower natural gas prices resulting from the increased supply and lower natural gas price volatility. Although future improvements in the U.S. economy, coupled with the depressed natural gas price environment, could increase modestly customer demand, we do not anticipate a significant change in customer demand in 2013.

Seasonality - Due to the seasonality of natural gas consumption, storage withdrawals and demand for our products and services, earnings are higher normally during the winter months than the summer months. Natural gas sales volumes are higher typically in the winter heating months than in the summer months, reflecting increased demand due to greater heating requirements and, typically, higher natural gas prices.

Increased natural gas supply is also impacting negatively the seasonal price differentials. There could be situations where winter prices are lower, due to mild weather and abundant supply, than the prices in the upcoming summer. These changes could result in unfavorable pricing between periods that could result in losses on the withdrawal of natural gas from inventory.

Competition - In response to a challenging marketing environment, our strategy is to concentrate our efforts on providing reliable service during peak-demand periods. We can compete effectively in the market by utilizing our contracted storage and transportation assets. We continue to focus on building and strengthening supplier and customer relationships to execute our strategy and increase our market presence.

Government Regulation - Our Energy Services segment purchases natural gas for resale at negotiated rates in interstate commerce. As such, it has been granted by FERC an automatic blanket certificate of public convenience and necessity authorizing such sales. This is a limited certificate that does not subject our Energy Services segment to any other regulation of FERC under its Natural Gas Act jurisdiction. Holders of blanket marketing certificates are subject to certain reporting and document retention requirements.

Market conditions and uncertainties associated with the implementation of financial reform through the Dodd-Frank Act have reduced liquidity in the financial derivatives markets, particularly for basis swaps, which make it difficult to implement forward hedges around our transportation and storage positions. See “Financial Markets Legislation” for discussion of the Dodd-Frank Act.

SEGMENT FINANCIAL INFORMATION

Operating Income, Customers and Total Assets - See Note R of the Notes to Consolidated Financial Statements in this Annual Report for disclosure by segment of our operating income and total assets and for a discussion of revenues from external customers.

Other

Through ONEOK Leasing Company, L.L.C., and ONEOK Parking Company, L.L.C., we own a parking garage and an office building (ONEOK Plaza) in downtown Tulsa, Oklahoma, where our headquarters are located. ONEOK Leasing Company, L.L.C., leases excess office space to others and operates our headquarters office building. ONEOK Parking Company, L.L.C. owns and operates a parking garage adjacent to our headquarters.

FINANCIAL MARKETS LEGISLATION

The Dodd-Frank Act represents a far-reaching overhaul of the framework for regulation of United States financial markets. Various regulatory agencies, including the SEC and the CFTC, have proposed regulations for implementation of many of the provisions of the Dodd-Frank Act. The CFTC has issued final regulations for many provisions of the Dodd-Frank Act that have varying effective dates for compliance, but others remain outstanding. Based on our assessment of the regulations issued to date and those proposed, we expect to be able to continue to participate in financial markets for hedging certain risks inherent in our business, including commodity and interest-rate risks; however, the capital requirements and costs of hedging may increase as a result of the regulations. We also may incur additional costs associated with our compliance with the new regulations and anticipated additional record keeping, reporting and disclosure obligations; however, we do not believe the costs will be material. These requirements could affect adversely market liquidity and pricing of derivative contracts, making it more difficult to execute our risk-management strategies in the future. Also, the anticipated increased costs of compliance by dealers and counterparties likely will be passed on to customers, which could decrease the benefits of hedging to us and could reduce our profitability and liquidity.

ENVIRONMENTAL AND SAFETY MATTERS

Additional information about our environmental matters is included in Note Q of the Notes to Consolidated Financial Statements in this Annual Report.

Environmental Matters - We are subject to multiple historical, wildlife preservation and environmental laws and/or regulations, which affect many aspects of our present and future operations. Regulated activities include, but are not limited to, those involving air emissions, storm water and wastewater discharges, handling and disposal of solid and hazardous wastes, wetland preservation, hazardous materials transportation, and pipeline and facility construction. These laws and regulations require us to obtain and/or comply with a wide variety of environmental clearances, registrations, licenses, permits and other approvals. Failure to comply with these laws, regulations, licenses and permits may expose us to fines, penalties and/or interruptions in our operations that could be material to our results of operations. For example, if a leak or spill of hazardous substances or petroleum products occurs from pipelines or facilities that we own, operate or otherwise use, we could be held jointly and severally liable for all resulting liabilities, including response, investigation and cleanup costs, which could affect materially our results of operations and cash flows. In addition, emission controls and/or other regulatory or permitting mandates under the Clean Air Act and other similar federal and state laws could require unexpected capital expenditures at our facilities. We cannot assure that existing environmental statutes and regulations will not be revised or that new regulations will not be adopted or become applicable to us. Revised or additional statutes or regulations that result in increased compliance costs or additional operating restrictions could have a material adverse effect on our business,

financial condition, results of operations and cash flows.

Pipeline Safety - We are subject to PHMSA regulations, including integrity-management regulations. The Pipeline Safety Improvement Act of 2002 requires pipeline companies operating high-pressure pipelines to perform integrity assessments on pipeline segments that pass through densely populated areas or near specifically designated high-consequence areas. In January 2012, The Pipeline Safety, Regulatory Certainty and Job Creation Act of 2011 was signed into law. The new law increased maximum penalties for violating federal pipeline safety regulations and directs the DOT and Secretary of Transportation to conduct further review or studies on issues that may or may not be material to us. These issues include but are not limited to the following:

- an evaluation on whether hazardous natural gas liquids and natural gas pipeline integrity-management requirements should be expanded beyond current high-consequence areas;
- a review of all natural gas and hazardous natural gas liquids gathering pipeline exemptions;
- a verification of records for pipelines in class 3 and 4 locations and high-consequence areas to confirm maximum allowable operating pressures; and
- a requirement to test previously untested pipelines operating above 30-percent yield strength in high-consequence areas.

The potential capital and operating expenditures related to this legislation, the associated regulations or other new pipeline safety regulations are unknown.

Air and Water Emissions - The Clean Air Act, the Clean Water Act, analogous state laws and/or regulations promulgated thereunder, impose restrictions and controls regarding the discharge of pollutants into the air and water in the United States. Under the Clean Air Act, a federally enforceable operating permit is required for sources of significant air emissions. We may be required to incur certain capital expenditures for air-pollution-control equipment in connection with obtaining or maintaining permits and approvals for sources of air emissions. The Clean Water Act imposes substantial potential liability for the removal of pollutants discharged to waters of the United States and remediation of waters affected by such discharge.

Federal, state and regional initiatives to measure and regulate greenhouse gas emissions are under way. We monitor all relevant federal and state legislation to assess the potential impact on our operations. In 2009, the EPA released its Mandatory Greenhouse Gas Reporting Rule, which requires annual greenhouse gas emissions reporting from affected facilities and the carbon dioxide emission equivalents for the natural gas delivered by us to our distribution customers who are not otherwise required to report their own emissions and the emission equivalents for all NGLs produced by ONEOK Partners as if all of these products were combusted, even if they are used otherwise. Also, the EPA released a subpart to the Mandatory Greenhouse Gas Reporting Rule that requires the annual reporting of vented and fugitive emissions of methane from certain facilities beginning with the reporting of 2011 fugitive emission in 2012. Our 2011 total reported emissions were approximately 64.8 million metric tons of carbon dioxide equivalents. This total includes direct emissions from the combustion of fuel in our equipment, such as compressor engines and heaters, as well as carbon dioxide equivalents from natural gas and NGL products delivered to customers and produced, as if all such fuel and NGL products were combusted. The additional cost to gather and report this emission data did not have, and we do not expect it to have, a material impact on our results of operations, financial position or cash flows. In addition, Congress has considered, and may consider in the future, legislation to reduce greenhouse gas emissions, including carbon dioxide and methane. Likewise, the EPA may institute additional regulatory rulemaking associated with greenhouse gas emissions. At this time, no rule or legislation has been enacted that assesses any costs, fees or expenses on any of these emissions.

In May 2010, the EPA finalized the “Tailoring Rule” that regulates greenhouse gas emissions at new or modified facilities that meet certain criteria. Affected facilities are required to review best available control technology, conduct air-quality analysis, impact analysis and public reviews with respect to such emissions. The rule was phased in beginning January 2011 and at current emission threshold levels has not had a material impact on our existing facilities. The EPA has stated it will consider lowering the threshold levels over the next five years, which could increase the impact on our existing facilities; however, potential costs, fees or expenses associated with the potential adjustments are unknown.

In 2010, the EPA issued a rule on air-quality standards titled, “National Emission Standards for Hazardous Air Pollutants for Reciprocating Internal Combustion Engines,” also known as RICE NESHAP, which initially included a compliance date in 2013. Subsequent industry appeals and settlements with the EPA have extended timelines associated with the final RICE NESHAP rule. While the rule could require capital expenditures for the purchase and installation of new emissions-control equipment, we do not expect these expenditures will have a material impact on

our results of operations, financial position or cash flows.

In July 2011, the EPA issued a proposed rule that would change the air emission New Source Performance Standards, also known as NSPS, and Maximum Achievable Control Technology requirements applicable to the oil and natural gas industry, including natural gas production, processing, transmission and underground storage sectors. In April 2012, the EPA released the final rule, which includes new NSPS and air toxic standards for a variety of sources within natural gas processing plants, oil and natural gas production facilities and natural gas transmission stations. The rule also regulates emissions from the hydraulic fracturing of wells for the first time. The EPA's final rule reflects significant changes from the proposal issued in 2011 and allows for more manageable compliance options. The NSPS final rule became effective in October 2012, but the dates for compliance vary and depend in part upon the type of affected facility and the date of construction, reconstruction or modification. Further, pursuant to various industry comments, administrative petitions for reconsideration and/or judicial appeals of portions of the NSPS final rule, the EPA has indicated it may provide certain responses, amendments and/or policy

guidance to amend or clarify portions of the final rule in 2013. We anticipate that if the EPA issues additional responses, amendments and/or policy guidance on the final rule, it will reduce the anticipated capital, operations and maintenance costs resulting from the regulation. Generally, the NSPS final rule will require expenditures for updated emissions controls, monitoring and record-keeping requirements at affected facilities in the crude-oil and natural gas industry. We do not expect these expenditures will have a material impact on our results of operations, financial position or cash flows.

CERCLA - The federal Comprehensive Environmental Response, Compensation and Liability Act, also commonly known as Superfund (CERCLA), imposes strict, joint and several liability, without regard to fault or the legality of the original act, on certain classes of “persons” (defined under CERCLA) that caused and/or contributed to the release of a hazardous substance into the environment. These persons include but are not limited to the owner or operator of a facility where the release occurred and/or companies that disposed or arranged for the disposal of the hazardous substances found at the facility. Under CERCLA, these persons may be liable for the costs of cleaning up the hazardous substances released into the environment, damages to natural resources and the costs of certain health studies. Neither we nor ONEOK Partners expect our respective responsibilities under CERCLA, for this facility and any other, will have a material impact on our respective results of operations, financial position or cash flows.

Chemical Site Security - The United States Department of Homeland Security released an interim rule in April 2007 that requires companies to provide reports on sites where certain chemicals, including many hydrocarbon products, are stored. We completed the Homeland Security assessments, and our facilities subsequently were assigned one of four risk-based tiers ranging from high (Tier 1) to low (Tier 4) risk, or not tiered at all due to low risk. To date, four of our facilities have been given a Tier 4 rating. Facilities receiving a Tier 4 rating are required to complete Site Security Plans and possible physical security enhancements. We do not expect the Site Security Plans and possible security enhancements cost will have a material impact on our results of operations, financial position or cash flows.

Pipeline Security - The United States Department of Homeland Security’s Transportation Security Administration and the DOT have completed a review and inspection of our “critical facilities” and identified no material security issues. Also, the Transportation Security Administration has released new pipeline security guidelines that include broader definitions for the determination of pipeline “critical facilities.” We have reviewed our pipeline facilities according to the new guideline requirements, and there have been no material changes required to date.

Environmental Footprint - Our environmental and climate change strategy focuses on taking steps to minimize the impact of our operations on the environment. These strategies include: (i) developing and maintaining an accurate greenhouse gas emissions inventory according to current rules issued by the EPA; (ii) improving the efficiency of our various pipelines, natural gas processing facilities and natural gas liquids fractionation facilities; (iii) following developing technologies for emission control and the capture of carbon dioxide to keep it from reaching the atmosphere; and (iv) utilizing practices to reduce the loss of methane from our facilities.

We participate in the EPA’s Natural Gas STAR Program to voluntarily reduce methane emissions. We continue to focus on maintaining low rates of lost-and-unaccounted-for natural gas through expanded implementation of best practices to limit the release of natural gas during pipeline and facility maintenance and operations.

EMPLOYEES

We employed 4,859 people at January 31, 2013, including 705 people at Kansas Gas Service who are subject to collective bargaining agreements. The following table sets forth our contracts with collective bargaining units at January 31, 2013:

Union	Employees	Contract Expires
The United Steelworkers	406	October 28, 2016
International Brotherhood of Electrical Workers (IBEW)	299	June 30, 2014

EXECUTIVE OFFICERS

All executive officers are elected annually by our Board of Directors and each serves until such person resigns, is removed or is otherwise disqualified to serve or until such officer's successor is duly elected. Our executive officers listed below include the officers who have been designated by our Board of Directors as our Section 16 executive officers.

Name and Position	Age	Business Experience in Past Five Years	
John W. Gibson	60	2012 to present	Chairman and Chief Executive Officer, ONEOK and ONEOK Partners
Chairman and Chief Executive Officer		2011	Chairman, President and Chief Executive Officer, ONEOK
		2011	Vice Chairman of the Board of Directors, ONEOK
		2010 to 2011	President and Chief Executive Officer, ONEOK
		2010 to 2011	Chairman, President and Chief Executive Officer, ONEOK Partners
		2007 to 2009	Chief Executive Officer, ONEOK
		2007 to 2009	Chairman and Chief Executive Officer, ONEOK Partners
		2006 to present	Member of the Board of Directors, ONEOK and ONEOK Partners
Terry K. Spencer	53	2012 to present	President, ONEOK and ONEOK Partners
President		2010 to present	Member of the Board of Directors, ONEOK Partners
		2009 to 2011	Chief Operating Officer, ONEOK Partners
		2007 to 2009	Executive Vice President, Natural Gas Liquids, ONEOK Partners
Pierce H. Norton II	53	2013 to present	Executive Vice President, Commercial, ONEOK and ONEOK Partners
Executive Vice President, Commercial		2012	Executive Vice President and Chief Operating Officer, ONEOK and ONEOK Partners
		2011	Chief Operating Officer, ONEOK
		2009 to 2011	President, ONEOK Distribution Companies, ONEOK
		2007 to 2009	Executive Vice President, Natural Gas, ONEOK Partners
Robert F. Martinovich	55	2013 to present	Executive Vice President, Operations, ONEOK and ONEOK Partners
Executive Vice President, Operations		2012	Executive Vice President, Chief Financial Officer and Treasurer, ONEOK and ONEOK Partners
		2011 to 2012	Member of the Board of Directors, ONEOK Partners
		2011	Senior Vice President, Chief Financial Officer and Treasurer, ONEOK and ONEOK Partners
		2009 to 2011	Chief Operating Officer, ONEOK
			President, Gathering and Processing, ONEOK Partners

		2007 to 2009	
Stephen W. Lake	49	2012 to present	Senior Vice President, General Counsel and Assistant Secretary, ONEOK and ONEOK Partners
Senior Vice President, General Counsel and Assistant Secretary		2011	Senior Vice President, Associate General Counsel and Assistant Secretary, ONEOK and ONEOK Partners
		2008 to 2011	Executive Vice President and General Counsel, McJunkin Red Man Corporation
		1998 to 2008	Partner, Gable & Gotwals, A Professional Corporation
Derek S. Reiners	41	2013 to present	Senior Vice President, Chief Financial Officer and Treasurer, ONEOK and ONEOK Partners
Senior Vice President, Chief Financial Officer and Treasurer		2009 to 2012	Senior Vice President and Chief Accounting Officer, ONEOK and ONEOK Partners
		2004 to 2009	Partner, Grant Thornton LLP
Sheppard F. Miers III	44	2013 to present	Vice President and Chief Accounting Officer, ONEOK and ONEOK Partners
Vice President and Chief Accounting Officer		2009 to 2012	Vice President and Controller, ONEOK Partners
		2005 to 2009	Vice President, ONEOK

No family relationships exist between any of the executive officers, nor is there any arrangement or understanding between any executive officer and any other person pursuant to which the officer was selected.

INFORMATION AVAILABLE ON OUR WEBSITE

We make available, free of charge, on our website (www.oneok.com) copies of our Annual Reports, Quarterly Reports, 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 and Ethics, Governance Guidelines, Partnership Agreement and the written charter of our Audit Committee 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.

ITEM 1A. RISK FACTORS

Our investors should consider the following risks that could affect us and our business. Although we have tried to discuss key factors, our investors need to be aware that other risks may prove to be important in the future. New risks may emerge at any time, and we cannot predict such risks or estimate the extent to which they may affect our financial performance. Investors should carefully consider the following discussion of risks and the other information included or incorporated by reference in this Annual Report, including "Forward-Looking Statements," which are included in Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations.

RISK FACTORS INHERENT IN OUR BUSINESS

Market volatility and capital availability could affect adversely our business.

The capital and global credit markets have experienced volatility and disruption in the past. In many cases during these periods, the capital markets have exerted downward pressure on equity values and reduced the credit capacity for certain companies. Our ability to grow could be constrained if we do not have regular access to the capital and global credit markets. Similar or more severe levels of global market disruption and volatility may have an adverse affect on us resulting from, but not limited to, disruption of our access to capital and credit markets, difficulty in obtaining financing necessary to expand facilities or acquire assets, increased financing cost and increasingly restrictive covenants.

Our operating results may be affected materially and adversely by unfavorable economic and market conditions.

Economic conditions worldwide have from time to time contributed to slowdowns in the oil and natural gas industry, as well as in the specific segments and markets in which we operate, resulting in reduced demand and increased price competition for our products and services. Our operating results in one or more geographic regions may also be affected by uncertain or changing economic conditions within that region. Volatility in commodity prices may have an impact on many of our customers, which, in turn, could have a negative impact on their ability to meet their obligations to us. If global economic and market conditions (including volatility in commodity markets), or economic conditions in the United States or other key markets, remain uncertain or persist, spread or deteriorate further, we may experience material impacts on our business, financial condition, results of operations and liquidity.

Our cash flow depends heavily on the earnings and distributions of ONEOK Partners.

Our partnership interest in ONEOK Partners is one of our largest cash-generating assets. Therefore, our cash flow is heavily dependent upon the ability of ONEOK Partners to make distributions to its partners. A significant decline in ONEOK Partners' earnings and/or cash distributions could have a corresponding negative impact on us. For information on the risk factors inherent in the business of ONEOK Partners, see the section below entitled "Additional Risk Factors Related to ONEOK Partners' Business" and Item 1A, Risk Factors in the ONEOK Partners' Annual Report.

Some of our nonregulated businesses have a higher level of risk than our regulated businesses.

Some of our nonregulated operations, which include ONEOK Partners' natural gas gathering and processing business, most of its natural gas liquids business and our energy services business, have a higher level of risk than our regulated operations, which include the LDCs in our natural gas distribution business, ONEOK Partners' natural gas pipelines business and a portion of its natural gas liquids business. We and ONEOK Partners expect to continue investing in natural gas and natural gas liquids projects and other related projects, some or all of which may involve nonregulated businesses or assets. These projects could involve risks associated with operational factors, such as competition and dependence on certain suppliers and customers, and financial, economic and political factors, such as rapid and significant changes in commodity prices, the cost and availability of capital and counterparty risk, including the

inability of a counterparty, customer or supplier to fulfill a contractual obligation.

Our LDCs have recorded certain assets that may not be recoverable from our customers.

Accounting principles that govern our LDCs permit certain assets that result from the regulatory process to be recorded on our balance sheet that could not be recorded under GAAP for nonregulated entities. We consider factors such as rate orders from regulators, previous rate orders for substantially similar costs, written approval from the regulators and analysis of recoverability from internal and external legal counsel to determine the probability of future recovery of these assets. If we determine future recovery is no longer probable, we would be required to write off the regulatory assets at that time.

Terrorist attacks aimed at our facilities could affect adversely our business.

Since the terrorist attacks on September 11, 2001, the United States government has issued warnings that energy assets, specifically the nation's pipeline infrastructure, may be future targets of terrorist organizations. These developments may subject our operations to increased risks. Any future terrorist attack that targets our facilities, those of our customers and, in some cases, those of other pipelines, could have a material adverse effect on our business.

Our businesses are subject to market and credit risks.

We are exposed to market and credit risks in all of our operations. To minimize the risk of commodity price fluctuations, we periodically enter into derivative transactions to hedge anticipated purchases and sales of natural gas, NGLs, crude oil, fuel requirements and firm transportation commitments. Interest-rate swaps are also used to manage interest-rate risk. Currency forward contracts are used to mitigate unexpected changes that may occur in anticipated revenue streams of our Canadian natural gas sales and purchases driven by currency rate fluctuations. However, financial derivative instrument contracts do not eliminate the risks. Specifically, such risks include commodity price changes, market supply shortages, interest-rate changes and counterparty default. The impact of these variables could result in our inability to fulfill contractual obligations, significantly higher energy or fuel costs relative to corresponding sales contracts, or increased interest expense.

We are subject to the risk of loss resulting from nonpayment and/or nonperformance by customers and counterparties of our Energy Services segment. The customers of our Energy Services segment are predominantly LDCs, industrial customers, natural gas producers and marketers that may experience deterioration of their financial condition as a result of changing market conditions or financial difficulties that could impact their creditworthiness or ability to pay for our services. If we fail to assess adequately the creditworthiness of existing or future customers, unanticipated deterioration in their creditworthiness and any resulting nonpayment and/or nonperformance could adversely impact results of operations for our Energy Services segment. In addition, if any of our Energy Services segment's customers or counterparties filed for bankruptcy protection, we may not be able to recover amounts owed, which could impact materially and adversely the results of operations for our Energy Services segment.

Increased competition could have a significant adverse financial impact on us.

The natural gas and natural gas liquids industries are expected to remain highly competitive. The demand for natural gas and NGLs is primarily a function of commodity prices, including prices for alternative energy sources, customer usage rates, weather, economic conditions and service costs. Our ability to compete also depends on a number of other factors, including competition from other companies for our existing customers, the efficiency, quality and reliability of the services we provide, and competition for throughput at ONEOK Partners' gathering systems, pipelines, processing plants, fractionators and storage facilities.

We cannot predict when we will be subject to changes in legislation or regulation, nor can we predict the impact of these changes on our financial position, results of operations or cash flows. There are no assurances that our business will be positioned to effectively compete in the future.

We may not be able to make additional strategic acquisitions or investments.

Our ability to make strategic acquisitions and investments will depend on:

- the extent to which acquisitions and investment opportunities become available;
- our success in bidding for the opportunities that do become available;
- regulatory approval, if required, of the acquisitions or investments on favorable terms; and
- our access to capital, including our ability to use our equity in acquisitions or investments, and the terms upon which we obtain capital.

If we are unable to make strategic investments and acquisitions, we may be unable to grow.

Acquisitions that appear to be accretive may nevertheless reduce our cash from operations on a per-share basis.

Any acquisition involves potential risks that may include, among other things:

- inaccurate assumptions about volumes, revenues and costs, including potential synergies;
- an inability to integrate successfully the businesses we acquire;

- decrease in our liquidity as a result of our using a significant portion of our available cash or borrowing capacity to finance the acquisition;
- a significant increase in our interest expense or financial leverage if we incur additional debt to finance the acquisition;
- the assumption of unknown liabilities for which we are not indemnified, our indemnity is inadequate or our insurance policies may exclude from coverage;
- an inability to hire, train or retain qualified personnel to manage and operate the acquired business and assets;
- limitations on rights to indemnity from the seller;
- inaccurate assumptions about the overall costs of equity or debt;
- the diversion of management's and employees' attention from other business concerns;
- unforeseen difficulties operating in new product areas or new geographic areas;
- increased regulatory burdens;
- customer or key employee losses at an acquired business; and
- increased regulatory requirements.

If we consummate any future acquisitions, our capitalization and results of operations may change significantly, and investors will not have the opportunity to evaluate the economic, financial and other relevant information that we will consider in determining the application of our resources to future acquisitions.

We may engage in acquisitions, divestitures and other strategic transactions, the success of which may impact our results of operations.

We may engage in acquisitions, divestitures and other strategic transactions. If we are unable to integrate successfully businesses that we acquire with our existing business, our results of operations may be affected materially and adversely. Similarly, we may from time to time divest portions of our business, which may also affect materially and adversely our results of operations.

Any reduction in our credit ratings could affect materially and adversely our business, financial condition, liquidity and results of operations.

Our long-term senior unsecured debt has been assigned an investment-grade rating by S&P of "BBB" (Stable) and Moody's of "Baa2" (Stable); however, we cannot assure that any of our current ratings will remain in effect for any given period of time or that a rating will not be lowered or withdrawn entirely by a rating agency if, in its judgment, circumstances in the future so warrant. Specifically, if S&P or Moody's were to downgrade our long-term rating, particularly below investment grade, our borrowing costs would increase, which would affect adversely our financial results, and our potential pool of investors and funding sources could decrease. Further, if our short-term ratings were to fall below A-2 or Prime-2, the current ratings assigned by S&P and Moody's, respectively, it could limit significantly our access to the commercial paper market. Any such downgrade of our long- or short-term ratings could increase significantly our cost of capital and reduce the availability of capital and, thus, have a material adverse effect on our business, financial condition, liquidity and results of operations. Ratings from credit agencies are not recommendations to buy, sell or hold our securities. Each rating should be evaluated independently of any other rating.

A downgrade in our credit ratings below investment grade would affect negatively the operations of our Energy Services segment. If our credit ratings fall below investment grade, ratings triggers and/or adequate assurance clauses in many of our financial and wholesale physical contracts would be in effect. A ratings trigger or adequate assurance clause gives a counterparty the right to suspend or terminate the agreement unless margin thresholds are met. Margin requirements related to the trading activities of our Energy Services segment may also increase as a result of market volatility without regard to our credit rating. The additional increase in capital required to support our Energy Services segment would impact materially and adversely our ability to compete, as well as our ability to manage

actively the risk associated with existing storage and transportation contracts.

Our established risk-management policies and procedures may not be effective, and employees may violate our risk-management policies.

We have developed and implemented a set of policies and procedures that involve both our senior management and the Audit Committee of our Board of Directors to assist us in managing risks associated with, among other things, the marketing, trading and risk-management activities associated with our business segments. Our risk policies and procedures are intended to align strategies, processes, people, information technology and business knowledge so that risk is managed throughout the organization. As conditions change and become more complex, current risk measures may fail to assess adequately the relevant risk due to changes in the market and the presence of risks previously unknown to us. Additionally, if employees fail to adhere

to our policies and procedures or if our policies and procedures are not effective, potentially because of future conditions or risks outside of our control, we may be exposed to greater risk than we had intended. Ineffective risk-management policies and procedures or violation of risk-management policies and procedures could have an adverse affect on our earnings, financial position or cash flows.

Our indebtedness could impair our financial condition and our ability to fulfill our obligations.

As of December 31, 2012, we had total indebtedness for borrowed money of approximately $1.7 billion, which excludes the debt of ONEOK Partners. Our indebtedness could have significant consequences. For example, it could:

- make it more difficult for us to satisfy our obligations with respect to our senior notes and our other indebtedness due to the increased debt-service obligations, which could, in turn, result in an event of default on such other indebtedness or our senior notes;
- impair our ability to obtain additional financing in the future for working capital, capital expenditures, acquisitions or general business purposes;
- diminish our ability to withstand a downturn in our business or the economy;
- require us to dedicate a substantial portion of our cash flow from operations to debt-service payments, reducing the availability of cash for working capital, capital expenditures, acquisitions, or general corporate purposes;
- limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate; and
- place us at a competitive disadvantage compared with our competitors that have proportionately less debt.

We are not prohibited under the indentures governing our senior notes from incurring additional indebtedness, but our debt agreements do subject us to certain operational limitations summarized in the next paragraph. If we incur significant additional indebtedness, it could worsen the negative consequences mentioned above and could affect adversely our ability to repay our other indebtedness.

Our revolving debt agreements with banks contain provisions that restrict our ability to finance future operations or capital needs or to expand or pursue our business activities. For example, certain of these agreements contain provisions that, among other things, limit our ability to make loans or investments, make material changes to the nature of our business, merge, consolidate or engage in asset sales, grant liens or make negative pledges. Certain agreements also require us to maintain certain financial ratios, which limit the amount of additional indebtedness we can incur, as described in the “Liquidity and Capital Resources” section of Item 7, Management’s Discussion and Analysis of Financial Condition and Results of Operation. These restrictions could result in higher costs of borrowing and impair our ability to generate additional cash. Future financing agreements we may enter into may contain similar or more restrictive covenants.

If we are unable to meet our debt-service obligations, we could be forced to restructure or refinance our indebtedness, seek additional equity capital or sell assets. We may be unable to obtain financing or sell assets on satisfactory terms, or at all.

We are subject to comprehensive energy regulation by governmental agencies, and the recovery of our costs is dependent on regulatory action.

We are subject to comprehensive regulation by several federal, state and municipal utility regulatory agencies, which significantly influences our operating environment and our ability to recover our costs from utility customers. The utility regulatory authorities in Oklahoma, Kansas and Texas regulate many aspects of our utility operations, including customer service and the rates that we can charge customers. Federal, state and local agencies also have jurisdiction over many of our other activities, including regulation by the FERC of our storage and interstate pipeline assets. The profitability of our regulated operations is dependent on our ability to pass through costs related to providing energy and other commodities to our customers by filing periodic rate cases. The regulatory environment applicable to our regulated businesses could impair our ability to recover costs historically absorbed by our customers.

We are unable to predict the impact that the future regulatory activities of these agencies will have on our operating results. Changes in regulations or the imposition of additional regulations could have an adverse impact on our business, financial condition and results of operations. Further, the results of our LDCs' operations could be impacted negatively if the cost-recovery mechanisms authorized by our rate cases do not function as anticipated.

The adoption and implementation of new statutory and regulatory requirements for derivative transactions could have an adverse impact on our ability to hedge risks associated with our business and increase the working capital requirements to conduct these activities.

In July 2010, the Dodd-Frank Act was enacted, which provides for new statutory and regulatory requirements for certain swap transactions. Certain financial transactions will be required to be cleared on exchanges, and cash collateral will be required for these transactions. However, the Dodd-Frank Act provides for a potential exemption from these clearing and cash collateral requirements for commercial end-users and includes a number of defined terms that will be used in determining how this exemption applies to particular derivative transactions and to the parties to those transactions. Additionally, the Dodd-Frank Act calls for various regulatory agencies, including the SEC and the CFTC, to establish regulations for implementation of many of the provisions of the act.

The SEC and CFTC have proposed regulations for implementation of many provisions of the Dodd-Frank Act. The CFTC has issued final regulations for many provisions of the Dodd-Frank Act that have varying effective dates for compliance, but others remain outstanding. Based on our assessment of the regulations issued to date and those proposed, we expect to be able to continue to participate in financial markets for hedging certain risks inherent in our business, including commodity and interest-rate risks; however, the costs of doing so may increase as a result of the new legislation. We may also incur additional costs associated with our compliance with the new regulations and anticipated additional record-keeping, reporting and disclosure obligations. These requirements could affect adversely the liquidity and pricing of derivative contracts making it more difficult to execute our risk-management strategies in the future. Also, the anticipated increased costs of compliance by dealers and counterparties will likely be passed on to customers, which could decrease the benefits of hedging to us and could reduce our profitability and liquidity.

The volatility of natural gas prices may impact negatively LDC customers’ perception of natural gas.

Natural gas costs are passed through to the customers of our LDCs based on the actual cost of the natural gas purchased by the particular LDC. Substantial fluctuations in natural gas prices can occur from year to year. Sustained periods of high natural gas prices or of pronounced natural gas price volatility may impact negatively our LDC customers’ perception of natural gas, which could lead to customers selecting other energy alternatives, such as electricity, and to difficulties in the rate-making process. Additionally, high natural gas prices may cause customers to conserve more and may also impact adversely our accounts receivable collections, resulting in higher bad-debt expense.

Our business is subject to regulatory oversight and potential penalties.

The natural gas industry historically has been subject to heavy state and federal regulation that extends to many aspects of our businesses and operations, including:

- rates, operating terms and conditions of service;
- the types of services we may offer our customers;
- construction of new facilities;
- the integrity, safety and security of facilities and operations;
- acquisition, extension or abandonment of services or facilities;
- reporting and information posting requirements;
- maintenance of accounts and records; and
- relationships with affiliate companies involved in all aspects of the natural gas and energy businesses.

Compliance with these requirements can be costly and burdensome. Future changes to laws, regulations and policies in these areas may impair our ability to compete for business or to recover costs and may increase the cost and burden of operations.

We cannot guarantee that state or federal regulators will authorize any projects or acquisitions that we may propose in the future. Moreover, there can be no guarantee that, if granted, any such authorizations will be made in a timely manner or will be free from potentially burdensome conditions.

Failure to comply with all applicable state or federal statutes, rules and regulations and orders, could bring substantial penalties and fines. For example, under the Energy Policy Act of 2005, the FERC has civil penalty authority under the Natural Gas Act to impose penalties for current violations of up to $1 million per day for each violation.

Finally, we cannot give any assurance regarding future state or federal regulations under which we will operate or the effect such regulations could have on our business, financial condition and results of operations.

Demand for services of our Natural Gas Distribution and Energy Services segments and for certain of ONEOK Partners' products is highly weather sensitive and seasonal.

The demand for natural gas in our Natural Gas Distribution, Energy Services and ONEOK Partners segments and for certain of ONEOK Partners' products, such as propane, is weather sensitive and seasonal, with a significant portion of revenues derived from sales for heating during the winter months. Weather conditions influence directly the volume of, among other things, natural gas and propane delivered to customers. Deviations in weather from normal levels and the seasonal nature of certain of our segments' business can create large variations in earnings and short-term cash requirements.

Compliance with environmental regulations that we are subject to may be difficult and costly.

We are subject to multiple environmental laws and regulations affecting many aspects of present and future operations, including air emissions, water quality, wastewater discharges, solid and hazardous wastes and hazardous material and substance management. These laws and regulations generally require us to obtain and comply with a wide variety of environmental registrations, licenses, permits, inspections and other approvals. Failure to comply with these laws, regulations, permits and licenses may expose us to fines, penalties and/or interruptions in our operations that could be material to our results of operations. If a leak or spill of hazardous substance occurs from our lines or facilities in the process of transporting natural gas or NGLs or at any facility that we own, operate or otherwise use, we could be held jointly and severally liable for all resulting liabilities, including investigation and clean-up costs, which could affect materially our results of operations and cash flows. In addition, emission controls required under the federal Clean Air Act and other similar federal and state laws could require unexpected capital expenditures at our facilities. In addition, the EPA issued a rule on air-quality standards, "National Emission Standards for Hazardous Air Pollutants for Reciprocating Internal Combustion Engines," also known as RICE NESHAP, with a compliance date in 2013. The rule will require capital expenditures over the next three years for the purchase and installation of new emissions-control equipment. We do not expect these expenditures to have a material impact on our results of operations, financial position or cash flows. We cannot assure that existing environmental regulations will not be revised or that new regulations will not be adopted or become applicable to us. Revised or additional regulations that result in increased compliance costs or additional operating restrictions, particularly if those costs are not fully recoverable from customers, could have a material adverse effect on our business, financial condition and results of operations. For further discussion on this topic, see Note Q of the Notes to Consolidated Financial Statements in this Annual Report.

We are subject to risks that could limit our access to capital, thereby increasing our costs and affecting adversely our results of operations.

We have grown rapidly in the past as a result of acquisitions. Future acquisitions may require additional capital. If we are unable to access capital at competitive rates, our strategy of enhancing the earnings potential of our existing assets, including through acquisitions of complementary assets or businesses, will be affected adversely. A number of factors could affect adversely our ability to access capital, including: (i) general economic conditions; (ii) capital market conditions; (iii) market prices for natural gas, NGLs and other hydrocarbons; (iv) the overall health of the energy and related industries; (v) our ability to maintain our investment-grade credit ratings; and (vi) our capital structure. Much of our business is capital intensive, and achievement of our long-term growth targets is dependent, at least in part, upon our ability to access capital at rates and on terms we determine to be attractive. If our ability to access capital becomes constrained significantly, our interest costs will likely increase and our financial condition and future results of operations could be harmed significantly.

Energy efficiency and technological advances may affect the demand for natural gas and affect adversely our operating results.

The national trend toward increased conservation and technological advances, including installation of improved insulation and the development of more efficient furnaces and other heating devices, may decrease the demand for natural gas by residential customers. More strict conservation measures in the future or technological advances in heating, conservation, energy generation or other devices could affect adversely our operations.

The cost of providing pension and postretirement health care benefits to eligible employees and qualified retirees is subject to changes in pension fund values and changing demographics and may increase.

We have a defined benefit pension plan for certain employees and postretirement welfare plans that provide postretirement medical and life insurance benefits to certain employees who retire with at least five years of service. The cost of providing these benefits to eligible current and former employees is subject to changes in the market value of our pension and postretirement benefit plan assets, changing demographics, including longer life expectancy of plan participants and their

beneficiaries and changes in health care costs. For further discussion of our defined benefit pension plan, see Note M of the Notes to Consolidated Financial Statements in this Annual Report.

Any sustained declines in equity markets and reductions in bond yields may have a material adverse effect on the value of our pension and postretirement benefit plan assets. In these circumstances, additional cash contributions to our pension plans may be required.

Our business could be affected adversely by strikes or work stoppages by our unionized employees.

As of January 31, 2013, 705 of our 4,859 employees were represented by collective bargaining units under collective bargaining agreements. We are involved periodically in discussions with collective bargaining units representing some of our employees to negotiate or renegotiate labor agreements. We cannot predict the results of these negotiations, including whether any failure to reach new agreements will have a negative effect on our business, financial condition and results of operations or whether we will be able to reach any agreement with the collective bargaining units. Any failure to reach agreement on new labor contracts might result in a work stoppage. Any future work stoppage could, depending on the operations and the length of the work stoppage, have a material adverse effect on our business, financial condition and results of certain operations.

We may face significant costs to comply with the regulation of greenhouse gas emissions.

Greenhouse gas emissions originate primarily from combustion engine exhaust, heater exhaust and fugitive methane gas emissions. Various federal and state legislative proposals have been introduced to regulate the emission of greenhouse gases, particularly carbon dioxide and methane, and the United States Supreme Court has ruled that carbon dioxide is a pollutant subject to regulation by the EPA. In addition, there have been international efforts seeking legally binding reductions in emissions of greenhouse gases.

We believe it is possible that future governmental legislation and/or regulation may require us either to limit greenhouse gas emissions from our operations or to purchase allowances for such emissions that are actually attributable to our distribution customers or attributable to NGL customers of ONEOK Partners. However, we cannot predict precisely what form these future regulations will take, the stringency of the regulations, or when they will become effective. Several legislative bills have been introduced in the United States Congress that would require carbon dioxide emission reductions. Previously considered proposals have included, among other things, limitations on the amount of greenhouse gases that can be emitted (so called "caps") together with systems of emissions allowances. This system could require us to reduce emissions, even though the technology is not currently available for efficient reduction, or to purchase allowances for such emissions. Emissions also could be taxed independently of limits.

In addition to activities on the federal level, state and regional initiatives could also lead to the regulation of greenhouse gas emissions sooner and/or independent of federal regulation. These regulations could be more stringent than any federal regulation or legislation that is adopted.

Future legislation and/or regulation designed to reduce greenhouse gas emissions could make some of our activities uneconomic to maintain or operate. Further, we may not be able to pass on the higher costs to our customers or recover all costs related to complying with greenhouse gas regulatory requirements. Our future results of operations, cash flows or financial condition could be adversely affected if such costs are not recovered through regulated rates or otherwise passed on to our customers.

We continue to monitor legislative and regulatory developments in this area. Although the regulation of greenhouse gas emissions may have a material impact on our operations and rates, we are unable to quantify the potential costs of the impacts at this time.

We may not be able to pass on the higher costs to our customers or recover all costs related to complying with greenhouse gas emission regulatory requirements, which could cause material adverse effects on our business, financial condition, results of operations and cash flows.

We do not hedge fully against commodity price changes, time differentials or locational differentials. This could result in decreased revenues and increased costs, thereby resulting in lower margins and adversely affecting our results of operations.

Certain of our nonregulated and regulated businesses are exposed to market risk and the impact of market price fluctuations of natural gas, NGLs and crude oil. Market risk refers to the risk of loss of cash flows and future earnings arising from adverse

changes in commodity prices. Our Energy Services segment's primary exposures arise from seasonal and location price differentials and our ability to execute hedges. Our ONEOK Partners segment's primary exposures arise from:

- the value of the NGLs and natural gas it receives in exchange for the natural gas gathering and processing services it provides;
- the differentials between NGL and natural gas prices associated with its keep-whole contracts and the differentials between the individual NGL products with respect to ONEOK Partners' natural gas liquids transportation and fractionation agreements;
- the differentials between the individual NGL products;
- the NGL price differentials at different locations;
- the seasonal price differentials of natural gas and NGLs related to storage operations;
- the fuel costs and the value of the retained fuel in-kind in ONEOK Partners' natural gas pipelines and storage operations; and
- the differential between ethane and natural gas prices.

Our ONEOK Partners and Energy Services segments also are exposed to the risk of changing prices or the cost of transportation resulting from purchasing natural gas or NGLs at one location and selling it at another (referred to as basis risk). To minimize the risk from market price fluctuations of natural gas, NGLs and crude oil, we use physical forward transactions and commodity financial derivative instruments such as futures contracts, swaps and options to manage market risk of existing or anticipated purchases and sales of natural gas, NGLs and crude oil. We adhere to policies and procedures that monitor our exposure to market risk from open positions. However, we do not hedge fully against commodity price changes, and therefore, we retain some exposure to market risk. Accordingly, any adverse changes to commodity prices could result in decreased revenue and/or increased costs.

Our Natural Gas Distribution segment uses storage to minimize the volatility of natural gas costs for our customers by storing natural gas in periods of low demand for consumption in peak-demand periods. In addition, various natural gas supply contracts allow us the option to convert index-based purchases to fixed prices. Also, we use derivative instruments to hedge the cost of anticipated natural gas purchases during the winter heating months to protect customers from upward volatility in the market price of natural gas.

Federal, state and local jurisdictions may challenge our tax return positions.

The positions taken in our federal and state tax return filings require significant judgments, use of estimates and the interpretation and application of complex tax laws. Significant judgment is also required in assessing the timing and amounts of deductible and taxable items. Despite management's belief that our tax return positions are fully supportable, certain positions may be successfully challenged by federal, state and local jurisdictions.

Although we control ONEOK Partners, we may have conflicts of interest with ONEOK Partners that could subject us to claims that we have breached our fiduciary duty to ONEOK Partners and its unitholders.

We are the sole general partner and own 43.4 percent of ONEOK Partners. Conflicts of interest may arise between us and ONEOK Partners and its unitholders. In resolving these conflicts, we may favor our own interests and the interests of our affiliates over the interests of ONEOK Partners and its unitholders as long as the resolution does not conflict with the ONEOK Partners' partnership agreement or our fiduciary duties to ONEOK Partners and its unitholders.

We are subject to physical and financial risks associated with climate change.

There is a growing belief that emissions of greenhouse gases may be linked to global climate change. Climate change creates physical and financial risk. Our customers' energy needs vary with weather conditions, primarily temperature and humidity. For residential customers, heating and cooling represent their largest energy use. To the extent weather

conditions may be affected by climate change, customers' energy use could increase or decrease depending on the duration and magnitude of any changes. Increased energy use due to weather changes may require us to invest in more pipelines and other infrastructure to serve increased demand. A decrease in energy use due to weather changes may affect our financial condition through decreased revenues. Extreme weather conditions in general require more system backup, adding to costs, and can contribute to increased system stresses, including service interruptions. Weather conditions outside of our operating territory could also have an impact on our revenues. Severe weather impacts our operating territories primarily through hurricanes, thunderstorms, tornados and snow or ice storms. To the extent the frequency of extreme weather events increases, this could increase our cost of providing service. We may not be able to pass on the higher costs to our customers or recover all the costs related to mitigating these physical risks. To the extent financial markets view climate change and emissions of greenhouse gases as a

financial risk, this could affect negatively our ability to access capital markets or cause us to receive less favorable terms and conditions in future financings. Our business could be affected by the potential for lawsuits against greenhouse gas emitters, based on links drawn between greenhouse gas emissions and climate change.

Both our and ONEOK Partners' operations are subject to operational hazards and unforeseen interruptions that could affect materially and adversely our and ONEOK Partners' business and for which neither we nor ONEOK Partners may be insured adequately.

Our and ONEOK Partners' operations are subject to all of the risks and hazards typically associated with the operation of natural gas and natural gas liquids gathering, transportation and distribution pipelines, storage facilities and processing and fractionation plants. Operating risks include but are not limited to leaks, pipeline ruptures, the breakdown or failure of equipment or processes, and the performance of pipeline facilities below expected levels of capacity and efficiency. Other operational hazards and unforeseen interruptions include adverse weather conditions, accidents, explosions, fires, the collision of equipment with our or ONEOK Partners' pipeline facilities (for example, this may occur if a third party were to perform excavation or construction work near our or ONEOK Partners' facilities) and catastrophic events such as tornados, hurricanes, earthquakes, floods or other similar events beyond our or ONEOK Partners' control. It is also possible that our or ONEOK Partners' facilities could be direct targets or indirect casualties of an act of terrorism. A casualty occurrence might result in injury or loss of life, extensive property damage or environmental damage. Liabilities incurred and interruptions to the operations of our or ONEOK Partners' pipelines or other facilities caused by such an event could reduce revenues generated by us or ONEOK Partners and increase expenses, thereby impairing our or ONEOK Partners' ability to meet our respective obligations. Insurance proceeds may not be adequate to cover all liabilities or expenses incurred or revenues lost, and neither we nor ONEOK Partners are fully insured against all risks inherent in our respective businesses.

As a result of market conditions, premiums and deductibles for certain insurance policies can increase substantially, and, in some instances, certain insurance may become unavailable or available only for reduced amounts of coverage. Consequently, neither we nor ONEOK Partners may be able to renew existing insurance policies or purchase other desirable insurance on commercially reasonable terms, if at all. If either we or ONEOK Partners were to incur a significant liability for which either we or ONEOK Partners was not insured fully, it could have a material adverse effect on our or ONEOK Partners' financial position and results of operations. Further, the proceeds of any such insurance may not be paid in a timely manner and may be insufficient if such an event were to occur.

Our use of financial instruments and physical forward transactions to hedge market risk may result in reduced income.

We utilize financial instruments and physical forward transactions to mitigate our exposure to commodity price and interest-rate fluctuations. Hedging arrangements that are used to reduce our exposure to commodity price fluctuations limit the benefit we would otherwise receive if market prices for natural gas, crude oil and NGLs exceed the stated price in the hedge instrument for these commodities. Hedging instruments that are used to reduce our exposure to interest-rate fluctuations could expose us to risk of financial loss where we have contracted for variable-rate swap instruments to hedge fixed-rate instruments and the variable rate exceeds the fixed rate. In addition, these hedging arrangements may limit the benefit we would otherwise receive if we had contracted for fixed-rate swap agreements to hedge variable-rate instruments and the variable rate falls below the fixed rate.

An impairment of goodwill, long-lived assets, including intangible assets, and equity-method investments could reduce our earnings.

Goodwill is recorded when the purchase price of a business exceeds the fair market value of the tangible and separately measurable intangible net assets. GAAP requires us to test goodwill and intangible assets with indefinite useful lives for impairment on an annual basis or when events or circumstances occur indicating that goodwill might be impaired. Long-lived assets, including intangible assets with finite useful lives, are reviewed for impairment

whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. For the investments ONEOK Partners accounts for under the equity method, the impairment test considers whether the fair value of the equity investment as a whole, not the underlying net assets, has declined and whether that decline is other than temporary. For example, if natural gas production continues to decline in the Powder River Basin, ONEOK Partners could be unable to recover the carrying value of its assets and equity investments in this area. If ONEOK Partners determines that an impairment is indicated, it would be required to take an immediate noncash charge to earnings with a correlative effect on our equity and balance sheet leverage as measured by consolidated debt to total capitalization.

A failure in our operational systems or cyber security attacks on any of our facilities, or those of third parties, may affect adversely our financial results.

Our businesses are dependent upon our operational systems to process a large amount of data and complex transactions. If any of our financial, operational or other data processing systems fail or have other significant shortcomings, our financial results could be affected adversely. Our financial results could also be affected adversely if an employee causes our operational systems to fail, either as a result of inadvertent error or by deliberately tampering with or manipulating our operational systems. In addition, dependence upon automated systems may further increase the risk that operational system flaws, employee tampering or manipulation of those systems will result in losses that are difficult to detect.

Due to increased technology advances, we have become more reliant on technology to help increase efficiency in our businesses. We use computer programs to help run our financial and operations organizations, and this may subject our business to increased risks. Any future cyber security attacks that affect our facilities, our customers and any financial data could have a material adverse on our businesses. In addition, cyber attacks on our customer and employee data may result in a financial loss and may impact negatively our reputation.

Third-party systems on which we rely could also suffer operational system failure. Any of these occurrences could disrupt one or more of our businesses, result in potential liability or reputational damage or otherwise have an adverse affect on our financial results.

Changes in interest rates could affect adversely our business.

We use both fixed- and variable-rate debt, and we are exposed to market risk due to the floating interest rates on our short-term borrowings. From time to time we use interest-rate derivatives to hedge interest obligations on specific debt issuances, including anticipated debt issuances. These hedges may be ineffective, and our results of operations, cash flows and financial position could be affected adversely by significant fluctuations or increases or decreases in interest rates from current levels.

We do not own all of the land on which our pipelines and facilities are located, and we lease certain facilities and equipment, which could disrupt our operations.

We do not own all of the land on which certain of our pipelines and facilities are located and are, therefore, subject to the risk of increased costs to maintain necessary land use. We obtain the rights to construct and operate certain of our pipelines and related facilities on land owned by third parties and governmental agencies for a specific period of time. Our loss of these rights, through our inability to renew right-of-way contracts on acceptable terms or increased costs to renew such rights, could have a material adverse effect on our financial condition, results of operations and cash flows.

A shortage of skilled labor may make it difficult for us to maintain labor productivity and competitive costs, which could affect operations and cash flows available for distribution.

Our operations require skilled and experienced workers with proficiency in multiple tasks. In recent years, a shortage of workers trained in various skills associated with the midstream energy business has caused us to conduct certain operations without full staff, thus hiring outside resources, which may decrease productivity and increase costs. This shortage of trained workers is the result of experienced workers reaching retirement age and increased competition for workers in certain areas, combined with the difficulty of attracting new workers to the midstream energy industry. This shortage of skilled labor could continue over an extended period. If the shortage of experienced labor continues or worsens, it could have an adverse impact on labor productivity and costs and our ability to expand production in the event there is an increase in the demand for our products and services, which could affect adversely

our operations and cash flows available for distribution to unitholders.

Pipeline-integrity programs and repairs may impose significant costs and liabilities.

Pursuant to a DOT rule, pipeline operators are required to develop integrity-management programs for intrastate and interstate natural gas and natural gas liquids pipelines that could affect high-consequence areas in the event of a release of product. As defined by applicable regulations, high-consequence areas include areas near the route of a pipeline with high-population densities, facilities occupied by persons of limited mobility or indoor or outdoor areas where at least 20 people gather periodically. The rule requires operators to identify pipeline segments that could impact a high-consequence area; improve data collection, integration and characterization of threats applicable to each segment; implement preventive and mitigating actions; perform ongoing assessments of pipeline integrity; and repair and remediate as necessary. These testing programs could cause us and ONEOK Partners to incur significant capital and operating expenditures to make repairs or remediate, as well as initiate preventive or mitigating actions that are determined to be necessary.

We are subject to strict regulations at many of our facilities regarding employee safety, and failure to comply with these regulations could affect adversely financial results.

The workplaces associated with our facilities are subject to the requirements of OSHA and comparable state statutes that regulate the protection of the health and safety of workers. The failure to comply with OSHA requirements or general industry standards, including keeping adequate records or occupational exposure to regulated substances could expose us to civil or criminal liability, enforcement actions, and regulatory fines and penalties and could have a material adverse effect on our business, financial position, results of operations and cash flow.

Measurement adjustments on our pipeline system can be impacted materially by changes in estimation, type of commodity and other factors.

Natural gas and natural gas liquids measurement adjustments occur as part of the normal operating conditions associated with our assets. The quantification and resolution of measurement adjustments are complicated by several factors including: (1) the significant number (i.e., thousands) of meters that we use throughout our natural gas and natural gas liquids systems; (2) varying qualities of natural gas in the streams gathered and processed and the mixed nature of NGLs gathered and fractionated through ONEOK Partners' systems; and (3) variances in measurement that are inherent in metering technologies. Each of these factors may contribute to measurement adjustments that can occur on our systems, which could affect negatively our earnings and cash flows.

ADDITIONAL RISK FACTORS RELATED TO ONEOK PARTNERS' BUSINESS

The volatility of natural gas, crude oil and NGL prices could affect adversely ONEOK Partners' cash flow.

A significant portion of ONEOK Partners' revenues are derived from the sale of commodities that are received as payment for natural gas gathering and processing services, for the transportation and storage of natural gas, and for the sale of NGLs and NGL products in ONEOK Partners' natural gas liquids business. Commodity prices have been volatile and are likely to continue to be so in the future. The prices ONEOK Partners receives for its commodities are subject to wide fluctuations in response to a variety of factors beyond ONEOK Partners' control, including, but not limited to, the following:

- overall domestic and global economic conditions;
- relatively minor changes in the supply of, and demand for, domestic and foreign energy;
- market uncertainty;
- the availability and cost of third-party transportation, natural gas processing and natural gas liquids fractionation capacity;
- the level of consumer product demand;
- ethane rejection;
- geopolitical conditions impacting supply and demand for natural gas, NGLs and crude oil;
- weather conditions;
- domestic and foreign governmental regulations and taxes;
- the price and availability of alternative fuels;
- speculation in the commodity futures markets;
- overall domestic and global economic conditions;
- the price of natural gas, crude oil, NGL and liquefied natural gas imports and exports;
- the effect of worldwide energy conservation measures; and
- the impact of new supplies, new pipelines, processing and fractionation facilities on location price differentials.

These external factors and the volatile nature of the energy markets make it difficult to estimate reliably future prices of commodities and the impact commodity price fluctuations have on our customers and their need for our services. As commodity prices decline, ONEOK Partners is paid less for its commodities, thereby reducing its cash flow. NGL volumes could decline if it becomes uneconomical for natural gas processors to recover the ethane component of the natural gas stream as a separate product. In addition, crude-oil and natural gas production could also decline due to lower prices.

ONEOK Partners' inability to develop and execute growth projects and acquire new assets could result in reduced cash distributions to its unitholders and to ONEOK.

ONEOK Partners' primary business objectives are to generate cash flow sufficient to pay quarterly cash distributions to unitholders and to increase quarterly cash distributions over time. ONEOK Partners' ability to maintain and grow its

distributions to unitholders, including ONEOK, depends on the growth of its existing businesses and strategic acquisitions. Accordingly, if ONEOK Partners is unable to implement business development opportunities and finance such activities on economically acceptable terms, its future growth will be limited, which could impact adversely its and our results of operations and cash flows.

Growing ONEOK Partners' business by constructing new pipelines and plants or making modifications to its existing facilities subjects ONEOK Partners to construction and supply risks should adequate natural gas or NGL supply be unavailable upon completion of the facilities.

One of the ways ONEOK Partners intends to grow its business is through the construction of new pipelines and new gathering, processing, storage and fractionation facilities and through modifications to ONEOK Partners' existing pipelines and existing gathering, processing, storage and fractionation facilities. The construction and modification of pipelines and gathering, processing, storage and fractionation facilities may require significant capital expenditures, which may exceed ONEOK Partners' estimates, and involves numerous regulatory, environmental, political, legal and weather-related uncertainties. Construction projects in ONEOK Partners' industry may increase demand for labor, materials and rights of way, which, may, in turn, impact ONEOK Partners' costs and schedule. If ONEOK Partners undertakes these projects, it may not be able to complete them on schedule or at the budgeted cost. Additionally, ONEOK Partners' revenues may not increase immediately upon the expenditure of funds on a particular project. For instance, if ONEOK Partners builds a new pipeline, the construction will occur over an extended period of time, and ONEOK Partners will not receive any material increases in revenues until after completion of the project. ONEOK Partners may have only limited natural gas or NGL supply committed to these facilities prior to their construction. Additionally, ONEOK Partners may construct facilities to capture anticipated future growth in production in a region in which anticipated production growth does not materialize. ONEOK Partners may also rely on estimates of proved reserves in its decision to construct new pipelines and facilities, which may prove to be inaccurate because there are numerous uncertainties inherent in estimating quantities of proved reserves. As a result, new facilities may not be able to attract enough natural gas or NGLs to achieve ONEOK Partners' expected investment return, which could affect materially and adversely ONEOK Partners' results of operations, financial condition and cash flows.

If the level of drilling and production in the Mid-Continent, Rocky Mountain, Texas and Gulf Coast regions declines substantially near its assets, ONEOK Partners' volumes and revenue could decline.

ONEOK Partners' ability to maintain or expand its businesses depends largely on the level of drilling and production by third parties in the Mid-Continent, Rocky Mountain, Texas and Gulf Coast regions. Drilling and production are impacted by factors beyond ONEOK Partners' control, including:

- demand and prices for natural gas, NGLs and crude oil;
- producers' finding and developing costs of reserves;
- producers' desire and ability to obtain necessary permits in a timely and economic manner;
- natural gas field characteristics and production performance;
- surface access and infrastructure issues; and
- capacity constraints on natural gas, crude oil and natural gas liquids infrastructure from the producing areas and ONEOK Partners' facilities.

If production from the Western Canada Sedimentary Basin remains flat or declines, and demand for natural gas from the Western Canada Sedimentary Basin is greater in market areas other than the Midwestern United States, demand for ONEOK Partners' interstate gas transportation services could decrease significantly.

ONEOK Partners depends on natural gas supply from the Western Canada Sedimentary Basin for some of ONEOK Partners' interstate pipelines, primarily Viking Gas Transmission and ONEOK Partners' investment in Northern Border Pipeline, that transport Canadian natural gas from the Western Canada Sedimentary Basin to the Midwestern United

States market area. If demand for natural gas increases in Canada or other markets not served by ONEOK Partners' interstate pipelines and/or production remains flat or declines, demand for transportation service on ONEOK Partners' interstate natural gas pipelines could decrease significantly, which could impact adversely ONEOK Partners' results of operations and cash flows.

ONEOK Partners' regulated pipelines' transportation rates are subject to review and possible adjustment by federal and state regulators.

Under the Natural Gas Act, which is applicable to interstate natural gas pipelines, and the Interstate Commerce Act, which is applicable to crude oil and natural gas liquids pipelines, ONEOK Partners' interstate transportation rates, which are regulated by the FERC, must be just and reasonable and not unduly discriminatory.

Shippers may protest ONEOK Partners' pipeline tariff filings, and the FERC and/or state regulatory agencies may investigate tariff rates. Further, the FERC may order refunds of amounts collected under newly filed rates that are determined by the FERC to be in excess of a just and reasonable level. In addition, shippers may challenge by complaint the lawfulness of tariff rates that have become final and effective. The FERC and/or state regulatory agencies also may investigate tariff rates absent shipper complaint. Any finding that approved rates exceed a just and reasonable level on the natural gas pipelines would take effect prospectively. In a complaint proceeding challenging natural gas liquids pipeline rates, if the FERC determines existing rates exceed a just and reasonable level, it could require the payment of reparations to complaining shippers for up to two years prior to the complaint. Any such action by the FERC or a comparable action by a state regulatory agency could affect adversely ONEOK Partners' pipeline businesses' ability to charge rates that would cover future increases in costs, or even to continue to collect rates that cover current costs and provide for a reasonable return. We can provide no assurance that ONEOK Partners' pipeline systems will be able to recover all of their costs through existing or future rates.

ONEOK Partners' regulated pipeline companies have recorded certain assets that may not be recoverable from its customers.

Accounting policies for FERC-regulated companies permit certain assets that result from the regulated ratemaking process to be recorded on ONEOK Partners' balance sheet that could not be recorded under GAAP for nonregulated entities. ONEOK Partners considers factors such as regulatory changes and the impact of competition to determine the probability of future recovery of these assets. If ONEOK Partners determines future recovery is no longer probable, ONEOK Partners would be required to write off the regulatory assets at that time.

ONEOK Partners' operations are subject to federal and state laws and regulations relating to the protection of the environment, which may expose it to significant costs and liabilities.

The risk of incurring substantial environmental costs and liabilities is inherent in ONEOK Partners' business. ONEOK Partners' operations are subject to extensive federal, state and local laws and regulations governing the discharge of materials into, or otherwise relating to the protection of, the environment. Examples of these laws include:

- the Clean Air Act and analogous state laws that impose obligations related to air emissions;
- the Clean Water Act and analogous state laws that regulate discharge of waste water from ONEOK Partners' facilities to state and federal waters;
- the federal CERCLA and analogous state laws that regulate the cleanup of hazardous substances that may have been released at properties currently or previously owned or operated by ONEOK Partners or locations to which ONEOK Partners has sent waste for disposal;
- the federal Resource Conservation and Recovery Act and analogous state laws that impose requirements for the handling and discharge of solid and hazardous waste from ONEOK Partners' facilities; and
- an EPA-issued rule on air-quality standards, known as RICE NESHAP.

Various federal and state governmental authorities, including the EPA, have the power to enforce compliance with these laws and regulations and the permits issued under them. Violators are subject to administrative, civil and criminal penalties, including civil fines, injunctions or both. Joint and several, strict liability may be incurred without regard to fault under the CERCLA, Resource Conservation and Recovery Act and analogous state laws for the remediation of contaminated areas.

There is an inherent risk of incurring environmental costs and liabilities in ONEOK Partners' business due to its handling of the products it gathers, transports, processes and stores, air emissions related to its operations, past industry operations and waste disposal practices, some of which may be material. Private parties, including the owners of properties through which ONEOK Partners' pipeline systems pass, may have the right to pursue legal

actions to enforce compliance as well as to seek damages for noncompliance with environmental laws and regulations or for personal injury or property damage arising from ONEOK Partners' operations. Some sites ONEOK Partners operates are located near current or former third-party hydrocarbon storage and processing operations, and there is a risk that contamination has migrated from those sites to ONEOK Partners' sites. In addition, increasingly strict laws, regulations and enforcement policies could increase significantly ONEOK Partners' compliance costs and the cost of any remediation that may become necessary, some of which may be material. Additional information is included under Item 1, Business under "Environmental and Safety Matters" and in Note Q of the Notes to Consolidated Financial Statements in this Annual Report.

ONEOK Partners' insurance may not cover all environmental risks and costs or may not provide sufficient coverage in the event an environmental claim is made against ONEOK Partners. ONEOK Partners' business may be affected materially and adversely by increased costs due to stricter pollution-control requirements or liabilities resulting from noncompliance with

required operating or other regulatory permits. New environmental regulations might also materially and adversely affect ONEOK Partners' products and activities, and federal and state agencies could impose additional safety requirements, all of which could affect materially ONEOK Partners' profitability.

In the competition for customers, ONEOK Partners may have significant levels of uncontracted or discounted capacity on its natural gas and natural gas liquids pipelines, processing, fractionation and storage assets.

ONEOK Partners' natural gas and natural gas liquids pipelines, processing, fractionation and storage assets compete with other pipelines, processing, fractionation and storage facilities for natural gas and NGL supplies delivered to the markets it serves. As a result of competition, at any given time ONEOK Partners may have significant levels of uncontracted or discounted capacity on its pipelines, processing, fractionation and in its storage assets, which could have a material adverse impact on ONEOK Partners' results of operations.

ONEOK Partners is exposed to the credit risk of its customers or counterparties, and its credit risk management may not be adequate to protect against such risk.

ONEOK Partners is subject to the risk of loss resulting from nonpayment and/or nonperformance by ONEOK Partners' customers or counterparties. ONEOK Partners' customers or counterparties may experience rapid deterioration of their financial condition as a result of changing market conditions or financial difficulties that could impact their creditworthiness or ability to pay ONEOK Partners for its services. ONEOK Partners assesses the creditworthiness of its customers or counterparties and obtains collateral as it deems appropriate. If ONEOK Partners fails to assess adequately the creditworthiness of existing or future customers or counterparties, unanticipated deterioration in their creditworthiness and any resulting nonpayment and/or nonperformance could adversely impact ONEOK Partners' results of operations. In addition, if any of ONEOK Partners' customers or counterparties files for bankruptcy protection, this could have a material negative impact on ONEOK Partners' results of operations.

Any reduction in ONEOK Partners' credit ratings could affect materially and adversely its business, financial condition, liquidity and results of operations.

ONEOK Partners' senior unsecured long-term debt has been assigned an investment-grade rating by Moody's of "Baa2" (Stable) and by S&P of "BBB" (Stable); however, we cannot provide assurance that any of its current ratings will remain in effect for any given period of time or that a rating will not be lowered or withdrawn entirely by a rating agency if, in its judgment, circumstances in the future so warrant. Specifically, if Moody's or S&P were to downgrade ONEOK Partners' long-term debt rating, particularly below investment grade, its borrowing costs would increase, which would affect adversely its financial results, and its potential pool of investors and funding sources could decrease. Ratings from credit agencies are not recommendations to buy, sell or hold ONEOK Partners' securities. Each rating should be evaluated independently of any other rating.

An event of default may require ONEOK Partners to offer to repurchase certain of its senior notes or may impair its ability to access capital.

The indentures governing ONEOK Partners' senior notes include an event of default upon the 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 ONEOK Partners' outstanding senior notes to declare those senior notes immediately due and payable in full. ONEOK Partners may not have sufficient cash on hand to repurchase and repay any accelerated senior notes, which may cause ONEOK Partners to borrow money under its credit facilities or seek alternative financing sources to finance the repurchases and repayment. ONEOK Partners could also face difficulties accessing capital or its borrowing costs could increase, impacting its ability to obtain financing for acquisitions or capital expenditures, to refinance indebtedness and to fulfill its debt obligations.

ONEOK Partners' indebtedness could impair its financial condition and ability to fulfill its obligations.

As of December 31, 2012, ONEOK Partners had total indebtedness of approximately $4.8 billion. Its indebtedness could have significant consequences. For example, it could:

- make it more difficult to satisfy its obligations with respect to its senior notes and other indebtedness, which could in turn result in an event of default on such other indebtedness or its senior notes;
- impair its ability to obtain additional financing in the future for working capital, capital expenditures, acquisitions or general business purposes;

- diminish its ability to withstand a downturn in its business or the economy;
- require it to dedicate a substantial portion of its cash flow from operations to debt-service payments, thereby reducing the availability of cash for working capital, capital expenditures, acquisitions, distributions to partners and general partnership purposes;
- limit its flexibility in planning for, or reacting to, changes in its business and the industry in which it operates; and
- place it at a competitive disadvantage compared with its competitors that have proportionately less debt.

ONEOK Partners is not prohibited under the indentures governing its senior notes from incurring additional indebtedness, but its debt agreements do subject it to certain operational limitations summarized in the next paragraph. ONEOK Partners' incurrence of significant additional indebtedness would exacerbate the negative consequences mentioned above and could affect adversely its ability to repay its senior notes and other indebtedness.

ONEOK Partners' debt agreements contain provisions that restrict its ability to finance future operations or capital needs or to expand or pursue its business activities. For example, certain of these agreements contain provisions that, among other things, limit its ability to make loans or investments, make material changes to the nature of its business, merge, consolidate or engage in asset sales, grant liens or make negative pledges. Certain agreements also require it to maintain certain financial ratios, which limit the amount of additional indebtedness it can incur. For example, the ONEOK Partners Credit Agreement contains a legal covenant requiring it to maintain 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.

These restrictions could result in higher costs of borrowing and impair its ability to generate additional cash. Future financing agreements ONEOK Partners may enter into may contain similar or more restrictive covenants.

If ONEOK Partners is unable to meet its debt-service obligations, it could be forced to restructure or refinance its indebtedness, seek additional equity capital or sell assets. It may be unable to obtain financing, raise equity or sell assets on satisfactory terms, or at all.

Borrowings under the ONEOK Partners Credit Agreement and its senior notes are nonrecourse to ONEOK, and ONEOK does not guarantee the debt, commercial paper or other similar commitments of ONEOK Partners.

ONEOK Partners has adopted certain valuation methodologies that may result in a shift of income, gain, loss and deduction between the general partner and the unitholders. The IRS may challenge this treatment, which could adversely affect the value of its limited partner units.

When ONEOK Partners issues additional units or engages in certain other transactions, ONEOK Partners determines the fair market value of its assets and allocates any unrealized gain or loss attributable to its assets to the capital accounts of its unitholders and its general partner. ONEOK Partners' methodology may be viewed as understating the value of its assets. In that case, there may be a shift of income, gain, loss and deduction between certain unitholders and the general partner, which may be unfavorable to such unitholders. Moreover, under ONEOK Partners' current valuation methods, subsequent purchasers of common units may have a greater portion of their Internal Revenue Code Section 743(b) adjustment allocated to ONEOK Partners' tangible assets and a lesser portion allocated to ONEOK Partners' intangible assets. The IRS may challenge ONEOK Partners' valuation methods or ONEOK Partners' allocation of the Section 743(b) adjustment attributable to ONEOK Partners' tangible and intangible assets, and allocations of income, gain, loss and deduction between the general partner and certain of ONEOK Partners' unitholders.

A successful IRS challenge to these methods or allocations could affect adversely the amount of taxable income or loss being allocated to ONEOK Partners' unitholders. It also could affect the amount of gain from ONEOK Partners

unitholders' sale of common units and could have a negative impact on the value of the common units or result in audit adjustments to ONEOK Partners unitholders' tax returns without the benefit of additional deductions.

ONEOK Partners' treatment of a purchaser of common units as having the same tax benefits as the seller could be challenged, resulting in a reduction in value of the common units.

Because ONEOK Partners cannot match transferors and transferees of common units, ONEOK Partners is required to maintain the uniformity of the economic and tax characteristics of these units in the hands of the purchasers and sellers of these units. ONEOK Partners does so by adopting certain depreciation conventions that do not conform to all aspects of existing United States Treasury regulations. A successful IRS challenge to these conventions could affect adversely the tax benefits to a

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unitholder of ownership of the common units and could have a negative impact on their value or result in audit adjustments to ONEOK Partners unitholders' tax returns.

Increased regulation of exploration and production activities, including hydraulic fracturing, could result in reductions or delays in drilling and completing new oil and natural gas wells, which could impact adversely ONEOK Partners' revenues by decreasing the volumes of unprocessed natural gas and NGLs transported on its or its joint ventures natural gas and natural gas liquids pipelines.

The natural gas industry is relying increasingly on natural gas supplies from unconventional sources, such as shale, tight sands and coal-bed methane gas. Natural gas extracted from these sources frequently requires hydraulic fracturing, which involves the pressurized injection of water, sand, and chemicals into the geologic formation to stimulate natural gas production. Recently, there have been initiatives at the federal and state levels to regulate or otherwise restrict the use of hydraulic fracturing, and several states have adopted regulations that impose more stringent permitting, disclosure and well-completion requirements on hydraulic fracturing operations. Legislation or regulations placing restrictions on hydraulic fracturing activities could impose operational delays, increased operating costs and additional regulatory burdens on exploration and production operators, which could reduce their production of unprocessed natural gas and, in turn, adversely affect ONEOK Partners' revenues and results of operations by decreasing the volumes of unprocessed natural gas and NGLs gathered, treated, processed, fractionated and transported on ONEOK Partners' or its joint ventures' natural gas and natural gas liquids pipelines, several of which gather unprocessed natural gas and NGLs from areas where the use of hydraulic fracturing is prevalent.

Continued development of new supply sources could impact demand.

The discovery of unconventional natural gas production areas closer to certain market areas that ONEOK Partners serves may compete with natural gas originating in production areas connected to ONEOK Partners' systems. For example, the Marcellus Shale in Pennsylvania, New York, West Virginia and Ohio may cause natural gas in supply areas connected to ONEOK Partners' systems to be diverted to markets other than its traditional market areas and may affect capacity utilization adversely on ONEOK Partners' pipeline systems and ONEOK Partners' ability to renew or replace existing contracts at rates sufficient to maintain current revenues and cash flows. In addition, supply volumes from these nonconventional natural gas production areas may compete with and displace volumes from the Mid-Continent, Rocky Mountains and Canadian supply sources in certain of ONEOK Partners' markets. The displacement of natural gas originating in supply areas connected to ONEOK Partners' pipeline systems by these new supply sources that are closer to the end-use markets could result in lower transportation revenues, which could have a material adverse impact on ONEOK Partners' business, financial condition, results of operations and cash flows.

A court may use fraudulent conveyance considerations to avoid or subordinate ONEOK Partners Intermediate Limited Partnership's guarantee of certain of ONEOK Partners' senior notes.

Various applicable fraudulent conveyance laws have been enacted for the protection of creditors. A court may use fraudulent conveyance laws to subordinate or avoid the guarantee of certain of ONEOK Partners' senior notes issued by ONEOK Partners Intermediate Limited Partnership. It is also possible that under certain circumstances, a court could hold that the direct obligations of the Intermediate Partnership could be superior to the obligations under that guarantee.

A court could avoid or subordinate the Intermediate Partnership's guarantee of certain of ONEOK Partners' senior notes in favor of the Intermediate Partnership's other debts or liabilities to the extent that the court determined either of the following were true at the time the Intermediate Partnership issued the guarantee:

- the Intermediate Partnership incurred the guarantee with the intent to hinder, delay or defraud any of its present or future creditors or the Intermediate Partnership contemplated insolvency with a design to favor one or more creditors to the total or partial exclusion of others; or

- the Intermediate Partnership did not receive fair consideration or reasonable equivalent value for issuing the guarantee and, at the time it issued the guarantee, the Intermediate Partnership:
  - was insolvent or rendered insolvent by reason of the issuance of the guarantee;
  - was engaged or about to engage in a business or transaction for which its remaining assets constituted unreasonably small capital; or
  - intended to incur, or believed that it would incur, debts beyond its ability to pay such debts as they matured.

The measure of insolvency for purposes of the foregoing will vary depending upon the law of the relevant jurisdiction. Generally, however, an entity would be considered insolvent for purposes of the foregoing if:

- the sum of its debts, including contingent liabilities, were greater than the fair saleable value of all of its assets at a fair valuation;
- the present fair saleable value of its assets was less than the amount that would be required to pay its probable liability on its existing debts, including contingent liabilities, as they become absolute and mature; or
- it could not pay its debts as they become due.

Among other things, a legal challenge of the Intermediate Partnership's guarantee of certain of ONEOK Partners' senior notes on fraudulent conveyance grounds may focus on the benefits, if any, realized by the Intermediate Partnership as a result of ONEOK Partners' issuance of such senior notes. To the extent the Intermediate Partnership's guarantee of certain of ONEOK Partners' senior notes is avoided as a result of fraudulent conveyance or held unenforceable for any other reason, the holders of such senior notes would cease to have any claim in respect of the guarantee.

ONEOK Partners may be unable to cause its joint ventures to take or not to take certain actions unless some or all of its joint-venture participants agree.

ONEOK Partners participates in several joint ventures. Due to the nature of some of these arrangements, each participant in these joint ventures has made substantial investments in the joint venture and, accordingly, has required that the relevant charter documents contain certain features designed to provide each participant with the opportunity to participate in the management of the joint venture and to protect its investment, as well as any other assets which may be substantially dependent on or otherwise affected by the activities of that joint venture. These participation and protective features customarily include a corporate governance structure that requires at least a majority-in-interest vote to authorize many basic activities and requires a greater voting interest (sometimes up to 100 percent) to authorize more significant activities. Examples of these more significant activities are large expenditures or contractual commitments, the construction or acquisition of assets, borrowing money or otherwise raising capital, transactions with affiliates of a joint-venture participant, litigation and transactions not in the ordinary course of business, among others. Thus, without the concurrence of joint-venture participants with enough voting interests, ONEOK Partners may be unable to cause any of its joint ventures to take or not to take certain actions, even though those actions may be in the best interest of ONEOK Partners or the particular joint venture.

Moreover, any joint-venture owner generally may sell, transfer or otherwise modify its ownership interest in a joint venture, whether in a transaction involving third parties or the other joint-venture owners. Any such transaction could result in ONEOK Partners being required to partner with different or additional parties.

ONEOK Partners' operating cash flow is derived partially from cash distributions it receives from its unconsolidated affiliates.

ONEOK Partners' operating cash flow is derived partially from cash distributions it receives from its unconsolidated affiliates, as discussed in Note O of the Notes to Consolidated Financial Statements. The amount of cash that ONEOK Partners' unconsolidated affiliates can distribute principally depends upon the amount of cash flow these affiliates generate from their respective operations, which may fluctuate from quarter to quarter. ONEOK Partners does not have any direct control over the cash distribution policies of its unconsolidated affiliates. This lack of control may contribute to ONEOK Partners' not having sufficient available cash each quarter to continue paying distributions at its current levels.

Additionally, the amount of cash that ONEOK Partners has available for cash distribution depends primarily upon its cash flow, including cash flow from financial reserves and working capital borrowings, and is not solely a function of profitability, which will be affected by noncash items such as depreciation, amortization and provisions for asset impairments. As a result, ONEOK Partners may be able to make cash distributions during periods when it records

losses and may not be able to make cash distributions during periods when it records net income.

ITEM 1B. UNRESOLVED STAFF COMMENTS

Not applicable.

ITEM 2. PROPERTIES

DESCRIPTION OF PROPERTIES

ONEOK Partners

Property - Our ONEOK Partners segment owns the following assets:

- approximately 10,900 miles and 6,200 miles of natural gas gathering pipelines in the Mid-Continent and Rocky Mountain regions, respectively;
- nine natural gas processing plants with approximately 645 MMcf/d of processing capacity in the Mid-Continent region, and six natural gas processing plants, with approximately 315 MMcf/d of processing capacity, in the Rocky Mountain region;
- approximately 24 MBbl/d of natural gas liquids fractionation capacity at various natural gas processing plants in the Mid-Continent and Rocky Mountain regions;
- approximately 1,500 miles of FERC-regulated interstate natural gas pipelines with approximately 3.1 Bcf/d of peak transportation capacity;
- approximately 5,100 miles of state-regulated intrastate transmission pipelines with approximately 3.0 Bcf/d of peak transportation capacity;
- approximately 51.7 Bcf of total active working natural gas storage capacity;
- approximately 2,700 miles of natural gas liquids gathering pipelines with peak gathering capacity of approximately 772 MBbl/d;
- approximately 170 miles of natural gas liquids distribution pipelines with approximately 66 MBbl/d of peak transportation capacity;
- two natural gas liquids fractionators with approximately 260 MBbl/d of combined operating capacity, which are located in Oklahoma and Kansas;
- a natural gas liquids fractionator with operating capacity of 210 MBbl/d located at the Bushton facility in Kansas;
- 80-percent ownership interest in one natural gas liquids fractionator in Texas with ONEOK Partners' proportional share of operating capacity of approximately 128 MBbl/d;
- interest in one natural gas liquids fractionator in Kansas with ONEOK Partners' proportional share of operating capacity of approximately 11 MBbl/d;
- one isomerization unit in Kansas with operating capacity of 9 MBbl/d;
- six natural gas liquids storage facilities in Oklahoma, Kansas and Texas with operating storage capacity of approximately 23.2 MMBbl;
- approximately 840 miles of FERC-regulated natural gas liquids gathering pipelines with peak capacity of approximately 200 MBbl/d;
- approximately 3,500 miles of FERC-regulated natural gas liquids and refined petroleum products distribution pipelines with approximately 708 MBbl/d of peak transportation capacity;
- eight natural gas liquids product terminals in Missouri, Nebraska, Iowa and Illinois; and
- above- and below-ground storage facilities associated with its FERC-regulated natural gas liquids pipeline operations in Iowa, Illinois, Nebraska and Kansas with combined operating capacity of approximately 978 MBbl.

ONEOK Partners' storage includes five underground natural gas storage facilities in Oklahoma, three underground natural gas storage facilities in Kansas and three underground natural gas storage facilities in Texas. One of its natural gas storage facilities in Kansas has been idle since 2001. In compliance with a KDHE order, ONEOK Partners began injecting brine into that facility in the first quarter 2007 and completed injection at the end of 2012 in order to ensure the long-term integrity of the idled facility. Monitoring of the facility and review of the data for the geo-engineering studies are ongoing, in compliance with a KDHE order while ONEOK Partners evaluates the alternatives for the facility. Following the testing of the gathered data, ONEOK Partners expects that the facility will be returned to storage service, although most likely for a product other than natural gas. The return to service will require additional actions and KDHE approval. It is possible, however, that testing could reveal that it is not safe to return the facility to

service or that the KDHE will not grant the required permits to resume service.

As discussed further in "Growth Projects" in ONEOK Partners segment's discussion in Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations, we also are constructing or plan to construct the following assets:

- approximately 270 miles of natural gas gathering pipelines in the Rocky Mountain region;
- three natural gas processing plants with approximately 300 MMcf/d of combined processing capacity in the Rocky Mountain region;
- one natural gas processing plant with approximately 200 MMcf/d of processing capacity in the Mid-Continent region;

- approximately 600 miles of FERC-regulated natural gas liquids gathering pipelines from the Williston Basin to the Overland Pass Pipeline with approximately 135 MBbl/d of initial capacity;
- approximately 540 miles of FERC-regulated natural gas liquids distribution pipelines from Medford, Oklahoma, to Mont Belvieu, Texas, with approximately 193 MBbld of initial capacity;
- two natural gas liquids fractionators with approximately 150 MBbl/d of combined operating capacity that will be located in Texas; and
- one ethane/propane splitter with the capability of producing approximately 32 MBbl/d of purity ethane and approximately 8 MBbl/d of propane that will be located in Texas.

Utilization - The utilization rates for ONEOK Partners' various assets for 2012 and 2011 were as follows:

- natural gas processing plants were approximately 69 percent and 71 percent utilized, respectively;
- natural gas pipelines were approximately 89 percent subscribed for each year, and storage facilities were fully subscribed both years;
- non-FERC-regulated natural gas liquids pipelines were approximately 68 percent and 71 percent subscribed, respectively;
- average contracted natural gas liquids storage volumes were approximately 60 percent and 63 percent of storage capacity, respectively;
- natural gas liquids fractionators were approximately 89 percent utilized in both years;
- FERC-regulated natural gas liquids gathering pipelines were approximately 99 percent and 97 percent utilized, respectively; and
- FERC-regulated natural gas liquids distribution pipelines were approximately 65 percent utilized in each year.

ONEOK Partners calculates utilization on its assets using a weighted-average approach, adjusting for the dates that assets were placed in service. The utilization rate of ONEOK Partners' fractionation facilities reflects leased capacity and the approximate proportional capacity associated with ONEOK Partner's ownership interests.

Natural Gas Distribution

Property - We own approximately 19,000 miles of pipeline and other natural gas distribution facilities in Oklahoma; approximately 13,000 miles of pipeline and other natural gas distribution facilities in Kansas; and approximately 10,000 miles of pipeline and other natural gas distribution facilities in Texas. In addition, we have 39.3 Bcf of natural gas storage capacity under lease with maximum withdrawal capacity of approximately 1.0 Bcf/d.

Energy Services

Property - Our total natural gas storage capacity under lease is 71.5 Bcf, with maximum withdrawal capability of 2.3 Bcf/d and maximum injection capability of 1.3 Bcf/d. At December 31, 2012, our natural gas transportation capacity was 1.0 Bcf/d, of which 1.0 Bcf/d was contracted under long-term natural gas transportation contracts. Our contracted storage and transportation capacity connects major supply and demand centers throughout the United States and into Canada. We have 20 different storage leases throughout the United States.

Other

Property - We own the 17-story ONEOK Plaza office building, with approximately 517,000 square feet of net rentable space, and an associated parking garage.

ITEM 3.   LEGAL PROCEEDINGS

Gas Index Pricing Litigation: We, ONEOK Energy Services Company, L.P. ("OESC") and one other affiliate are defending, either individually or together, against the following lawsuits that claim damages resulting from the alleged

market manipulation or false reporting of prices to gas index publications by us and others: Sinclair Oil Corporation v. ONEOK Energy Services Corporation, L.P., et al. (filed in the United States District Court for the District of Wyoming in September 2005, transferred to MDL-1566 in the United States District Court for the District of Nevada); Reorganized FLI, Inc. (formerly J.P. Morgan Trust Company) v. ONEOK, Inc., et al. (filed in the District Court of Wyandotte County, Kansas, in October 2005, transferred to MDL-1566 in the United States District Court for the District of Nevada); Learjet, Inc., et al. v. ONEOK, Inc., et al. (filed in the District Court of Wyandotte, Kansas, in November 2005, transferred to MDL-1566 in the United States District Court for the District of Nevada); Breckenridge Brewery of Colorado, LLC, et al. v. ONEOK, Inc., et al. (filed in the District Court of Denver County, Colorado, in May 2006, transferred to MDL-1566 in the United States District Court for the District

of Nevada); Arandell Corporation, et al. v. Xcel Energy, Inc., et al. (filed in the Circuit Court for Dane County, Wisconsin, in December 2006, transferred to MDL-1566 in the United States District Court for the District of Nevada); Heartland Regional Medical Center, et al. v. ONEOK, Inc., et al. (filed in the Circuit Court of Buchanan County, Missouri, in March 2007, transferred to MDL-1566 in the United States District Court for the District of Nevada); NewPage Wisconsin System v. CMS Energy Resource Management Company, et al. (filed in the Circuit Court for Wood County, Wisconsin, in March 2009, transferred to MDL-1566 in the United States District Court for the District of Nevada and now consolidated with the Arandell case). In each of these lawsuits, the plaintiffs allege that we, OESC and one other affiliate and approximately ten other energy companies and their affiliates engaged in an illegal scheme to inflate natural gas prices by providing false information to gas price index publications. All of the complaints arise out of a CFTC investigation into and reports concerning false gas price index-reporting or manipulation in the energy marketing industry during the years from 2000 to 2002.

On July 18, 2011, the trial court granted judgments in favor of ONEOK, Inc., OESC and other unaffiliated entities in the following cases: Reorganized FLI, Learjet, Arandell, Heartland, and NewPage. A final judgment in favor of all defendants was also granted in the Breckenridge case. The court also granted a final judgment in favor of OESC on all state law claims asserted in the Sinclair case. The plaintiffs in those cases case have appealed the judgments entered by the trial court to the United States Court of Appeals for the Ninth Circuit. All of the appeals have been consolidated for briefing purposes by the Ninth Circuit. On August 18, 2011, the trial court entered an order approving a stipulation by the plaintiffs and our affiliate, Kansas Gas Marketing Company ("KGMC"), for a dismissal without prejudice of the plaintiffs' claims against KGMC in the Learjet and Heartland cases. On October 19, 2012, oral argument on the appeal was heard by the Ninth Circuit and a decision will be made by the Court at a later date.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

In June 2012, we completed a two-for-one split of our common stock. We have adjusted all share and per-share amounts contained herein to be presented on a post-split basis.

MARKET INFORMATION AND HOLDERS

Our common stock is listed on the NYSE under the trading symbol "OKE." The corporate name ONEOK is used in newspaper stock listings. The following table sets forth the high and low closing prices of our common stock for the periods indicated:

	Year Ended December 31, 2012		Year Ended December 31, 2011	
	High	Low	High	Low
First Quarter	$44.40	$40.22	$33.44	$27.69
Second Quarter	$43.98	$39.49	$37.00	$32.12
Third Quarter	$48.31	$42.26	$37.98	$29.66
Fourth Quarter	$49.39	$42.07	$43.35	$32.10

At February 19, 2013, there were 14,792 holders of record of our 204,994,065 outstanding shares of common stock.

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DIVIDENDS

The following table sets forth the quarterly dividends declared and paid per share of our common stock during the periods indicated:

	Years Ended December 31,		
	2012	2011	2010
First Quarter	$0.305	$0.26	$0.22
Second Quarter	$0.305	$0.26	$0.22
Third Quarter	$0.33	$0.28	$0.23
Fourth Quarter	$0.33	$0.28	$0.24
Total	$1.27	$1.08	$0.91

In January 2013, we declared a dividend of $0.36 per share ($1.44 per share on an annualized basis) which was paid on February 14, 2013, to shareholders of record as of January 31, 2013.

ISSUER PURCHASES OF EQUITY SECURITIES

The following table sets forth information relating to our purchases of our common stock for the periods shown:

Period	Total Number of Shares Purchased (a)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Be Purchased Under the Plans or Programs	
October 1-31, 2012	300	$8.44	—		
November 1-30, 2012	2,000	$8.44	—		
December 1-31, 2012	400	$8.44	—		
Total	2,700	$8.44	—	$300,000,000	(b)

(a) - Includes shares withheld pursuant to attestation of ownership and deemed tendered to us in connection with the exercise of stock options under the ONEOK, Inc. Long-Term Incentive Plan.
(b) - The maximum approximate dollar value of shares that may yet be purchased pursuant to our approximately $750 million stock repurchase program that was announced on October 21, 2010, subject to the limitation that purchases will not exceed $300 million in any one calendar year. The program will terminate upon the completion of the repurchase of $750 million of common stock or on December 31, 2013, whichever occurs first.

EMPLOYEE STOCK AWARD PROGRAM

Under our Employee Stock Award Program, we issued, for no monetary consideration, to all eligible employees one share of our common stock when the per-share closing price of our common stock on the NYSE was for the first time at or above $13 per share. Shares issued to employees under this program during 2012 totaled 42,467, and compensation expense related to the Employee Stock Award Plan was not material. Shares issued to employees under this program during 2011 totaled 295,694, and compensation expense related to the Employee Stock Award Plan was $16.0 million. For 2010, the number of shares issued under this program was not material.

The total number of shares of our common stock available for issuance under this program is 900,000. The shares issued under this program have not been registered under the Securities Act, in reliance upon the position taken by the SEC (see Release No. 6188, dated February 1, 1980) that the issuance of shares to employees pursuant to a program of this kind does not require registration under the Securities Act. See Note L of the Notes to Consolidated Financial Statements in this Annual Report for additional information.

PERFORMANCE GRAPH

The following performance graph compares the performance of our common stock with the S&P 500 Index, the S&P Utilities Index and a ONEOK Peer Group during the period beginning on December 31, 2007, and ending on December 31, 2012. The graph assumes a $100 investment in our common stock and in each of the indices at the beginning of the period and a reinvestment of dividends paid on such investments throughout the period.

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Value of $100 Investment Assuming Reinvestment of Dividends
at December 31, 2007, and at the End of Every Year Through December 31, 2012,
Among ONEOK, Inc., the S&P 500 Index, the S&P Utilities Index and a ONEOK Peer Group

	Cumulative Total Return Years Ended December 31,				
	2008	2009	2010	2011	2012
ONEOK, Inc.	$67.50	$108.93	$140.93	$227.08	$230.58
S&P 500 Index	$63.01	$79.69	$91.71	$93.62	$108.59
S&P Utilities Index (a)	$71.01	$79.48	$83.84	$100.57	$101.83
ONEOK Peer Group (b)	$81.32	$105.04	$127.06	$152.75	$158.02

(a) - The Standard & Poors Utilities Index is comprised of the following companies: AES Corp.; AGL Resource, Inc.; Ameren Corp.; American Electric Power Co., Inc.; Centerpoint Energy, Inc.; CMS Energy Corp.; Consolidated Edison, Inc.; Dominion Resources, Inc.; DTE Energy Co.; Duke Energy Corp.; Edison International; Entergy Corp.; Exelon Corp.; FirstEnergy Corp.; Integrys Energy Group, Inc.; NextEra Energy, Inc.; NiSource, Inc.; Northeast Utilities; NRG Energy, Inc.; Pepco Holdings, Inc.; PG&E Corp.; Pinnacle West Capital Corp.; PPL Corp.; Public Service Enterprise Group, Inc.; SCANA Corp.; Sempra Energy; Southern Co.; TECO Energy, Inc.; Wisconsin Energy Corp.; and Xcel Energy, Inc.
(b) - The ONEOK Peer Group is comprised of the following companies: AGL Resources, Inc.; Atmos Energy Corp.; Centerpoint Energy, Inc.; DCP Midstream Partners, L.P.; Enbridge, Inc.; Enterprise Products Partners, L.P.; Energy Transfer Partners, L.P.; Kinder Morgan Energy, L.P.; National Fuel Gas Co.; New Jersey Resources Corp.; NiSource, Inc.; OGE Energy Corp.; Piedmont Natural Gas Company, Inc.; Sempra Energy; Spectra Energy Corp.; Southwest Gas Corp.; TransCanada Corp.; UGI Corp.; Vectren Corp.; WGL Holdings, Inc.; and Wisconsin Energy Corp.

ITEM 6. SELECTED FINANCIAL DATA

The following table sets forth our selected financial data for each of the periods indicated:

	Years Ended December 31,				
	2012	2011	2010	2009	2008
	(Millions of dollars except per share amounts)				
Revenues	$12,632.6	$14,805.8	$12,678.8	$10,805.8	$15,514.3
Income from continuing operations	$729.3	$757.5	$540.1	$483.7	$595.0
Income from continuing operations attributable to ONEOK	$346.3	$358.4	$333.4	$297.9	$306.4
Net income attributable to ONEOK	$360.6	$360.6	$334.6	$305.5	$311.9
Total assets	$15,855.3	$13,696.6	$12,499.2	$12,827.7	$13,126.1
Long-term debt, including current maturities	$6,526.2	$4,893.9	$4,329.8	$4,602.2	$4,230.8
Earnings per share - continuing operations					
Basic	$1.68	$1.71	$1.57	$1.41	$1.47
Diluted	$1.64	$1.67	$1.55	$1.40	$1.45
Earnings per share - total					
Basic	$1.75	$1.72	$1.57	$1.45	$1.49
Diluted	$1.71	$1.68	$1.55	$1.44	$1.47
Dividends declared per common share	$1.27	$1.08	$0.91	$0.82	$0.78

The financial information of ONEOK Energy Marketing Company is reflected as discontinued operations in this Annual Report. All prior periods presented have been recast to reflect the discontinued operations. See Note B of the Notes to Consolidated Financial Statements in this Annual Report for additional information on our discontinued operations.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis should be read in conjunction with our audited consolidated financial statements and the Notes to Consolidated Financial Statements in this Annual Report.

RECENT DEVELOPMENTS

The following discussion highlights some of our planned activities, recent achievements and significant issues affecting us. Please refer to the "Financial Results and Operating Information," and "Liquidity and Capital Resources" sections of Management's Discussion and Analysis of Financial Condition and Results of Operation and our consolidated financial statements and Notes to Consolidated Financial Statements for additional information.

Growth Projects - Crude oil and natural gas producers continue to drill aggressively in crude oil and NGL-rich areas, and related development activities continue to progress in many regions where ONEOK Partners has operations. ONEOK Partners expects continued development of the crude oil and natural gas reserves in the Bakken Shale and Three Forks formations in the Williston Basin and in the Cana-Woodford Shale, Woodford Shale, Granite Wash and Mississippian Lime areas in the Mid-Continent region. In response to this increased production of crude oil, natural gas and NGLs, and higher demand for NGL products from the petrochemical industry, ONEOK Partners is investing approximately $4.7 billion to $5.3 billion in new capital projects between 2011 and 2015 to meet the needs of crude oil and natural gas producers and processors in the Williston Basin, the Cana-Woodford Shale, Woodford Shale, Granite Wash and Mississippian Lime areas. In addition, ONEOK Partners is investing in NGL infrastructure in the Rocky Mountain, Mid-Continent and Gulf Coast regions. These assets will enhance ONEOK Partners' ability to distribute NGL products to meet the increasing petrochemical industry and NGL export demand. The execution of

these capital investments aligns with ONEOK Partners' focus to grow fee-based earnings. Acreage dedications and supply commitments from natural gas producers and processors in regions associated with ONEOK Partners' growth projects will provide incremental and long-term fee-based earnings and cash flows.

See discussion of ONEOK Partners' growth projects in the "Financial Results and Operating Information" section for our ONEOK Partners segment.

Stock Split - In June 2012, we completed a two-for-one split of our common stock. We have adjusted all share and per-share amounts contained herein, to be presented on a post-split basis.

Stock Repurchase Program - In September 2012, we completed an accelerated share repurchase agreement in which we repurchased approximately 3.4 million shares of our common stock for $150 million.

Our three-year stock repurchase program was authorized by our Board of Directors in October 2010 to buy up to $750 million of our common stock, subject to the limitation that purchases will not exceed $300 million in any one calendar year. Following our $150 million repurchase in September 2012 and our $300 million repurchase in 2011, an additional $300 million may yet be purchased pursuant to our three-year repurchase program.

Dividends/Distributions - During 2012, we paid dividends totaling $1.27 per share, an increase of approximately 18 percent over the $1.08 per share paid during 2011. We declared a quarterly dividend of $0.36 per share ($1.44 per share on an annualized basis) in January 2013, an increase of approximately 18 percent over the $0.305 declared in January 2012. During 2012, ONEOK Partners paid cash distributions totaling $2.59 per unit, an increase of approximately 11 percent over the $2.325 per unit paid during 2011. ONEOK Partners paid total cash distributions to us in 2012 of $760.9 million, which includes $559.6 million resulting from our limited-partner interest and $201.3 million related to our general partner interest. A cash distribution from ONEOK Partners of $0.71 per unit ($2.84 per unit on an annualized basis) was declared in January 2013, an increase of approximately 16 percent over the $0.61 declared in January 2012.

Retail Marketing Sale - On February 1, 2012, we sold ONEOK Energy Marketing Company, our Natural Gas Distribution segment’s retail natural gas marketing business, to Constellation Energy Group, Inc. for $22.5 million plus working capital. We received net proceeds of approximately $32.9 million and recognized an after-tax gain on the sale of approximately $13.5 million. The proceeds from the sale were used to reduce short-term borrowings. The financial information of ONEOK Energy Marketing Company is reflected as discontinued operations in this Annual Report. All prior periods presented have been recast to reflect the discontinued operations.

Debt Issuances - In January 2012, we completed an underwritten public offering of senior notes generating net proceeds of approximately $693.9 million. In September 2012, ONEOK Partners completed an underwritten public offering of senior notes generating net proceeds of approximately $1.3 billion.

ONEOK Partners Equity Issuances - In March 2012, ONEOK Partners completed an underwritten public offering of 8.0 million common units and also sold 8.0 million common units to us in a private placement, generating total net proceeds of approximately $920 million. In conjunction with the issuances, we contributed approximately $19 million in order to maintain our 2-percent general partner interest.

ONEOK Partners entered into an Equity Distribution Agreement (the EDA) for the offer and sale from time to time of its common units up to an aggregate amount of $300 million. ONEOK Partners is under no obligation to offer common units under the EDA. ONEOK Partners intends to use the net proceeds from sales under the program for general partnership purposes.

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

FINANCIAL RESULTS AND OPERATING INFORMATION

Consolidated Operations

Selected Financial Results - The following table sets forth certain selected financial results for the periods indicated:

Financial Results	Years Ended December 31, 2012	2011	2010	Variances 2012 vs. 2011 Increase (Decrease)		Variances 2011 vs. 2010 Increase (Decrease)	
	(Millions of dollars)						
Revenues	$12,632.6	$14,805.8	$12,678.8	$(2,173.2)	(15)%	$2,127.0	17 %
Cost of sales and fuel	10,281.7	12,425.4	10,616.6	(2,143.7)	(17)%	1,808.8	17 %
Net margin	2,350.9	2,380.4	2,062.2	(29.5)	(1)%	318.2	15 %
Operating costs	909.0	908.3	830.9	0.7	— %	77.4	9 %
Depreciation and amortization	335.8	312.2	307.2	23.6	8 %	5.0	2 %
Goodwill impairment	10.3	—	—	10.3	100 %	—	— %
Gain (loss) on sale of assets	6.7	(1.0)	18.6	7.7	*	(19.6)	*
Operating income	$1,102.5	$1,158.9	$942.7	$(56.4)	(5)%	$216.2	23 %
Equity earnings from investments	$123.0	$127.2	$101.9	$(4.2)	(3)%	$25.3	25 %
Interest expense	$(302.3)	$(297.0)	$(292.2)	$5.3	2 %	$4.8	2 %
Net income	$743.5	$759.7	$541.3	$(16.2)	(2)%	$218.4	40 %
Net income attributable to noncontrolling interests	$382.9	$399.2	$206.7	$(16.3)	(4)%	$192.5	93 %
Net income attributable to ONEOK	$360.6	$360.6	$334.6	$—	— %	$26.0	8 %
Capital expenditures	$1,866.2	$1,336.1	$582.7	$530.1	40 %	$753.4	*

* Percentage change is greater than 100 percent.

2012 vs, 2011 - Revenues for 2012, compared with the prior year, decreased due to lower net realized natural gas and NGL product prices, offset partially by higher natural gas and NGL sales volumes from ONEOK Partners' completed capital projects. The increase in natural gas supply resulting from the development of nonconventional resource areas in North America and a warmer than normal winter have caused lower natural gas prices and narrower natural gas location and seasonal price differentials in the markets we serve. NGL prices, particularly ethane and propane, also decreased in 2012 due primarily to increased NGL production growth from the development of NGL-rich areas. Propane prices also were affected by a warmer than normal winter. During the second half of 2012, NGL location price differentials also narrowed due to strong production growth, increased demand in the Mid-Continent region and increased capacity available on pipelines that connect the Mid-Continent and Gulf Coast market centers.

Operating income for 2012 reflects higher results from our ONEOK Partners and Natural Gas Distribution segments, offset by lower results from our Energy Services segment. Our ONEOK Partners segment's results benefited from higher volumes from completed capital projects in its natural gas gathering and processing and natural gas liquids businesses. These increases were offset partially by less favorable NGL price differentials and lower NGL transportation capacity available for optimization activities in ONEOK Partners natural gas liquids business. Additionally, the increase was offset by higher compression and processing costs and lower realized natural gas and NGL product prices, particularly ethane and propane, in its natural gas gathering and processing business. Our Natural Gas Distribution segment benefited from new rates in all three states where it has operations and lower operating costs.

These increases were offset by lower margins in our Energy Services segment due primarily to the impact of lower realized natural gas prices due to narrower natural gas seasonal and location price differentials and the impact of our hedging strategies on our storage and marketing and transportation margins and a nonrecurring goodwill impairment charge in the first quarter 2012.

Operating costs for 2012 were relatively unchanged due primarily to the increased costs associated with our ONEOK Partners segment's expanding operations as a result of several internal growth projects that were placed in service and scheduled maintenance costs being offset by lower employee-related costs in our Natural Gas Distribution and Energy Services segments.

Interest expense increased in 2012, compared with the prior year, primarily as a result of higher interest costs from ONEOK's $700 million debt issuance in January 2012 and ONEOK Partners' $1.3 billion debt issuance in September 2012, offset

partially by higher capitalized interest associated with ONEOK Partners' growth projects in its natural gas gathering and processing and natural gas liquids businesses.

Net income attributable to noncontrolling interests reflects primarily the earnings of ONEOK Partners attributable to the portion of ONEOK Partners that we do not own.

Capital expenditures increased for 2012, compared with 2011, due primarily to the growth projects in ONEOK Partners' natural gas liquids business.

2011 vs. 2010 - NGL and condensate prices were higher while natural gas prices decreased during 2011, compared with 2010. These changes in commodity prices had a direct impact on our revenues and cost of sales and fuel.

Operating income increased 23 percent in 2011 reflecting higher results from our ONEOK Partners segment, offset partially by lower operating income from our Natural Gas Distribution and Energy Services segments. Our ONEOK Partners segment's operating income significantly increased due primarily to more favorable NGL location differentials and higher NGL volumes gathered and fractionated, offset partially by the deconsolidation of Overland Pass Pipeline in September 2010 in its natural gas liquids business and lower natural gas transportation margins due to narrower natural gas price location differentials in its natural gas pipelines business.

Our Natural Gas Distribution segment's operating income decreased 12 percent in 2011 due to increased operating costs.

Our Energy Services segment's operating income decreased significantly in 2011 due primarily to lower transportation, storage and marketing margins, net of hedging activities.

Operating costs increased in 2011 due primarily to higher short-term incentive and share-based compensation and other labor and benefit costs for all segments and higher materials and outside services expenses in our ONEOK Partners segment.

Gain (loss) on sale of assets decreased from 2010, which reflected a $16.3 million gain on the sale of a 49-percent interest of Overland Pass Pipeline Company.

Equity earnings from investments increased in 2011, compared with 2010, due to the impact of accounting for Overland Pass Pipeline Company as an equity method investment beginning in September 2010 and increased contracted capacity on Northern Border Pipeline.

Net income attributable to noncontrolling interests reflects higher earnings in our ONEOK Partners segment during 2011 compared with 2010.

Capital expenditures increased during 2011 due primarily to the growth projects in ONEOK Partners' natural gas gathering and processing and natural gas liquids businesses.

More information regarding our results of operations is provided in the following discussion of operating results for each of our segments.

ONEOK Partners

Growth Projects - Bakken Crude Express Pipeline - In April 2012, ONEOK Partners announced plans to build the Bakken Crude Express Pipeline. ONEOK Partners held an open season process that provided potential shippers with the opportunity to execute long-term transportation contracts in exchange for priority transportation service. In

November 2012, ONEOK Partners elected not to proceed with plans to construct the Bakken Crude Express Pipeline due to insufficient long-term transportation commitments during the open season.

Natural gas gathering and processing business - ONEOK Partners' natural gas gathering and processing business is investing approximately $2.1 billion to $2.3 billion in growth projects in the Williston Basin and Cana-Woodford Shale areas that will enable ONEOK Partners to meet the rapidly growing needs of natural gas producers in those areas.

Williston Basin Processing Plants and related projects - ONEOK Partners' projects in this basin include five 100 MMcf/d natural gas processing facilities: the Garden Creek, Garden Creek II and Garden Creek III plants located in eastern McKenzie County, North Dakota, and the Stateline I and II plants located in western Williams County, North Dakota. ONEOK Partners has acreage dedications of approximately 3.1 million acres supporting these plants. In addition, ONEOK Partners is expanding

and upgrading its existing natural gas gathering and compression infrastructure and also adding new well connections associated with these plants. The Garden Creek plant was placed in service in December 2011 and together with the related infrastructure cost approximately $360 million, excluding AFUDC. ONEOK Partners expects construction costs, excluding AFUDC, for the Garden Creek II plant will be $310 million to $345 million, and for the Garden Creek III plant will be approximately $325 million to $360 million. The Garden Creek II and Garden Creek III plants are expected to be in service during the third quarter 2014 and the first quarter 2015, respectively. Together, the Stateline I and II plants and related infrastructure projects are expected to cost approximately $560 million to $660 million, excluding AFUDC. The 100 MMcf/d Stateline I natural gas processing facility was placed into service in September 2012, and the 100 MMcf/d Stateline II natural gas processing facility is expected to be in service during the first quarter 2013.

ONEOK Partners plans to invest $140 million to $160 million to construct a 270-mile natural gas gathering system and related infrastructure in Divide County, North Dakota. The new system will gather and deliver natural gas from producers in the Williston Basin to both of ONEOK Partners' Stateline natural gas processing facilities in western Williams County, North Dakota. ONEOK Partners has secured long-term supply commitments from producers for this new system, which are structured with POP and fee-based contractual components. This project is expected to be completed in the third quarter 2013.

ONEOK Partners expects that these capital projects will continue to provide additional revenues from POP and fee-based contracts as they are completed. ONEOK Partners expects its commodity price exposure to increase, particularly to NGL and natural gas prices, as equity volumes increase under its natural gas gathering and processing business' POP contracts with its customers in the Williston Basin. ONEOK Partners uses derivative instruments to mitigate its sensitivity to fluctuations in the natural gas, crude oil and NGL prices received for its share of volumes.

Cana-Woodford Shale projects - ONEOK Partners plans to invest approximately $340 million to $360 million to construct a new 200 MMcf/d natural gas processing facility, the Canadian Valley plant, and related infrastructure in the Cana-Woodford Shale in Canadian County, Oklahoma, in close proximity to its existing natural gas transportation and natural gas liquids gathering pipelines. The additional natural gas processing infrastructure is necessary to accommodate increased production of NGL-rich natural gas in the Cana-Woodford Shale where ONEOK Partners has substantial acreage dedications from active producers. The new Canadian Valley plant is expected to cost approximately $190 million, excluding AFUDC, and is expected to be in service in the first quarter 2014. The related additional infrastructure is expected to cost approximately $160 million, excluding AFUDC, and is expected to increase ONEOK Partners' capacity to gather and process natural gas to approximately 390 MMcf/d in the Cana-Woodford Shale.

In both the Williston Basin and Cana-Woodford Shale project areas, nearly all of the new gas production is from horizontally drilled and completed wells. Horizontal wells drilled in the Williston Basin are justified primarily by crude-oil economics, which are currently very favorable. These wells tend to produce at higher initial volumes resulting generally in higher initial decline rates than conventional vertical wells; however, the decline rates flatten out over time. These wells are expected to have long productive lives. ONEOK Partners expects the routine growth capital needed to connect to new wells and expand its infrastructure to increase compared with its historical levels of routine growth capital.

Natural gas liquids business - The growth strategy in ONEOK Partners' natural gas liquids business is focused around the crude oil and NGL-rich natural gas drilling activity in shale and other unconventional resource areas from the Rocky Mountain region through the Mid-Continent region into Texas. Increasing crude oil, natural gas and NGL production resulting from this activity and higher petrochemical industry demand for NGL products have required ONEOK Partners to make additional capital investments to expand its infrastructure to bring these commodities from supply basins to market. Expansion of the petrochemical industry in the United States is expected to increase ethane demand significantly over the next five years, and international demand for propane is expected to impact positively

the NGL market in the future.

ONEOK Partners' natural gas liquids business is investing approximately $2.6 billion to $3.0 billion in NGL-related projects through 2015. These investments will accommodate the transportation and fractionation of growing NGL supply from shale and other resource development areas across ONEOK Partners' asset base and alleviate infrastructure constraints between the Mid-Continent and Gulf Coast market centers to meet increasing petrochemical industry and NGL export demand in the Gulf Coast. Over time, these growing fee-based NGL volumes are expected to fill much of its pipeline capacity used historically to capture the NGL price differentials between the two market centers. During the second half of 2012, NGL price differentials narrowed between the Mid-Continent and Gulf Coast market centers. ONEOK Partners expects these narrow NGL price differentials to continue as new fractionators and pipelines, including ONEOK Partners' growth projects discussed below, continue to alleviate constraints between the two market centers.

Sterling III Pipeline - ONEOK Partners is in the process of constructing a 540-plus-mile natural gas liquids pipeline, the Sterling III Pipeline, which will have the flexibility to transport either unfractionated NGLs or NGL products from the Mid-

Continent to the Gulf Coast. The Sterling III Pipeline will traverse the NGL-rich Woodford Shale that is currently under development, as well as provide transportation capacity for the growing NGL production from the Cana-Woodford Shale and Granite Wash areas, where the pipeline can gather unfractionated NGLs from the new natural gas processing plants that are being built as a result of increased drilling activity in these areas. The Sterling III Pipeline will have an initial capacity to transport up to 193 MBbl/d of production from ONEOK Partners' natural gas liquids infrastructure at Medford, Oklahoma, to its storage and fractionation facilities in Mont Belvieu, Texas. ONEOK Partners has multi-year supply commitments from producers and natural gas processors for approximately 75 percent of the pipeline's capacity. Installation of additional pump stations could expand the capacity of the pipeline to 250 MBbl/d. Following the receipt of all necessary permits and the acquisition of rights-of-way, construction is scheduled to begin in 2013, with an expected completion late this year.

The project also includes reconfiguration of its existing Sterling I and II pipelines, which distribute NGL products between the Mid-Continent and Gulf Coast natural gas liquids market centers, to transport either unfractionated NGLs or NGL products. The project costs for the new pipeline and reconfiguration projects are estimated to be $610 million to $810 million, excluding AFUDC.

MB-2 Fractionator - ONEOK Partners is constructing a new 75 MBbl/d fractionator, MB-2, near its storage facility in Mont Belvieu, Texas. Construction began in June 2011 and is expected to be completed in mid-2013. The cost of the new fractionator is estimated to be $300 million to $390 million, excluding AFUDC. ONEOK Partners has multi-year supply commitments from producers and natural gas processors for all of the fractionator's capacity.

MB-3 Fractionator - ONEOK Partners plans to construct a 75 MBbl/d fractionator, MB-3, near its storage facility in Mont Belvieu, Texas. In addition, ONEOK Partners plans to expand and upgrade its existing natural gas liquids gathering and pipeline infrastructure, including new connections to natural gas processing facilities and increasing the capacity of the Arbuckle and Sterling II natural gas liquids pipelines. The MB-3 fractionator and related infrastructure are expected to cost approximately $525 million to $575 million, excluding AFUDC. The MB-3 fractionator is expected to be completed in the fourth quarter 2014. Supply commitments from third-party natural gas processors are in various stages of negotiation.

Ethane/Propane Splitter - ONEOK Partners plans to construct a new 40 MBbl/d ethane/propane splitter at its Mont Belvieu storage facility to split ethane/propane mix into purity ethane in order to meet the growing needs of petrochemical customers. The facility will be capable of producing 32 MBbl/d of purity ethane and 8 MBbl/d of propane, and is expected to be in service during the second quarter 2014. The ethane/propane splitter is expected to cost approximately $45 million, excluding AFUDC.

Bakken NGL Pipeline and related projects - ONEOK Partners is constructing an approximately 600-mile natural gas liquids pipeline, the Bakken NGL Pipeline, to transport unfractionated NGLs from the Williston Basin to the Overland Pass Pipeline. ONEOK Partners also announced plans to invest an additional $100 million to install additional pump stations on the Bakken NGL Pipeline to increase its capacity to 135 MBbl/d from an initial capacity of 60 MBbl/d. The unfractionated NGLs then will be delivered to ONEOK Partners' existing natural gas liquids fractionation and distribution infrastructure in the Mid-Continent. Project costs for the new pipeline, including the expansion, are estimated to be $550 million to $650 million, excluding AFUDC. NGL supply commitments for the Bakken NGL Pipeline are anchored by NGL production from ONEOK Partners' natural gas processing plants. The 12-inch diameter pipeline is expected to be in service during the first quarter 2013, and the expansion is expected to be completed in the third quarter 2014.

The unfractionated NGLs from the Bakken NGL Pipeline and other supply sources under development in the Rocky Mountain region will require installing additional pump stations and expanding existing pump stations on the Overland Pass Pipeline in which ONEOK Partners owns a 50-percent equity interest. These additions and expansions will increase the capacity of the Overland Pass Pipeline to 255 MBbl/d. ONEOK Partners' anticipated share of the

costs for this project is estimated to be $35 million to $40 million, excluding AFUDC.

Bushton Fractionator expansion - In September 2012, ONEOK Partners completed an expansion and upgrade to its existing NGL fractionation capacity at Bushton, Kansas, increasing capacity to 210 MBbl/d from 150 MBbl/d. This additional capacity is necessary to accommodate the volume growth from the Mid-Continent and Williston Basin. The project cost approximately $117 million, excluding AFUDC.

New NGL pipeline and modification of Hutchinson fractionation infrastructure - ONEOK Partners plans to invest approximately $140 million, excluding AFUDC, to construct a new 95-mile natural gas liquids pipeline that will connect its existing NGL fractionation and storage facilities in Hutchinson, Kansas, to similar facilities in Medford, Oklahoma. These projects also include related modifications to existing natural gas liquids fractionation infrastructure at Hutchinson, Kansas, to

accommodate additional unfractionated NGLs produced in the Williston Basin. The pipeline and related modifications are expected to be in service during the first quarter 2015.

Cana-Woodford Shale and Granite Wash projects - ONEOK Partners constructed approximately 230 miles of natural gas liquids pipelines that expanded its existing Mid-Continent natural gas liquids gathering system in the Cana-Woodford Shale and Granite Wash areas. These pipelines expanded ONEOK Partners' capacity to transport unfractionated NGLs from these Mid-Continent supply areas to fractionation facilities in Oklahoma and Texas and distribute NGL products to the Mid-Continent, Gulf Coast and upper Midwest market centers. The pipelines are connected to three new third-party natural gas processing facilities and to three existing third-party natural gas processing facilities that were expanded. Additionally, ONEOK Partners installed additional pump stations on the Arbuckle Pipeline to increase its capacity to 240 MBbl/d. These projects are expected to add, through multi-year supply contracts, approximately 75 to 80 MBbl/d of unfractionated NGLs, to ONEOK Partners' existing natural gas liquids gathering systems. These projects were placed in service in April 2012 and cost approximately $220 million, excluding AFUDC.

For a discussion of ONEOK Partners' capital expenditure financing, see "Capital Expenditures" in "Liquidity and Capital Resources" on page 63.

Selected Financial Results and Operating Information - ONEOK Partners' 2012 and 2011 operating results reflect the benefits from the following completed growth projects:

- Stateline I natural gas processing plant, which was placed into service in September 2012;
- the expansion of the Bushton natural gas liquids fractionator, which was placed into service in September 2012;
- the expansion of its Mid-Continent natural gas liquids gathering system in the Cana-Woodford Shale and Granite Wash areas, which was placed into service in April 2012;
- Garden Creek natural gas processing plant, which was placed into service December 2011;
- the expansion of its Sterling I natural gas liquids distribution pipeline, which was placed in service in the fourth quarter 2011; and
- the additional Gulf Coast natural gas liquids fractionation capacity made available by its 60 Mbl/d natural gas liquids fractionation agreement with Targa Resources Partners that began in the second quarter 2011.

These projects increased natural gas volumes processed in the Williston Basin in its natural gas gathering and processing business and NGL volumes gathered, fractionated and sold in its natural gas liquids business. ONEOK Partners expects drilling activities and development of the reserves to continue in the Bakken Shale and Three Forks formations in the Williston Basin and in the Cana-Woodford Shale, Woodford Shale and Granite Wash areas in Oklahoma and Texas.

The following table sets forth certain selected financial results for our ONEOK Partners segment for the periods indicated:

Financial Results	Years Ended December 31, 2012	2011	2010	Variances 2012 vs. 2011 Increase (Decrease)		Variances 2011 vs. 2010 Increase (Decrease)	
	(Millions of dollars)						
Revenues	$10,182.2	$11,322.6	$8,675.9	$(1,140.4)	(10)%	$2,646.7	31 %
Cost of sales and fuel	8,540.4	9,745.2	7,531.0	(1,204.8)	(12)%	2,214.2	29 %
Net margin	1,641.8	1,577.4	1,144.9	64.4	4 %	432.5	38 %
Operating costs	482.5	459.4	403.5	23.1	5 %	55.9	14 %
Depreciation and amortization	203.1	177.5	173.7	25.6	14 %	3.8	2 %
Gain (loss) on sale of assets	6.7	(1.0)	18.6	7.7	*	(19.6)	*
Operating income	$962.9	$939.5	$586.3	$23.4	2 %	$353.2	60 %

Equity earnings from investments	$123.0	$127.2	$101.9	$(4.2	)	(3	)%	$25.3	25	%
Interest expense	$(206.0)	$(223.1)	$(204.3)	$(17.1	)	(8	)%	$18.8	9	%
Capital expenditures	$1,560.5	$1,063.4	$352.7	$497.1		47	%	$710.7	*	

* Percentage change is greater than 100 percent.

2012 vs. 2011 - Revenues and cost of sales decreased for 2012 due to lower natural gas and NGL product prices and narrower NGL product price differentials, offset partially by higher natural gas and NGL sales volumes from the ONEOK Partners segment’s completed capital projects. The increase in natural gas supply resulting from development of nonconventional resource areas in North America and a warmer than normal winter have caused lower natural gas prices and narrower natural

gas location and seasonal price differentials in the markets it serves. NGL prices. particularly ethane and propane, also decreased in 2012 due primarily to increased NGL production growth from the development of NGL-rich resource areas. Propane prices also were affected by a warmer than normal winter. During the second half of 2012, NGL location price differentials also narrowed due to the strong production growth, increased demand in the Mid-Continent region and increased capacity available on pipelines that connect the Mid-Continent and Gulf Coast market centers.

The price differential between the typically higher valued NGL products and the value of natural gas, particularly the price differential of ethane and natural gas may influence the volume of NGLs recovered from natural gas processing plants. When economic conditions warrant, natural gas processors may elect not to recover the ethane component of the natural gas stream, also known as ethane rejection, and instead leave the ethane component in the residue natural gas stream sold at the tailgate of natural gas processing plants. Price differentials between ethane and natural gas resulted in periods of ethane rejection in the Mid-Continent and Rocky Mountain regions during 2012. Ethane rejection did not have a material impact on ONEOK Partners' financial results in 2012. We expect lower natural gas liquids volumes in ONEOK Partners' natural gas liquids business as a result of widespread and prolonged ethane rejection in 2013 that is expected to have a significant impact on our financial results. We do not expect prolonged ethane rejection to continue in 2014.

Net margin increased primarily as a result of the following:

- an increase of $131.5 million due to volume growth in the Williston Basin from ONEOK Partners' new Garden Creek and Stateline I natural gas processing plants and increased drilling activity resulting in higher natural gas volumes gathered, compressed, processed, transported and sold, and higher fees in ONEOK Partners' natural gas gathering and processing business;
- an increase of $101.5 million related to higher NGL volumes gathered and fractionated across ONEOK Partners' systems related to completion of certain growth projects and contract renegotiations for higher fees associated with ONEOK Partners' NGL exchange services activities; and
- an increase of $13.1 million due to higher natural gas liquids storage margins as a result of contract renegotiations at higher fees in ONEOK Partners' natural gas liquids business; offset partially by
- a decrease of $91.2 million in optimization and marketing margins in ONEOK Partners' natural gas liquids business, which resulted from a $94.6 million decrease due to narrower NGL price differentials and reduced transportation capacity available for optimization activities, as an increasing portion of its transportation capacity between the Conway, Kansas, and Mont Belvieu, Texas, NGL market centers was utilized by its exchange services activities to produce fee-based earnings. This decrease was offset partially by a $3.5 million increase in ONEOK Partners' marketing activities that benefited from higher natural gas liquids truck and rail volumes;
- a decrease of $38.1 million due primarily to higher compression costs and less favorable contract terms associated with volume growth in the Williston Basin in ONEOK Partners' natural gas gathering and processing business;
- a decrease of $31.4 million due to lower net realized natural gas and NGL prices, particularly in ethane and propane, in ONEOK Partners' natural gas gathering and processing business; and
- a decrease of $5.9 million due to lower natural gas volumes gathered in the Powder River Basin as a result of continued declines in coal-bed methane production.

Operating costs increased for 2012, compared with the prior year, as a result of the growth of ONEOK Partners operations and reflect the following:

- an increase of $27.3 million from higher materials and supplies, and outside services expenses, including costs associated with scheduled maintenance at ONEOK Partners' existing facilities, and higher ad valorem taxes; offset partially by
- a decrease of $3.7 million due primarily to $9.0 million decrease of labor and employee-related costs associated with incentive and benefit plans, offset partially by a $5.3 million increase in other labor and employee-related costs due to the growth of operations in its natural gas gathering and processing and natural gas liquids businesses.

Depreciation and amortization increased due primarily to the higher depreciation expense associated with ONEOK Partners' completed capital projects, which includes the completion of its Garden Creek and Stateline I natural gas processing plants, well connections and infrastructure projects supporting the volume growth in the Williston Basin.

Equity earnings from ONEOK Partners' investments decreased due primarily to increased maintenance expenses at Northern Border Pipeline.

Capital expenditures increased for 2012, compared with the prior year, due primarily to the growth projects in ONEOK Partners' natural gas liquids business, offset partially by timing of expenditures on growth projects in ONEOK Partners' natural gas gathering and processing business.

2011 vs. 2010 - Net margin increased due primarily to the following:

- an increase of $363.6 million in optimization and marketing margins in ONEOK Partners' natural gas liquids business due primarily to the following:
  - an increase of $335.2 million from more favorable NGL price differentials and additional fractionation and transportation capacity available for optimization activities between the Conway, Kansas, and Mont Belvieu, Texas, NGL market centers; and
  - an increase of $28.4 from higher marketing volumes and more favorable margins on NGL products marketed;
- an increase of $32.6 million due to higher net realized NGL and condensate prices in ONEOK Partners' natural gas gathering and processing business;
- an increase of $32.5 million from higher NGL volumes gathered and fractionated in Texas and the Mid-Continent and Rocky Mountain regions, excluding the impact of the September 2010 deconsolidation of Overland Pass Pipeline Company, and contract renegotiations for higher fees associated with ONEOK Partners' NGL exchange services activities, offset partially by higher costs associated with NGL volumes fractionated by third parties in its natural gas liquids business;
- an increase of $26.4 million related to higher isomerization margins resulting from wider price differentials between normal butane and iso-butane and higher isomerization volumes in ONEOK Partners' natural gas liquids business;
- an increase of $19.4 million due to higher natural gas volumes processed in the Williston Basin and western Oklahoma resulting from increased drilling activity, offsetting reduced drilling activity in certain parts of Kansas and weather-related outages during the first quarter in ONEOK Partners' natural gas gathering and processing business;
- an increase of $12.4 million due to higher storage margins as a result of contract renegotiations in ONEOK Partners' natural gas liquids business; and
- an increase of $8.8 million due to favorable changes in contract terms in ONEOK Partners' natural gas gathering and processing business; offset partially by
- a decrease of $42.8 million due to the deconsolidation of Overland Pass Pipeline Company, which is now accounted for under the equity method in ONEOK Partners' natural gas liquids business;
- a decrease of $12.5 million from lower natural gas transportation margins due to narrower natural gas price location differentials that decreased contracted transportation capacity on Midwestern Gas Transmission and interruptible transportation volumes across ONEOK Partners' pipelines in its natural gas pipelines business; and
- a decrease of $8.2 million due to lower natural gas volumes gathered as a result of continued production declines and reduced drilling activity by producers in the Powder River Basin in ONEOK Partners' natural gas gathering and processing business.

Operating costs increased due primarily to the following:

- an increase of $35.7 million in higher labor and employee-related costs associated with incentive and benefit plans, which includes higher share-based compensation costs resulting from common stock awarded to employees as part of ONEOK's stock award program and the appreciation in ONEOK's share price, affecting all of ONEOK Partners' businesses;
- an increase of $9.4 million from higher materials and outside services expenses associated primarily with scheduled maintenance at fractionation, pipeline and storage facilities in ONEOK Partners' natural gas liquids business; and
- an increase of $5.0 million due to higher ad valorem taxes associated with the completed capital projects in all of ONEOK Partners' businesses; offset partially by
- a decrease of $5.4 million due to the deconsolidation of Overland Pass Pipeline Company, which is now accounted for under the equity method of accounting in ONEOK Partners' natural gas liquids business.

Gain (loss) on sale of assets decreased due to the $16.3 million gain on the sale of a 49-percent interest of Overland Pass Pipeline Company recorded in 2010.

Equity earnings include Overland Pass Pipeline Company in ONEOK Partners' natural gas liquids business, which it began accounting for under the equity method of accounting in September 2010. Equity earnings from investments

increased due primarily to increased contracted capacity on Northern Border Pipeline in ONEOK Partners' natural gas pipelines business. Northern Border Pipeline benefited from wider natural gas price location differentials between the markets it serves, which resulted in a significant increase in its capacity being sold in 2011.

Capital expenditures increased due primarily to the growth projects in ONEOK Partners' natural gas gathering and processing and natural gas liquids businesses.

Previously, ONEOK Partners had a Processing and Services Agreement with us and OBPI, under which we contracted for all of OBPI's rights, including all of the capacity of the Bushton Plant, reimbursing OBPI for all costs associated with the operation and maintenance of the Bushton Plant and its obligations under equipment leases covering portions of the Bushton Plant. On June 30, 2011, through a series of transactions, we sold OBPI to ONEOK Partners, and OBPI closed the purchase option and terminated the equipment leases. The total amount paid by ONEOK Partners to complete the transactions was approximately $94.2 million, which included the reimbursement to us of obligations related to the Processing and Services Agreement.

Selected Operating Information - The following table sets forth selected operating information for our ONEOK Partners segment for the periods indicated:

Operating Information	2012		2011		2010	
Natural gas gathering and processing business (a)						
Natural gas gathered (BBtu/d)	1,119		1,030		1,067	
Natural gas processed (BBtu/d) (b)	866		713		674	
NGL sales (MBbl/d)	61		48		44	
Residue gas sales (BBtu/d)	397		317		286	
Realized composite NGL net sales price ($/gallon) (c)	$1.06		$1.08		$0.94	
Realized condensate net sales price ($/Bbl) (c)	$88.22		$82.56		$63.81	
Realized residue gas net sales price ($/MMBtu) (c)	$3.87		$5.47		$5.58	
Realized gross processing spread ($/MMBtu) (c)	$8.05		$8.17		$6.41	
Natural gas pipelines business (a)						
Natural gas transportation capacity contracted (MDth/d)	5,366		5,373		5,616	
Transportation capacity subscribed (d)	89	%	89	%	93	%
Average natural gas price						
Mid-Continent region ($/MMBtu)	$2.64		$3.88		$4.17	
Natural gas liquids business						
NGL sales (MBbl/d)	572		497		457	
NGLs fractionated (MBbl/d) (e)	574		537		512	
NGLs transported-gathering lines (MBbl/d) (a) (f)	520		436		440	
NGLs transported-distribution lines (MBbl/d) (a)	491		473		468	
Average Conway-to-Mont Belvieu OPIS average price differential -	$0.17		$0.28		$0.10	
Ethane in ethane/propane mix ($/gallon)						

(a) - For consolidated entities only.
(b) - Includes volumes processed at company-owned and third-party facilities.
(c) - Presented net of the impact of hedging activities and includes equity volumes only.
(d) - Prior periods have been recast to reflect current estimated capacity.
(e) - Includes volumes fractionated from company-owned and third-party facilities.
(f) - 2010 volume information includes 62 MBbl/d related to Overland Pass Pipeline Company, which was deconsolidated in September 2010.

2012 vs. 2011 - Natural gas gathered volumes increased in 2012, compared with the prior year, due to increased drilling activity in the Williston Basin and western Oklahoma, completion of additional natural gas gathering lines and compression to support ONEOK Partners' new Garden Creek and Stateline I natural gas processing plants, offset partially by continued declines in coal-bed methane production in the Powder River Basin in Wyoming.

Low natural gas prices and the relatively higher crude oil and NGL prices compared with natural gas on a heating-value basis have caused producers primarily to focus development efforts on crude oil and NGL-rich supply basins rather than areas with dry natural gas production, such as the Powder River Basin. The reduced development activities and natural production declines in the Powder River Basin have resulted in lower natural gas volumes

available to be gathered. While the reserve potential in the Powder River Basin still exists, future drilling and development will be affected by commodity prices and producers' alternative prospects. A continued decline in volumes gathered in this area may reduce ONEOK Partners' ability to recover the carrying value of its assets and equity investments in this area and could result in noncash charges to earnings.

The quantity and composition of NGLs received by ONEOK Partners' natural gas gathering and processing business as payments under its various processing agreements continue to change as its new natural gas processing plants in the Williston Basin are placed in service. ONEOK Partners' Garden Creek and Stateline I plants have the capability to recover ethane when economic conditions warrant but will not until ONEOK Partners' natural gas liquids business' Bakken NGL Pipeline is

completed. The Bakken NGL Pipeline is expected to be completed in the first quarter 2013. As a result, the 2012 equity NGL volumes and realized composite NGL net sales price associated with its natural gas gathering and processing business are weighted more toward the relatively higher priced propane, iso-butane, normal butane and natural gasoline compared with the prior year. This has the effect of producing a higher NGL composite barrel realized price, while most individual NGL products prices are substantially lower this year compared with the prior year.

In November 2012, the FERC initiated a review of Viking Gas Transmission's rates pursuant to Section 5 of the Natural Gas Act. The review is currently in process, and while the ultimate outcome cannot be predicted, it could result in a future reduction of rates. ONEOK Partners does not expect the ultimate outcome to impact materially its results of operations.

ONEOK Partners' operating information above does not include its 50-percent interest in Northern Border Pipeline. Substantially all of Northern Border Pipeline's long-haul transportation capacity has been contracted through March 2014. In September 2012, Northern Border Pipeline filed with the FERC a settlement with its customers to modify its transportation rates. In January 2013, the settlement was approved and the new rates became effective January 1, 2013. The new long-term transportation rates are approximately 11 percent lower, compared with previous rates, which is expected to reduce ONEOK Partners' future equity earnings and cash distributions from Northern Border Pipeline.

NGLs gathered and fractionated increased due primarily to increased throughput from existing connections in Texas and the Mid-Continent and Rocky Mountain regions, and new supply connections in the Mid-Continent and Rocky Mountain regions. Increased NGL gathering capacity in the Mid-Continent region and Texas was made available through ONEOK Partners' Cana-Woodford Shale and Granite Wash projects, which were placed in service in April 2012. Increased Gulf Coast NGL fractionation capacity was made available by the 60 Mbl/d fractionation services agreement with Targa Resources Partners that began in the second quarter 2011.

NGLs transported on distribution lines increased due primarily to the Sterling I pipeline expansion and higher volumes transported on ONEOK Partners' natural gas liquids distribution pipelines between its Mid-Continent and Gulf Coast facilities to optimize the delivery of supply.

2011 vs. 2010 - Natural gas gathered decreased in 2011, compared with 2010, due to continued production declines and reduced drilling activity, primarily in the Powder River Basin in Wyoming and certain parts of Kansas, and weather-related outages in the first quarter 2011, offset partially by increased drilling activity in the Williston Basin and western Oklahoma.

Natural gas processed and residue gas sales increased in 2011, compared with 2010, due to an increase in drilling activity in the Williston Basin and western Oklahoma, offsetting reduced drilling activity and natural production declines in Kansas and weather-related outages in the first quarter 2011.

Natural gas transportation capacity contracted decreased due primarily to lower contracted capacity on Midwestern Gas Transmission due to narrower natural gas price location differentials between the markets we serve.

NGLs gathered and fractionated, excluding the impact of the September 2010 deconsolidation of Overland Pass Pipeline Company, increased due primarily to increased throughput through existing connections in Texas and the Mid-Continent and Rocky Mountain regions, and new supply connections in the Mid-Continent and Rocky Mountain regions. In the second quarter 2011, additional Gulf Coast fractionation capacity became available through our 60 MBbl/d fractionation service agreement with Targa Resources Partners.

NGLs transported on distribution lines increased due primarily to increased volumes of NGL products transported on our North System pipeline to Midwest markets and our Sterling I pipeline expansion discussed above.

Natural Gas Distribution

On February 1, 2012, we sold ONEOK Energy Marketing Company, our retail natural gas marketing business, to Constellation Energy Group, Inc. for $22.5 million plus working capital. We received net proceeds of approximately $32.9 million and recognized an after-tax gain on the sale of approximately $13.5 million. The financial information of ONEOK Energy Marketing Company is reflected as discontinued operations in this Annual Report. All prior periods presented have been recast to reflect the discontinued operations.

Selected Financial Results - The following table sets forth certain selected financial results for the continuing operations of our Distribution segment for the periods indicated:

Financial Results	Years Ended December 31, 2012	2011	2010	Variances 2012 vs. 2011 Increase (Decrease)		Variances 2011 vs. 2010 Increase (Decrease)	
	(Millions of dollars)						
Gas sales	$1,252.0	$1,492.5	$1,687.4	$(240.5)	(16)%	$(194.9)	(12)%
Transportation revenues	88.8	90.9	91.5	(2.1)	(2)%	(0.6)	(1)%
Cost of gas	620.2	869.5	1,062.5	(249.3)	(29)%	(193.0)	(18)%
Net margin, excluding other revenues	720.6	713.9	716.4	6.7	1%	(2.5)	—%
Other revenues	35.8	37.9	38.5	(2.1)	(6)%	(0.6)	(2)%
Net margin	756.4	751.8	754.9	4.6	1%	(3.1)	—%
Operating costs	410.6	422.0	398.8	(11.4)	(3)%	23.2	6%
Depreciation and amortization	130.1	132.2	131.0	(2.1)	(2)%	1.2	1%
Operating income	$215.7	$197.6	$225.1	$18.1	9%	$(27.5)	(12)%
Capital expenditures	$280.3	$242.6	$215.6	$37.7	16%	$27.0	13%

The following table sets forth our net margin, excluding other revenues, by type of customer, for the periods indicated:

Net Margin, Excluding Other Revenues	Years Ended December 31 2012	2011	2010	Variances 2012 vs. 2011 Increase (Decrease)		Variances 2011 vs. 2010 Increase (Decrease)	
Gas sales	(Millions of dollars)						
Residential	$523.4	$510.5	$509.1	$12.9	3%	$1.4	—%
Commercial	101.6	105.5	108.9	(3.9)	(4)%	(3.4)	(3)%
Industrial	2.2	2.4	2.2	(0.2)	(8)%	0.2	9%
Wholesale/public authority	4.6	4.6	4.7	—	—%	(0.1)	(2)%
Net margin on gas sales	631.8	623.0	624.9	8.8	1%	(1.9)	—%
Transportation margin	88.8	90.9	91.5	(2.1)	(2)%	(0.6)	(1)%
Net margin, excluding other revenues	$720.6	$713.9	$716.4	$6.7	1%	$(2.5)	—%

2012 vs. 2011 - Net margin increased due primarily to the following:

- an increase of $15.4 million from new rates in all three states; offset partially by
- a decrease of $8.5 million due to expiration of the Integrity Management Program (IMP) rider, which allowed Oklahoma Natural Gas to recover certain deferred pipeline-integrity costs in Oklahoma. This decrease is offset by lower regulatory amortization in depreciation and amortization expense; and
- a decrease of $2.2 million from lower transportation volumes due to weather-sensitive customers in Kansas and Oklahoma.

Operating costs decreased due primarily to the following:

- a decrease of $16.7 million in share-based compensation costs from common stock awarded in the prior year to employees as part of ONEOK's stock award program and the appreciation in ONEOK's share price during 2011;
- a decrease of $8.9 million in employee-related incentive and health benefit costs due to reduced short-term incentives and medical claims expenses; offset partially by
- an increase of $5.4 million in pension costs as a result of the annual change in our estimated discount rate;
- an increase of $4.8 million due primarily to expenses associated with outside services and pipeline maintenance; and
- an increase of $4.0 million in litigation expense.

Depreciation and amortization expense decreased due primarily to a decrease of $8.5 million in regulatory amortization associated with the expiration of the IMP rider, offset partially by an increase of $6.1 million associated with additional capital expenditures.

2011 vs. 2010 - Net margin decreased due primarily to the following:

- a decrease of $5.9 million from lower sales in Kansas, due to lower consumption by residential and commercial customers as a result of warmer than normal weather in the first quarter;
- a decrease of $4.9 million due to expiration of the IMP rider. This decrease is offset partially by lower regulatory amortization in depreciation and amortization expense; offset partially by
- an increase of $3.3 million from new rates and rider recoveries in Texas;
- an increase of $2.1 million from customer growth, primarily in Texas; and
- an increase of $1.7 million from capital-recovery mechanisms in Kansas.

Operating costs increased due primarily to the following:

- an increase of $14.7 million in share-based compensation costs from common stock awarded to employees as part of ONEOK's stock award program and the appreciation in ONEOK's share price;
- an increase of $8.1 million in employee-related incentive and health benefit costs; and
- an increase of $3.2 million in pension costs as a result of the annual change in our estimated discount rate.

Depreciation and amortization expense increased due primarily to an increase of $6.4 million associated with additional capital expenditures, specifically investments in automated meter reading in Oklahoma, offset partially by a decrease of $4.9 million in regulatory amortization associated with the expiration of the IMP rider.

Capital Expenditures - Our capital expenditures program includes expenditures for pipeline integrity, automated meter reading, extending service to new areas, modifications to customer-service lines, increasing system capabilities and replacements. It is our practice to maintain and upgrade facilities to ensure safe, reliable and efficient operations.

Capital expenditures increased for 2012, compared with 2011, primarily as a result of increased spending on pipeline replacements. Capital expenditures increased for 2011, compared with 2010, primarily as a result of increased spending on pipeline replacements, offset partially by decreased spending on automated meter reading.

Selected Operating Information - The following tables set forth certain selected information for our Distribution segment for the periods indicated:

	Years Ended December 31,		
Number of Customers	2012	2011	2010
Residential	1,932,484	1,921,017	1,912,205
Commercial	153,032	153,227	153,650
Industrial	1,220	1,248	1,271
Wholesale/public authority	2,737	2,730	2,701
Transportation	11,926	11,708	11,308
Total customers	2,101,399	2,089,930	2,081,135

	Years Ended December 31,		
Volumes (MMcf)	2012	2011	2010
Gas sales			
Residential	103,799	117,969	121,240
Commercial	30,171	33,805	35,223
Industrial	1,288	1,367	1,211
Wholesale/public authority	6,135	3,287	12,060
Total volumes sold	141,393	156,428	169,734
Transportation	199,408	203,655	205,692
Total volumes delivered	340,801	360,083	375,426

Residential and commercial volumes decreased for 2012, compared with 2011, due primarily to warmer temperatures in 2012; however, the impact on margins was mitigated largely by weather-normalization mechanisms. Wholesale sales represent contracted gas volumes that exceed the needs of our residential, commercial and industrial customer base and are available for sale to other parties. Wholesale volumes increased for 2012, compared to 2011; however, the impact to net margin was minimal.

Residential and commercial volumes decreased for 2011, compared with 2010, due primarily to warmer temperatures in the first quarter 2011.

Regulatory Initiatives - Oklahoma - In July 2012, a joint stipulation settling Oklahoma Natural Gas' annual Performance Based Rate Change (PBRC) filing was approved by the OCC. The settlement granted a $9.5 million rate increase and modified Oklahoma Natural Gas' PBRC tariff. The modified tariff narrows the range of allowed regulated return on equity (ROE) to a range of 10.0 percent to 11.0 percent from our previous range of 9.75 percent to 11.25 percent; increases the ROE reflected in any rate increase resulting from a revenue deficiency to 10.5 percent from 10.25 percent; and reduces the number of allowed pro forma adjustments that can be proposed by Oklahoma Natural Gas. Our next annual filing is required in March 2013.

In May 2011, the OCC approved a portfolio of conservation and energy-efficiency programs and authorized recovery of costs and performance incentives. The agreement allows Oklahoma Natural Gas to pursue key energy-efficiency programs and allows the company to earn up to $1.5 million annually, if program objectives are achieved. The Company made a filing to extend its Energy Efficiency program for another three years on January 22, 2013.

Kansas - In October 2012, Kansas Gas Service, the staff of the KCC and the Citizens' Utility Ratepayer Board filed a joint motion to approve a stipulated settlement agreement granting a $28 million increase in base rates and an $18 million reduction in amounts currently recovered through surcharges, effectively increasing its annual revenues by a net amount of $10 million. The KCC approved this settlement in December 2012, and the new rates are effective January 2013.

In September 2012, the KCC denied Kansas Gas Service's application to implement an infrastructure-replacement program that would allow Kansas Gas Service to accelerate the rate at which it is replacing cast-iron pipe. Costs incurred by Kansas Gas Service to replace cast-iron pipe are eligible for the Gas System Reliability Surcharge (GSRS). This surcharge is a capital-recovery mechanism that allows for rate adjustment, providing recovery of and a return on incremental safety-related and government-mandated capital investments made between rate cases.

The KCC approved an application from Kansas Gas Service to increase the GSRS by an additional $2.9 million, effective January 2012.

Texas - Texas Gas Service has filed rate cases and requests for interim rate relief under the Gas Reliability Infrastructure Program (GRIP) and cost-of-service adjustments in various Texas jurisdictions to address investments in rate base and changes in expense. Annual rate increases totaling $10.1 million associated with these filings were approved in 2012.

In January 2012, the RRC approved a settlement between Texas Gas Service and the City of El Paso that allows for recovery of 2010-2013 pipeline-integrity expenditures and partial recovery of rate-case expenses. The settlement did not have a material impact on our results of operations.

General - Certain costs to be recovered through the ratemaking process have been capitalized as regulatory assets. Should recovery cease due to regulatory actions, certain of these assets may no longer meet the criteria for recognition and accordingly, a write-off of regulatory assets and stranded costs may be required. There were no write-offs of regulatory assets resulting from the failure to meet the criteria for capitalization during 2012, 2011 or 2010.

Energy Services

Selected Financial Results - The following table sets forth certain selected financial results for our Energy Services segment for the periods indicated:

				Variances		Variances	
	Years Ended December 31,			2012 vs. 2011		2011 vs. 2010	
Financial Results	2012	2011	2010	Increase (Decrease)		Increase (Decrease)	
	(Millions of dollars)						
Revenues	$1,526.6	$2,777.2	$3,301.2	$(1,250.6)	(45)%	$(524.0)	(16)%
Cost of sales and fuel	1,575.9	2,728.5	3,141.5	(1,152.6)	(42)%	(413.0)	(13)%
Net margin	(49.3)	48.7	159.7	(98.0)	*	(111.0)	(70)%
Operating costs	18.0	24.5	28.4				