ONEOK INC /NEW/
Form 10-K
February 25, 2009

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, 2008.
OR
__ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from __________ to __________.

Commission file number 001-13643

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

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

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

Securities registered pursuant to Section 12(b) of the Act:

Common stock, par value of $0.01 (Title of Each Class)	New York Stock Exchange (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 if disclosure of delinquent filers pursuant to Item 405 of Registration S-K (§229.405) 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, or a non-accelerated filer. See definition of “accelerated filer and large accelerated filer” in Rule 12b-2 of the Exchange Act. (Check one)
Large accelerated filer X Accelerated filer __ Non-accelerated filer __

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, 2008, was $5.1 billion.

On February 18, 2009, the Company had 105,239,496 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 21, 2009, are incorporated by reference in Part III.

ONEOK, Inc.
2008 ANNUAL REPORT ON FORM 10-K

As used in this Annual Report on Form 10-K, references to “we,” “our” or “us” refers to ONEOK, Inc., an Oklahoma corporation, and its predecessors and subsidiaries, unless the context indicates otherwise.

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GLOSSARY

The abbreviations, acronyms and industry terminology used in this Annual Report on Form 10-K are defined as follows:

AFUDC	Allowance for funds used during construction
APB Opinion	Accounting Principles Board Opinion
ARB	Accounting Research Bulletin
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
Black Mesa Pipeline	Black Mesa Pipeline, Inc.
Btu	British thermal units, a measure of the amount of heat required to raise the temperature of one pound of water one degree Fahrenheit
Bushton Plant	Bushton Gas Processing Plant
EBITDA	Earnings before interest, taxes, depreciation and amortization
EITF	Emerging Issues Task Force
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
FIN	FASB Interpretation
Fort Union Gas Gathering	Fort Union Gas Gathering, L.L.C.
GAAP	Generally Accepted Accounting Principles in the United States
Guardian Pipeline	Guardian Pipeline, L.L.C.
Heartland	Heartland Pipeline Company
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
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.
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 Inc.
OCC	Oklahoma Corporation Commission

ONEOK	ONEOK, Inc.
ONEOK Leasing Company	ONEOK Leasing Company, L.L.C.
ONEOK Partners	ONEOK Partners, L.P.
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
Overland Pass Pipeline Company	Overland Pass Pipeline Company LLC
RRC	Texas Railroad Commission
S&P	Standard & Poor's Rating Group
SEC	Securities and Exchange Commission
Statement	Statement of Financial Accounting Standards

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TC PipeLines	TC PipeLines Intermediate Limited Partnership, a subsidiary of TC PipeLines, LP
TransCanada	TransCanada Corporation

The statements in this Annual Report on Form 10-K 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,” “plan,” “believe,” “should,” “goal,” “forecast,” “could,” “may,” “continue,” “might,” “potential,” “schedul words and terms 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 on Form 10-K for the year ended December 31, 2008.

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PART I

ITEM 1. BUSINESS

GENERAL

We are a diversified energy company and successor to the company founded in 1906 known as Oklahoma Natural Gas Company. Our common stock is listed on the NYSE under the trading symbol “OKE.” We are the sole general partner and own 47.7 percent of ONEOK Partners, L.P. (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 operation is engaged in providing premium natural gas marketing services to wholesale and retail customers across the United States and Canada.

DESCRIPTION OF BUSINESS SEGMENTS

We report operations in the following reportable business segments:

- ONEOK Partners
- Distribution
- Energy Services
- Other

For financial and statistical information regarding our business segments, see below in the “Segment Financial Information” section, Item 7, Management’s Discussion and Analysis of Financial Condition and Results of Operation and Note M of the Notes to Consolidated Financial Statements in this Annual Report on Form 10-K.

Business Strategy

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

- developing and executing internally generated growth projects within our ONEOK Partners segment;
- increasing the level of sustainable earnings in our Distribution segment;
- continuing our focus on physical activities in our Energy Services segment;
- executing strategic acquisitions that utilize our core competencies; and
- managing our balance sheet over the long term to maintain our credit ratings at or above their current investment-grade levels.

ONEOK Partners - ONEOK Partners’ primary business objectives are to generate cash flow sufficient to pay quarterly cash distributions to its unitholders and to increase its quarterly cash distributions over time. ONEOK Partners’ ability to maintain and grow its distributions to unitholders depends on, among other things, the growth of its existing businesses and strategic acquisitions. We plan to continue pursuing internal growth opportunities and strategic acquisitions related to gathering, processing, fractionating, transporting, storing and marketing natural gas and NGLs that will utilize our core competencies, minimize commodity price risk and provide long-term, sustainable and stable cash flows. Our strategy focuses on maintaining stable cash flows through predominantly fee-based income, equity earnings derived primarily from fee-based earnings, and by managing commodity and spread risk.

Distribution - Our integrated strategy for our LDCs incorporates a rates and regulatory plan that includes positive relationships with regulators, consistent strategies and synchronized rate case filings. We focus on growth of our customer count and rate base through efficient investment in our system while emphasizing safety and cost control. We provide customer choice programs designed to reduce volumetric sensitivity and create value for our customers.

Energy Services - Our Energy Services segment creates value by providing premium services to our customers by delivering physical and risk management products and services to our customers through our network of contracted gas supply and leased transportation and storage assets. We optimize our storage and transportation capacity through the daily application of market knowledge and effective risk management.

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Outlook for 2009

We expect continued deteriorating economic conditions in 2009, with downward pressures, relative to 2008, on commodity prices for natural gas, NGLs and crude oil. We anticipate that lower commodity prices will result in reduced drilling activity and economic conditions will result in reduced petrochemical demand. We also expect continued volatility and disruption in the financial markets which could result in an increased cost of capital. We expect depressed commodity prices and tighter capital markets to also result in the sale or consolidation of underperforming assets in the industry, which may present opportunities for us.

ONEOK Partners - ONEOK Partners intends to pursue continued growth in its natural gas businesses through well-connects, contract renegotiations and expansions and extensions of its existing systems and plants. For its natural gas liquids businesses, ONEOK Partners will continue to focus on adding new supply connections and optimizing existing assets, as well as completing the growth projects currently under construction. Capital expenditures in 2009 are expected to be significantly lower than in 2008 when ONEOK Partners spent approximately $1.3 billion. ONEOK Partners plans to spend approximately $425 million on capital expenditures in 2009, of which approximately $355 million is for growth projects. ONEOK Partners also plans to pursue strategic acquisitions related to gathering, processing, fractionating, storing, transporting and marketing natural gas and NGLs.

Distribution - In our Distribution segment, we plan to grow our asset base through efficient capital investment in infrastructure and technology and increase the level of sustainable earnings.

Energy Services - In our Energy Services segment, we expect higher natural gas basis differentials. We plan to manage our current portfolio of supply and leased assets, reduce storage capacity utilization as compared with 2008, continue to offer premium products and services, and draw on the competitive position of our assets to extract incremental value through daily optimization of storage and transportation assets. Additionally, we plan to grow our asset management agreements with LDCs, use hedging to establish base margins and capture incremental margins related to location and seasonal differences, and continue to achieve high customer satisfaction.

SIGNIFICANT DEVELOPMENTS IN 2008

Capital Projects - ONEOK Partners placed the following projects in-service during 2008:

- January - Midwestern Gas Transmission’s eastern extension pipeline;
- July - final phase of Fort Union Gas Gathering expansion project;
- September - Woodford Shale natural gas liquids pipeline extension;
- October - Bushton Fractionation expansion;
- November - Overland Pass Pipeline from Opal, Wyoming to Conway, Kansas; and
- December - partial operations of the Guardian Pipeline extension with interruptible service from Ixonia, Wisconsin, to Green Bay, Wisconsin.

Equity Issuance - In March 2008, we purchased from ONEOK Partners, in a private placement, an additional 5.4 million of ONEOK Partners’ common units for a total purchase price of approximately $303.2 million. In addition, ONEOK Partners completed a public offering of 2.5 million common units at $58.10 per common unit and received net proceeds of $140.4 million after deducting underwriting discounts but before offering expenses. In conjunction with ONEOK Partners’ private placement and public offering of common units, ONEOK Partners GP contributed $9.4 million to ONEOK Partners in order to maintain its 2 percent general partner interest.

In April 2008, ONEOK Partners sold an additional 128,873 common units at $58.10 per common unit to the underwriters of the public offering upon the partial exercise of their option to purchase additional common units to cover over-allotments. ONEOK Partners received net proceeds of approximately $7.2 million from the sale of these common units after deducting underwriting discounts but before offering expenses. In conjunction with the partial exercise by the underwriters, ONEOK Partners GP contributed $0.2 million to ONEOK Partners in order to maintain its 2 percent general partner interest. Following these transactions, our ownership interest in ONEOK Partners is 47.7 percent.

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SEGMENT FINANCIAL INFORMATION

Operating Income - The following table sets forth operating income by segment, as a percentage of our consolidated total, excluding any gain or (loss) on sale of assets, for the periods indicated.

	Years Ended December 31,		
Operating Income	2008	2007	2006
ONEOK Partners	70%	54%	53%
Distribution	21%	21%	16%
Energy Services	8%	25%	31%
Other and Eliminations	1%	*	*
Total	100%	100%	100%

* Represents a value of less than 1 percent.

Customers and Total Assets - See Note M of the Notes to Consolidated Financial Statements in this Annual Report on Form 10-K for discussion of revenues from external customers under “Customers” and disclosure of total assets by segment within the “Operating Segment Information” table.

Intersegment Revenues - The following table sets forth the percentage of intersegment revenues to total revenue, by segment, for the periods indicated.

	Years Ended December 31,		
Intersegment Revenues	2008	2007	2006
ONEOK Partners	10%	11%	13%
Distribution	*	*	*
Energy Services	8%	7%	8%

* Represents a value of less than 1 percent.

See Note M of the Notes to Consolidated Financial Statements in this Annual Report on Form 10-K for additional information about intersegment revenues.

NARRATIVE DESCRIPTION OF BUSINESS

ONEOK Partners

Ownership - We own approximately 42.4 million common and Class B limited partner units, and the entire 2 percent general partner interest, which, together, represents a 47.7 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. See Note Q of the Notes to Consolidated Financial Statements in this Annual Report on Form 10-K for discussion of our incentive distribution rights.

Business Strategy - ONEOK Partners’ primary business objectives are to generate cash flow sufficient to pay quarterly cash distributions to its unitholders and to increase its quarterly cash distributions over time. ONEOK Partners plans to accomplish these objectives while focusing on safe, environmentally sound and legally compliant operations for its customers, employees, contractors and the public through the following:

- developing and executing internally generated growth projects;
-

executing strategic acquisitions related to gathering, processing, fractionating, storing, transporting and marketing natural gas and NGLs that utilize its core competencies; and

- managing its balance sheet over the long-term to maintain its investment-grade credit ratings at or above their current levels.

Description of Business - Our ONEOK Partners segment is engaged in the gathering and processing of unprocessed natural gas and fractionation of NGLs, primarily in the Mid-Continent, and Rocky Mountain regions covering Oklahoma, Kansas, Montana, North Dakota and Wyoming. These operations include the gathering of unprocessed natural gas produced from crude oil and natural gas wells. Through gathering systems, unprocessed natural gas is aggregated and treated or processed for removal of water vapor, solids and other contaminants, and to extract NGLs in order to provide marketable natural gas, commonly referred to as residue gas. When the NGLs are separated from the unprocessed natural gas at the processing plants, the NGLs are generally in the form of a mixed, unfractionated NGL stream. This stream is then separated by a distillation process, referred to as fractionation, into marketable product components such as ethane, ethane/propane (EP),

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propane, iso-butane, normal butane and natural gasoline (collectively, NGL products). These NGL products can then be stored, transported and marketed to a diverse customer base of end-users.

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

- Percent of Proceeds - ONEOK Partners retains a percentage of the NGLs and/or a percentage of the residue gas as payment for gathering, compressing and processing the producer's unprocessed natural gas. For 2008, this type of contract represented approximately 34 percent of contracted volumes.
- Fee - ONEOK Partners is paid a fee for the services provided based on Btus gathered, compressed and/or processed. For 2008, this type of contract represented approximately 58 percent of contracted volumes.
- Keep-Whole - ONEOK Partners extracts NGLs from unprocessed natural gas and returns to the producer volumes of residue gas containing the same amount of Btus as the unprocessed natural gas that was originally delivered. For 2008, this type of contract represented approximately 8 percent of contracted volumes, with approximately 89 percent of that contracted volume containing language that effectively converts these contracts into fee contracts when the gross processing spread is negative.

ONEOK Partners also gathers, treats, fractionates, transports and stores NGLs. ONEOK Partners' natural gas liquids gathering pipelines deliver unfractionated NGLs gathered from natural gas processing plants located in Oklahoma, Kansas, the Texas panhandle and the Rocky Mountain region to fractionators it owns in Oklahoma, Kansas, and Texas. 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 petrochemical manufacturers, heating fuel users, refineries and propane distributors through ONEOK Partners' distribution pipelines that move NGL products from Oklahoma and Kansas to the market centers in Conway, Kansas, and Mont Belvieu, Texas, as well as the Midwest markets near Chicago, Illinois.

Revenue for the natural gas liquids businesses is primarily derived from the following types of services:

- Exchange services - ONEOK Partners gathers and transports unfractionated NGLs to its fractionators, separating them into marketable products and redelivering the NGL products to its customers for a fee;
- Optimization and marketing - ONEOK Partners uses its asset base, portfolio of contracts and market knowledge to capture location and seasonal price differentials through transactions that optimize the flow of its NGL products between the major market centers in Conway, Kansas, and Mont Belvieu, Texas, as well as markets near Chicago, Illinois;
- Isomerization - ONEOK Partners converts normal butane to the more valuable iso-butane used by the refining industry to increase the octane of motor gasoline;
- Storage services - ONEOK Partners stores NGLs for a fee; and
- Transportation - ONEOK Partners transports NGLs under its FERC-regulated tariffs.

ONEOK Partners operates interstate and intrastate natural gas transmission pipelines, natural gas storage facilities and non-processable natural gas gathering facilities. ONEOK Partners also provides natural gas transportation and storage services in accordance with Section 311(a) of the Natural Gas Policy Act. ONEOK Partners' interstate assets transport natural gas through FERC-regulated interstate natural gas pipelines that access supply from Canada and from the Mid-Continent, Rocky Mountain and Gulf Coast regions. ONEOK Partners' pipelines include Midwestern Gas Transmission, Guardian Pipeline, Viking Gas Transmission Company, OkTex Pipeline Company L.L.C. and a 50 percent ownership interest in Northern Border Pipeline.

ONEOK Partners' intrastate natural gas pipeline assets in Oklahoma have access to the major natural gas producing areas and transport natural gas throughout the state. ONEOK Partners also has access to the major natural gas producing area in south central Kansas. In Texas, its intrastate natural gas pipelines are connected to the major natural gas producing areas in the Texas panhandle and the Permian Basin, and transport natural gas to the Waha Hub, where other pipelines may be accessed for transportation east to the Houston Ship Channel market, north into the

Mid-Continent market and west to the California market. ONEOK Partners owns or leases storage capacity in underground natural gas storage facilities in Oklahoma, Kansas and Texas. ONEOK Partners' natural gas pipeline assets primarily serve LDCs, large industrial companies, municipalities, irrigation customers, power generation facilities and marketing companies.

ONEOK Partners' revenues from its natural gas pipelines are typically derived from fee services under the following types of contracts:

- Firm service - Customers can reserve a fixed quantity of pipeline or storage capacity for the terms of their contracts. Under this type of contract, the customer pays a fixed fee for a specified quantity regardless of their actual usage, and is generally guaranteed access to the capacity they reserve; and

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- 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. Under the interruptible service contract, the customer is not guaranteed use of our pipelines and storage facilities unless excess capacity is available.

The main factors that affect ONEOK Partners' margins are:

- NGL transportation and fractionation volumes and associated fees;
- natural gas transportation and storage volumes;
- weather impacts on demand and operations;
- fees charged for processing services and storage services;
- the Mid-Continent, Gulf Coast and Rocky Mountain natural gas price, crude oil price and the daily average OPIS price for its products sold, as well as the relative value on a Btu basis of each of the components to each other;
- the relative value of ethane to natural gas; and
- regional and seasonal natural gas and NGL product price differentials.

Market Conditions and Seasonality - Supply - ONEOK Partners' business is affected by the economy, commodity price volatility, and weather. The strength of the economy has a direct relationship on manufacturing and industrial companies' demand for natural gas and NGL products. Volatility in the commodity markets impacts the decisions of ONEOK Partners' customers relating to the output of the gas processing plants, storage activity for natural gas and natural gas liquids, and demand for the various NGL products. In addition, its natural gas liquids pipelines and fractionation facilities are affected by operational or market-driven changes in the output of the gas processing plants to which they are connected. Natural gas and NGL output from gas processing plants may increase or decrease affecting the quality of natural gas and volume of NGLs transported through the systems as a result of the gross processing spread, which is the difference between the relative value of the composite price of NGLs to the price of natural gas, primarily ethane to natural gas. In addition, volume delivered through the system may increase or decrease as a result of the relative NGL price between the Mid-Continent and Gulf Coast regions. Natural gas transportation throughput fluctuates due to rainfall that impacts irrigation demand, hot temperatures that affect power generation demand and cold temperatures that affect heating demand.

Natural gas and NGL supply is affected by rig availability, operating capability and producer drilling activity, which is sensitive to commodity prices, exploration success, available capital and regulatory control. Relatively high natural gas and crude oil prices, resulted in increased drilling for most of 2008 in the Mid-Continent and Rocky Mountain regions, which are our primary supply regions. Significant price declines and reduced drilling activity starting in the fourth quarter of 2008 are now creating less favorable near-term supply projections.

Demand - Demand for gathering and processing services is typically aligned with the supply of natural gas, which generally flows from a producing area at a relatively steady but gradually declining pace over time unless new reserves are added. ONEOK Partners' 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 produce more of the specific commodity that has the most favorable price or price spread.

Demand for natural gas pipeline transportation service and natural gas storage is directly related to demand for natural gas in the markets that the natural gas pipelines and storage facilities serve, and is affected by weather, the economy, and natural gas price volatility. The effect of weather on ONEOK Partners' natural gas pipelines operations is discussed below under "Seasonality." The strength of the economy directly impacts manufacturing and industrial companies that rely on natural gas. Commodity price volatility can influence customers' decisions related to the usage of natural gas versus alternative fuels and natural gas storage injection and withdrawal activity.

Demand for NGLs and the ability of natural gas processors to successfully and economically sustain their operations impacts the volume of unfractionated NGLs produced by natural gas processing plants, thereby affecting the demand for natural gas liquids gathering, fractionation and distribution services. Natural gas and propane are subject to weather-related seasonal demand.

Other 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. Ethane and EP are used by the petrochemical industry to produce chemical products, such as plastic, rubber and synthetic fiber.

Commodity Prices - During 2008, both crude oil and natural gas prices were volatile, with NYMEX crude oil settlement prices ranging from $49.62 to $134.62 per Bbl and NYMEX natural gas settlement prices ranging from $6.47 to $13.11 per MMBtu.

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Seasonality - Some of ONEOK Partners' products, such as natural gas and propane used for heating, are subject to seasonality, resulting in more demand during the months of November through March. As a result, prices of these products are typically higher during that time period. Demand has also increased for natural gas in the summer periods as more electric generation is now dependent upon natural gas for fuel. Other products, such as ethane and EP, are tied to the petrochemical industry, while normal butane, iso-butane and natural gasoline are used by the refining industry as blending stocks. As a result, the prices of these products are affected by the economic conditions and demand associated with these various industries.

Competition - ONEOK Partners' natural gas and natural gas liquids pipelines compete directly with other intrastate and interstate pipeline companies and other storage facilities for natural gas and NGLs. Competition for natural gas transportation services continues to increase as the FERC and state regulatory bodies continue to encourage more competition in the natural gas markets. Competition among pipelines and storage facilities is based primarily on fees for services, quality of services provided, current and forward natural gas prices and proximity to supply areas and markets. ONEOK Partners believes that its pipelines and storage assets enable it to effectively compete.

ONEOK Partners' natural gas gathering and processing business competes for natural gas supplies with major integrated exploration and production companies, 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' gathering and fractionation business competes with other fractionators, storage providers and gatherers 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 supplies are:

- producer drilling activity;
- the petrochemical industry's level of capacity utilization and feedstock requirements;
- fees charged under our contracts;
- pressures maintained on our gathering systems;
- location of our gathering systems relative to our competitors;
- location of our gathering systems relative to drilling activity;
- efficiency and reliability of our operations; and
- delivery capabilities that exist in each system, plant and storage location.

ONEOK Partners is responding to these industry conditions by making capital investments to access new supplies, increase gathering and fractionation capacity, increase storage capabilities, improve plant processing flexibility and reduce operating costs, evaluating consolidation opportunities to maximize earnings, selling assets in non-core operating areas and renegotiating unprofitable contracts. The principal goal of the contract renegotiation effort is to eliminate unprofitable contracts and improve margins, primarily during periods when the gross processing spread is negative.

Government Regulation - The FERC has traditionally maintained that a 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 removing 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. Interstate transmission facilities remain subject to FERC jurisdiction. The FERC has historically distinguished between these two types of facilities, either interstate or intrastate, on a fact-specific basis. ONEOK Partners believes its gathering facilities and operations meet the criteria used by the FERC for non-jurisdictional gathering facility status. ONEOK Partners can transport residue gas from its plants to interstate pipelines in accordance with Section 311(a) of the Natural Gas Policy Act.

Oklahoma and Kansas 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.

ONEOK Partners' proprietary natural gas liquids gathering pipelines in both Oklahoma and Kansas are not regulated by the FERC or the states' respective corporation commissions. ONEOK Partners' remaining natural gas liquids gathering and

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distribution pipelines are interstate pipelines regulated by the FERC. ONEOK Partners transports unfractionated NGLs and NGL products pursuant to filed tariffs.

Additionally, the operations of our assets are regulated by various state and federal government agencies. See further discussion in the "Environmental and Safety Matters" section.

Unconsolidated Affiliates - Our ONEOK Partners segment has the following unconsolidated affiliates:
- 50 percent interest in Northern Border Pipeline, which transports natural gas from the Montana-Saskatchewan border near Port Morgan, Montana, to a terminus near North Hayden, Indiana;
- 49 percent ownership interest in Bighorn Gas Gathering, L.L.C., which operates a major coalbed methane gathering system serving a broad production area in northeast Wyoming;
- 37 percent ownership interest in Fort Union Gas Gathering, which gathers coalbed methane gas produced in the Powder River Basin and delivers natural gas into the interstate pipeline grid;
- 35 percent ownership interest in Lost Creek Gathering Company, L.L.C., which gathers natural gas produced from conventional wells in the Wind River Basin of central Wyoming and delivers natural gas into the interstate pipeline grid;
- 10 percent ownership interest in Venice Energy Services Co., LLC, a gas processing complex near Venice, Louisiana;
    - 50 percent ownership interest in Chisholm Pipeline Company which operates an interstate natural gas liquids pipeline system extending approximately 184 miles from origin points in Oklahoma and Kansas;
- 48 percent ownership interest in Sycamore Gas System, which is a gathering system with compression located in south central Oklahoma; and
- 50 percent ownership interest in the Heartland joint venture, which operates a terminal and pipeline systems that transport refined petroleum products in Kansas, Nebraska and Iowa.

See Note O of the Notes to Consolidated Financial Statements in this Annual Report on Form 10-K for additional discussion of unconsolidated affiliates.

Distribution

Business Strategy - Our Distribution segment focuses on increasing the level of sustainable earnings through safe, reliable, environmentally sound and legally compliant distribution operations.

The integrated strategy for our LDCs incorporates:
- a rates and regulatory strategy that includes fostering positive relationships with regulators, consistent strategies and synchronized rate case filings;
- a focus on the growth of our customer count and rate base through efficient investment in our system while emphasizing safety and cost control; and
- providing customer choice programs designed to reduce volumetric sensitivity and create value for our customers.

Our regulatory strategy incorporates rate features that provide strategies for earnings lag, margin protection and risk mitigation. These strategies include capital recovery mechanisms in Oklahoma, Kansas and portions of Texas. In Texas, we also have cost of service adjustments that address investments in rate base and changes in expense. Margin protection strategies include increased customer fixed charges in all three states. Risk mitigation strategies include fuel related bad-debt recovery mechanisms in Oklahoma, Kansas and portions of Texas.

Description of Business - Our Distribution segment provides natural gas distribution services to more than two million customers in Oklahoma, Kansas and Texas through Oklahoma Natural Gas, Kansas Gas Service and Texas Gas Service, respectively, each a division of ONEOK. We serve residential, commercial, industrial and transportation customers in all three states. In addition, our distribution companies in Oklahoma and Kansas serve wholesale customers, and in Texas we serve public authority customers, such as cities, governmental agencies and schools.

Our operating results are primarily affected by the number of customers, usage and the ability to collect delivery rates 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 gas purchased by the respective distribution companies. 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, in the case of industrial customers, to use alternative energy sources. Higher natural gas costs may also adversely impact our accounts receivable collections, resulting in higher bad-debt expense.

The rate structure for Oklahoma Natural Gas includes two service rate options for residential gas sales customers. Certain high usage customers pay a higher monthly service charge and a lower per dekatherm delivery charge, while lower usage customers pay a lower monthly service charge coupled with a higher per dekatherm delivery charge. Customers can elect to change service rate options to ensure that they are billed under the alternative that best fits their individual usage, but they must remain on the selected option for a full year after the change is made.

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 distribution markets for Oklahoma, Kansas and Texas, respectively. Natural gas sold to residential and commercial customers accounts for approximately 79 and 20 percent of natural gas sales, respectively, in Oklahoma; 74 and 19 percent of natural gas sales, respectively, in Kansas; and 66 and 26 percent of natural gas sales, respectively, in Texas.

A franchise, although nonexclusive, is a utility's right to use the municipal streets, alleys and other public ways for a defined period of time in exchange for a fee. In management's opinion, our franchises contain no unduly burdensome restrictions and are sufficient for the transaction of business in the manner in which it is now conducted.

Market Conditions and Seasonality - Supply - In 2008, our Distribution segment purchased 182 Bcf of natural gas supply. Our gas supply portfolio consists of long-term, seasonal and short-term contracts from a diverse group of suppliers. These contracts are awarded through competitive bid processes to ensure reliable and competitively priced gas supply. Our Distribution segment's natural gas supply is purchased from a combination of direct wellhead production, natural gas processing plants, natural gas marketers and production companies.

We are responsible for acquiring sufficient natural gas supplies, interstate and intrastate pipeline capacity and storage capacity to meet customer requirements. As such, we must contract for both reliable and adequate supplies and delivery capacity to our distribution system, while considering: (i) the dynamics of the interstate and intrastate pipeline and storage capacity market; (ii) our peaking facilities and storage and contractual commitments; and (iii) the demand characteristics of our customer base.

An objective of our supply sourcing strategy is to diversify our supply among multiple production areas and suppliers. This strategy is designed to protect receipt of supply from being curtailed by physical interruption, possible financial difficulties of a single supplier, natural disasters and other unforeseen force majeure events.

There is an adequate supply of natural gas available to our utility systems, and we do not anticipate problems with securing additional natural gas supply as needed for our customers. However, if supply shortages occur, each of our LDCs has curtailment tariff provisions in place that provide for: (i) reducing or discontinuing gas service to large industrial users; and (ii) requesting that residential and commercial customers reduce their gas requirements to an amount essential for public health and safety. In addition, during times of critical supply problems, 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 changes in the natural gas consumption pattern of our customers that are driven by factors other than weather. Natural gas usage per 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' replacement of older, less efficient gas 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 have been reflected in recent rate case proceedings where rates have been adjusted to reflect current customer usage.

In December 2007, Oklahoma Natural Gas was authorized by the OCC to implement a natural gas hedging program as a three-year pilot program, with up to $10 million per year in hedge costs to be recovered from customers. Kansas Gas Service has a natural gas hedging program in place, subject to annual KCC approval, which is designed to reduce volatility in the natural gas price paid by consumers. The costs of this program are borne by the Kansas Gas Service customers. Texas Gas Service also has a natural gas hedging program for certain of its jurisdictions.

In managing our gas supply portfolios, we partially mitigate gas price volatility using a combination of financial derivatives, the triggering of forward prices on certain gas supply contracts, and injecting gas into leased storage capacity. Our Distribution segment does not utilize financial derivatives for speculative purposes, nor does it have trading operations. To further mitigate gas price volatility, we utilize 38.3 Bcf of leased storage capacity, which allows 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.

Seasonality - Natural gas sales to residential and commercial customers are seasonal, as a substantial portion of their natural gas is used for space heating. Accordingly, the volume of natural gas sales is normally higher during the heating season (November through March) than in other months of the year. The sales effect resulting from weather that is above or below normal is substantially offset through weather normalization adjustments (WNA), which are now approved by the regulatory authorities for all of our Oklahoma and Kansas service territories. WNA allows 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.

Approximately 94 percent of Texas Gas Service's revenues, including Austin and Galveston, are protected from abnormal weather due to a higher customer charge or WNA clauses. A higher customer charge is included in the authorized rate design for the jurisdictions of El Paso, north Texas, Rio Grande Valley and Port Arthur to protect customers from abnormal rate fluctuation due to weather.

Competition - We can face competition based on customers' preference for natural gas compared with other energy products, and the comparative prices of those products. The most significant product competition occurs between natural gas and electricity in the residential and small commercial markets. We compete for space heating, water heating, cooking and other general energy needs. Customers and builders typically make the decision for the type of equipment to install 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 of causing a decline in the number of future natural gas customers.

We believe that we must maintain a competitive advantage in order to retain our customers, and, accordingly, we focus on providing safe, reliable, efficient service and controlling costs. Our 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. Texas Gas Service files all negotiated transportation service contracts under a separate, confidential tariff at the RRC.

Government Regulation - Rates charged by our Distribution segment for natural gas services 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 and all appellate matters are subject to regulatory oversight by the RRC. Natural gas purchase costs are included in the Purchased Gas Adjustment (PGA) clause rate that is billed to customers. Our distribution companies do not make a profit on the cost of 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 49 for a detailed description of our various regulatory initiatives.

Oklahoma Natural Gas has settled all known claims arising out of long-term gas supply contracts containing "take-or-pay" provisions that purport to require us to pay for volumes of natural gas contracted for but not taken. The OCC has previously authorized recovery of the accumulated settlement costs over a 20-year period expiring in 2014, or approximately $7.0 million annually, through a combination of a surcharge from customers, revenue from transportation under Section 311(a) of the Natural Gas Policy Act and other intrastate transportation revenues.

Additionally, the operations of our assets are regulated by various state and federal government agencies. See further discussion in the “Environmental and Safety Matters” section.

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Energy Services

Business Strategy - Our Energy Services segment utilizes our network of contracted gas supply and leased transportation and storage assets to provide premium services to our customers. The asset positions afford us the flexibility to develop innovative, customer-specific demand delivery services for those we serve, at a competitive cost. With these services and a focus on customer relationships, we expect to attract new customers and retain existing customers that generate recurring margins.

We follow a strategy of optimizing our storage and cross-regional transportation capacity through the application of market knowledge and effective risk management. We maximize value by actively hedging the time and locational spread risks that are inherent to storage and transportation contracts and will pursue hedging strategies that effectively mitigate these risks. At the same time, we capitalize on opportunities created by market volatility, weather-related events, supply-demand imbalances and market liquidity inefficiency, which allows us to capture additional margin. Using market information, we manage these asset-based positions and seek to provide incremental margin in our trading portfolio.

Through our wholesale marketing and risk management capabilities, we are able to be a full-service provider in our retail operations. We are able to offer a broad range of products and are expanding our markets. We plan to grow our retail business through internal growth initiatives, as well as expansion into areas that allow retail unbundling. We manage the commodity price and volumetric risk in these operations through a variety of risk management and hedging activities.

It is our intention to minimize the mark-to-market earnings impact that our forward hedges have on current period earnings. When possible, we implement effective hedging strategies using derivative instruments that qualify as hedges under Statement 133, “Accounting for Derivative Instruments and Hedging Activities,” (Statement 133).

Our Energy Services segment requires working capital to purchase natural gas inventory 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.

We are assessing the ongoing capital requirements of the wholesale energy business, which includes evaluating our contracted storage and transportation. This review is focused on ensuring our contracted assets continue to be aligned with our key strategy of providing customer-specific premium delivery services that generate recurring demand revenues and margins.

Description of Business - Our Energy Services segment’s primary focus is to create value for our customers by delivering physical natural gas products and risk management services through our network of contracted transportation and storage capacity and natural gas supply. These services include meeting our customers’ baseload, swing and peaking natural gas commodity requirements on a year-round basis. Our contracted storage and transportation capacity connects major supply and demand centers throughout the United States and into Canada. With these contracted assets, our business strategies include identifying, developing and delivering specialized premium products and services valued by our customers, which are primarily LDCs, electric utilities, and commercial and industrial end users. Our storage and transportation capacity allows us opportunities to optimize value through our application of market knowledge and risk management skills.

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 commodity risk management policy. The derivative instruments consist of over-the-counter transactions such as forward, swap and option contracts, and NYMEX futures and option contracts.

Numerous risk management opportunities and operational strategies exist that can be implemented through the use of storage facilities and transportation capacity. We utilize our industry knowledge and expertise in order to capitalize on opportunities that are provided through market volatility. We utilize our experience to optimize the value of our contracted assets, and we use our risk management and marketing capabilities to both manage risk and to 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 on Form 10-K for additional information. Additionally, certain non-trading transactions, which are economic hedges of our accrual transactions, such as 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

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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.

Our working capital requirements related to our inventory in storage peaked in August 2008, with 61.0 Bcf valued at $614.6 million; this balance had decreased to $451.7 million by December 31, 2008. During September 2008, we impaired our inventory value; were it not for this impairment, our highest inventory balance would have been in November 2008 with 84.3 Bcf in storage. In addition, margin requirements can result in increased working capital requirements. During 2008, our margin requirements with counterparties ranged from zero to $378 million.

Market Conditions and Seasonality - Supply - During periods of high natural gas demand, we utilize storage capacity to supplement natural gas supply volumes to meet our peak day demand obligations or market needs.

Demand - Demand met by our swing and peaking natural gas requirements contracts in our wholesale operation 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. Our retail business' demand for natural gas is primarily driven by the use of space heating and is significantly impacted by temperature variations.

Seasonality - Due to seasonality of natural gas consumption, storage withdrawals and demand for our products and services, earnings are normally higher during the winter months than the summer months. Our Energy Services segment's margins are subject to fluctuations during the year, primarily due to the impact certain seasonal factors have on sales volumes and the price of natural gas. Natural gas sales volumes are typically higher in the winter heating months than in the summer months, reflecting increased demand due to greater heating requirements and, typically, higher natural gas prices.

Competition - The recent market conditions affecting credit and liquidity have impacted competition by causing some of our competitors, including financial institutions, to either exit the business or scale back their operations. In response to a competitive marketing environment, our strategy is to concentrate our efforts on providing reliable service during peak demand periods and capturing opportunities created by short-term pricing volatility. We can effectively compete in the market by utilizing our leased 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.

Other

Description of Business - The primary companies in our Other segment include ONEOK Leasing Company and ONEOK Parking Company, L.L.C.

Through ONEOK Leasing Company 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 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.

In July 2007, ONEOK Leasing Company gave notice of its intent to exercise its option to purchase ONEOK Plaza on or before the end of the lease term that was set to expire on September 30, 2009. In March 2008, ONEOK Leasing Company, purchased ONEOK Plaza for a total purchase price of approximately $48 million, which included $17.1 million for the present value of the remaining lease payments and $30.9 million for the base purchase price.

ENVIRONMENTAL AND SAFETY MATTERS

Information about our environmental matters is included in Note K of the Notes to Consolidated Financial Statements in this Annual Report on Form 10-K.

Pipeline Safety - We are subject to United States Department of Transportation regulations, including integrity management regulations. The Pipeline Safety Improvement Act requires pipeline companies to perform integrity assessments on pipeline segments that pass through densely populated areas or near specifically designated high consequence areas. To our knowledge, we are in compliance with all material requirements associated with the various pipeline safety regulations.

Air and Water Emissions - The federal Clean Air Act, the federal Clean Water Act and analogous state laws 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

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pollutants discharged to waters of the United States and remediation of waters affected by such discharge. To our knowledge, we are in compliance with all material requirements associated with the various regulations.

The United States Congress is actively considering legislation to reduce emissions of greenhouse gases, including carbon dioxide and methane. In addition, state and regional initiatives to regulate greenhouse gas emissions are underway. We are monitoring federal and state legislation to assess the potential impact on our operations. Our most recent calculation of direct greenhouse gas emissions for ONEOK and ONEOK Partners is estimated to be less than 6 million metric tons of carbon dioxide equivalents on an annual basis. We will continue efforts to quantify our direct greenhouse gas emissions and will report such emissions as required by any mandatory reporting rule, including the rules anticipated to be issued by the EPA in mid-2009.

Superfund - The Comprehensive Environmental Response, Compensation and Liability Act, also known as CERCLA or Superfund, imposes liability, without regard to fault or the legality of the original act, on certain classes of persons who contributed to the release of a hazardous substance into the environment. These persons include the owner or operator of a facility where the release occurred and 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.

Chemical Site Security - The United States Department of Homeland Security (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 were subsequently assigned to 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. A majority of our facilities were not tiered. We are waiting for Homeland Security's analysis to determine if any of the tiered facilities will require Site Security Plans and possible physical security enhancements.

Climate Change - 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 rules anticipated to be issued by the EPA in mid-2009; (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; (iv) following developing technologies to capture carbon dioxide to keep it from reaching the atmosphere; and (v) analyzing options for future energy investment.

Currently, certain subsidiaries of ONEOK Partners participate in the Processing and Transmission sectors and LDCs in our Distribution segment participate in the Distribution sector of the EPA's Natural Gas STAR Program to voluntarily reduce methane emissions. A subsidiary in our ONEOK Partners' segment was honored in 2008 as the "Natural Gas STAR Gathering and Processing Partner of the Year" for its efforts to positively address environmental issues through voluntary implementation of emission-reduction opportunities. In addition, we continue to focus on maintaining low rates of lost-and-unaccounted-for methane gas through expanded implementation of best practices to limit the release of methane during pipeline and facility maintenance and operations. Our most recent calculation of our annual lost-and-unaccounted-for