

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

**FORM 8-K**

CURRENT REPORT  
PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934

(Date of report) **September 20, 2018**  
(Date of earliest event reported) **September 20, 2018**

**ONE Gas, Inc.**

(Exact name of registrant as specified in its charter)

**Oklahoma**  
(State or other jurisdiction  
of incorporation)

**001-36108**  
(Commission  
File Number)

**46-3561936**  
(IRS Employer  
Identification No.)

**15 East Fifth Street; Tulsa, OK**  
(Address of principal executive offices)

**74103**  
(Zip code)

**(918) 947-7000**  
(Registrant's telephone number, including area code)

**Not Applicable**  
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communication pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR §230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR §240.12b-2).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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Item 7.01

Regulation FD Disclosure

On September 20-21, 2018, Curtis Dinan, our Senior Vice President and Chief Financial Officer, will be meeting with members of the investment community in New York City, NY. On September 25, 2018, Pierce Norton, our President and Chief Executive Officer and Curtis Dinan will be meeting with members of the investment community in Orlando, St. Petersburg and Sarasota, FL. A copy of the materials utilized is attached as Exhibit 99.1 and is incorporated herein by reference.

The materials utilized will be available on the ONE Gas website, [www.onegas.com](http://www.onegas.com), on Thursday, September 20, 2018, beginning at 8:00 a.m. Eastern Daylight Time (7:00 a.m. Central Daylight Time).

The information disclosed in this Item 7.01 and Item 9.01, including Exhibit 99.1 hereto, are being furnished and shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the Exchange Act), or otherwise subject to the liabilities under that section, nor shall they be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act except as expressly set forth by specific reference in such filing.

Item 9.01

Financial Statements and Exhibits

(d) Exhibits

Exhibit  
Number

99.1

[Investor presentation issued by ONE Gas, Inc. on September 20th, 2018.](#)

SIGNATURE

Pursuant to the requirements of the Exchange Act, the registrant has duly caused this report to be signed on its behalf by the undersigned, hereunto duly authorized.

ONE Gas, Inc.

Date: September 20, 2018

By: /s/ Curtis L. Dinan

Curtis L. Dinan  
Senior Vice President and Chief Financial Officer



**INVESTOR UPDATE**

September 2018



## **FORWARD-LOOKING STATEMENTS**

Statements contained in this presentation that include company expectations or predictions should be considered forward-looking statements that are covered by the safe harbor provisions of the Securities Act of 1933 and the Securities and Exchange Act of 1934.

It is important to note that the actual results could differ materially from those projected in such forward-looking statements.

For additional information that could cause actual results to differ materially from such forward-looking statements, refer to ONE Gas' Securities and Exchange Commission filings.

All future cash dividends (declared or paid) discussed in this presentation are subject to the approval of the ONE Gas board of directors.

All references in this presentation to guidance are based on news releases issued on Jan. 16, 2018 and July 30, 2018, and are not being updated or affirmed by this presentation.



## VALUE CREATION STRATEGY

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# VALUE CREATION STRATEGY

## Sustainable Business Model

<b>Focused Business Strategy</b>	<ul style="list-style-type: none"><li>• Clear vision, mission, values-driven strategy and safety culture</li><li>• 100% regulated natural gas distribution utility</li><li>• Conservative financial profile (“A” rated)</li></ul>
<b>Capital Horizon &amp; Clarity</b>	<ul style="list-style-type: none"><li>• 20+ year vintage pipeline replacement program</li><li>• 80% of capital included in annual filings</li></ul>
<b>Regulatory Construct</b>	<ul style="list-style-type: none"><li>• Territory diversification – 3 states, multiple jurisdictions</li><li>• Comprehensive recovery mechanisms</li></ul>
<b>Cash Flow Stability</b>	<ul style="list-style-type: none"><li>• Weather normalization</li><li>• High percentage of fixed charges for revenue recovery</li><li>• Customer mix is predominantly residential</li><li>• Expense control execution</li></ul>
<b>Competitive Advantage</b>	<ul style="list-style-type: none"><li>• Proximity to abundant and affordable gas supply</li><li>• Significant cost advantage over electricity</li></ul>



## **FOCUSED BUSINESS STRATEGY**

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# FOCUSED BUSINESS STRATEGY

Mission, vision, strategy and values

## Mission - *Why we exist*

We deliver natural gas for a better tomorrow

## Vision - *What we want to be*

To be a premier natural gas distribution company creating exceptional value for our stakeholders

## Strategy - *How we do it*

Becoming ONE:

- ONE in Responsibility – safety, reliability and compliance
- ONE in Value – employees, shareholders, customers and communities
- ONE in Industry – recognized leader, processes and productivity

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## Core Values - *Our compass*

- **Safety:** We are committed to operating safely and in an environmentally responsible manner.
- **Ethics:** We are accountable to the highest ethical standards; honesty, trust and integrity matter.
- **Inclusion and Diversity:** We embrace and promote diversity and collaboration; every employee makes a difference and contributes to our success.
- **Service:** We provide exceptional service and make continuous improvements in our pursuit of excellence.
- **Value:** We create value for all stakeholders, including our employees, customers, investors and communities.



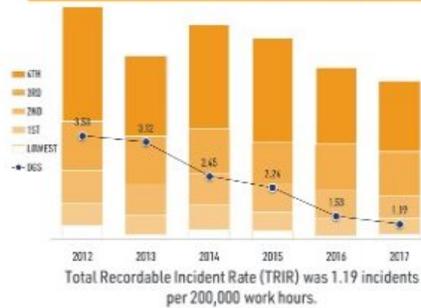
# FOCUSED BUSINESS STRATEGY

Operating Safely and Environmentally Responsibly

- Focus on culture, engagement, decision-making and processes; drive toward zero harm
- Utilization of American Gas Association peer review safety process
- Ongoing program to replace aging assets and the quality control of those replacements
- Currently ranked in the top quartile of AGA member companies for all three safety metrics

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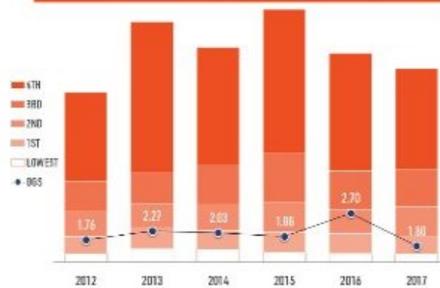
TRIR AMERICAN GAS ASSOCIATION QUARTILE DATA



DART AMERICAN GAS ASSOCIATION QUARTILE DATA



PVIR AMERICAN GAS ASSOCIATION QUARTILE DATA



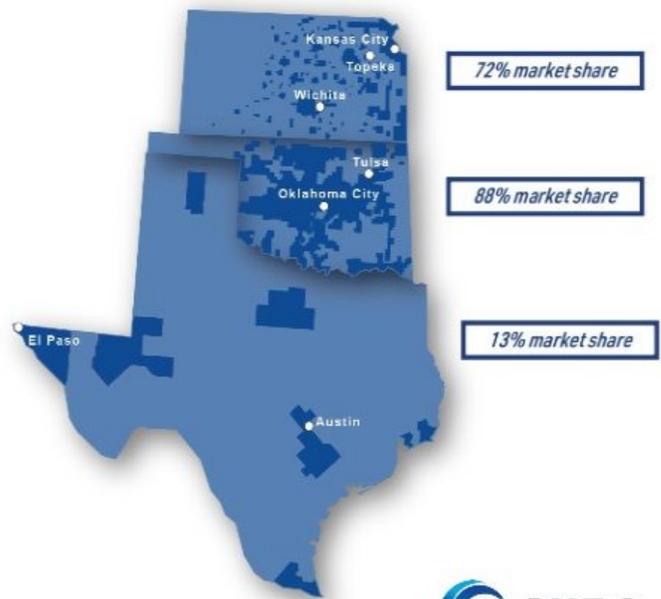
Preventable Vehicle Incident Rate (PVIR) was 1.80 incidents per million miles driven



## FOCUSED BUSINESS STRATEGY

100% regulated natural gas utility

- One of the largest publicly traded natural gas distribution companies
  - 2.2 million customers
  - ~3,500 employees
  - ~60,500 miles of distribution mains, services and transmission pipelines
- Estimated 2018 average rate base: \$3.5 billion\*
  - 42% in Oklahoma
  - 31% in Kansas
  - 27% in Texas



\* Calculation consistent with utility ratemaking in each jurisdiction

## FOCUSED BUSINESS STRATEGY

Conservative Financial Profile: Commitment to Investment-Grade Credit Ratings

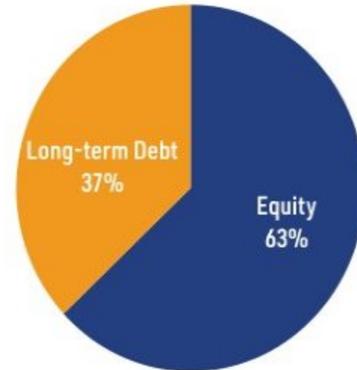
- Strong liquidity position will support capital expenditure and working capital needs
  - Stable operating cash flows
  - \$700 million revolving credit facility
  - Commercial paper program
- Strong investment-grade credit ratings

RATING AGENCY	RATING	OUTLOOK
Moody's	A2	Negative*
S&P	A	Stable

*\* On January 19, 2018, Moody's changed outlook to negative from stable based on the potential impacts of the Tax Cuts and Jobs Act of 2017.*

### CAPITAL STRUCTURE

*As of June 30, 2018*





**CAPITAL HORIZON & CLARITY**

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# CAPITAL HORIZON & CLARITY

Well-defined capital investment plan: Spending \$2 billion from 2018 - 2022

## CAPITAL INVESTMENTS

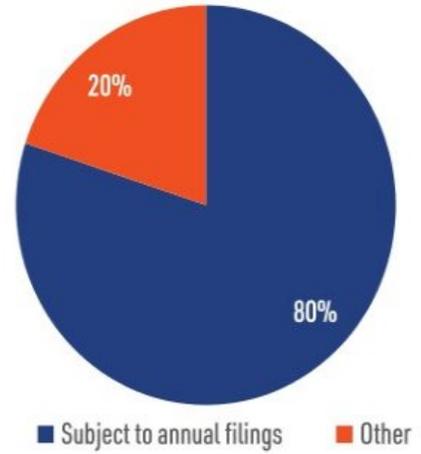
(MILLIONS)



\* Represents midpoint of the capital expenditure guidance range of \$375 million - \$390 million



## 2018E CAPITAL RECOVERY TIMING



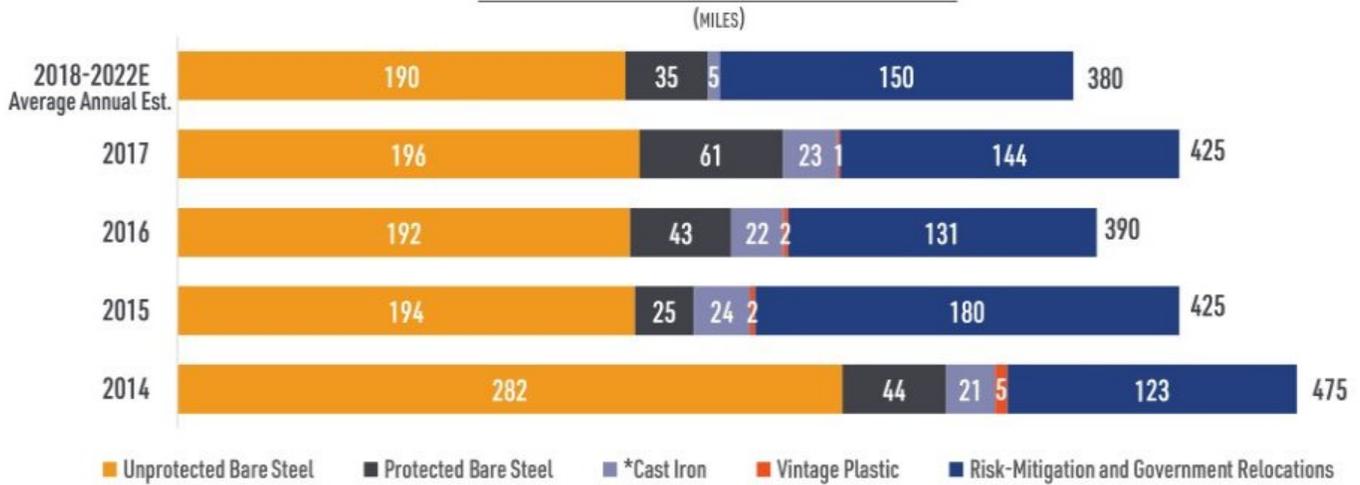
■ Subject to annual filings   
 ■ Other



# CAPITAL HORIZON & CLARITY

Pipeline Replacement: Focus on Maintaining Safe and Reliable Operations

## PIPELINE REPLACEMENT



*Note: Pipeline replacement due to changes in state or federal regulations is not projected in this 5-year replacement estimate. Replacement mileage includes service lines, distribution mains and transmission pipelines. Year over year variances in mileage replacement are driven by construction resources, project type and permitting.*

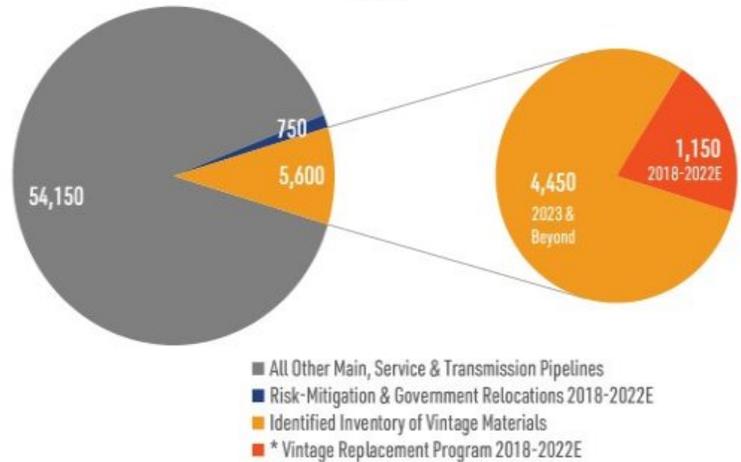
*\*All 25 miles of remaining cast iron will be eliminated by the end of 2019.*

# CAPITAL HORIZON & CLARITY

## Vintage Pipeline Replacement Program

- ~60,500 total miles of distribution mains and services and transmission pipelines
- ~5,600 miles of identified vintage inventory
- Over past 4 years, averaged ~284 miles vintage pipe replaced per year
- Represents 20+ year investment runway

**VINTAGE PIPE AS PORTION OF TOTAL PIPELINE INVENTORY**  
(MILES)



*Note: Pipeline replacement due to changes in state or federal regulations is not projected in this 5-year replacement estimate. Total and replacement mileage includes service lines, distribution mains, transmission pipelines and customer-owned facilities. Customer-owned facilities are not a part of total miles.*

*\* The vintage asset replacement program includes: cast iron, wrought iron, unprotected bare steel, protected bare steel and vintage plastic.*

# CAPITAL HORIZON & CLARITY

Capital Investment - Rate Base Growth

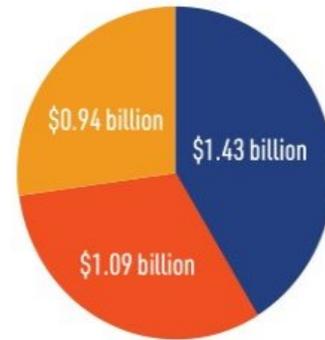
## RATE BASE

(BILLIONS)



## 2018 ESTIMATED RATE BASE

TOTAL: \$3.46 BILLION\*



■ Oklahoma ■ Kansas ■ Texas

\* Estimated average rate base; calculation consistent with utility ratemaking in each jurisdiction



## **REGULATORY CONSTRUCT & UPDATE**

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# REGULATORY CONSTRUCT

## Governance



### KANSAS

Kansas Corporation Commission

Three commissioners appointed by the governor to four-year staggered terms



### OKLAHOMA

Oklahoma Corporation Commission

Three commissioners elected to six-year staggered terms



### TEXAS

"Home Rule" with six jurisdictions\*

Texas Railroad Commission has appellate authority; three commissioners elected to six-year staggered terms

\*Reduced to six jurisdictions from 10 since Feb. 2014, providing improved regulatory efficiency

## REGULATORY CONSTRUCT

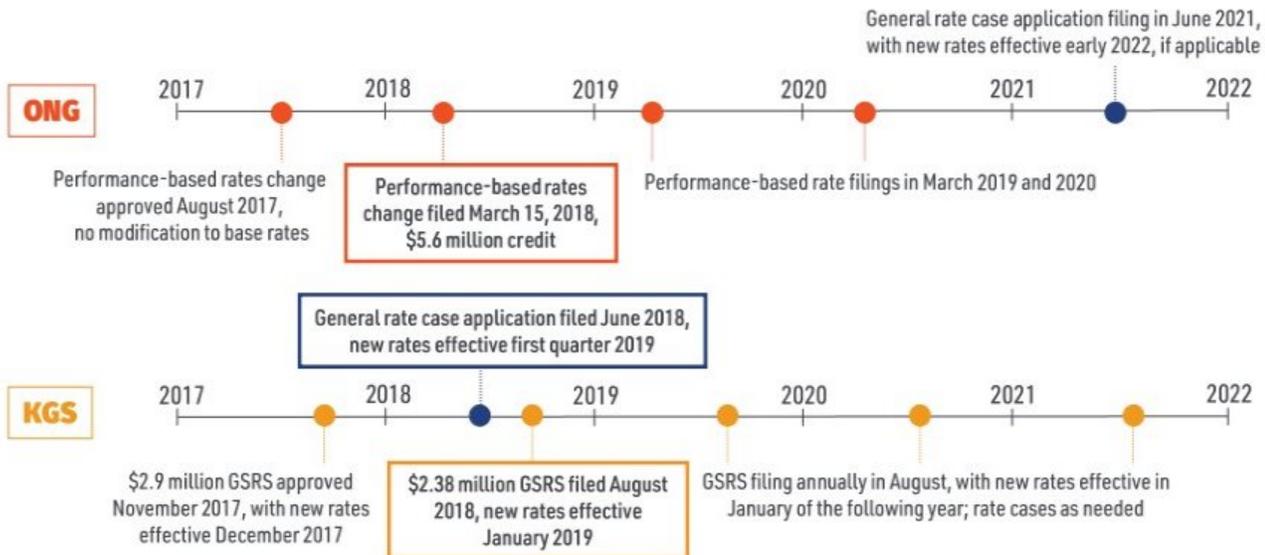
### Recovery Mechanisms By State

COMPREHENSIVE RECOVERY MECHANISMS	OKLAHOMA	KANSAS	TEXAS*
Interim capital recovery	X	X	X
Weather normalization	X	X	X
Purchased gas riders (including gas cost portion of bad debts)	X	X	X
Energy efficiency/conservation programs	X		X
Pension and other Post-Retirement Benefits Trackers	X	X	X
Cost-of-Service Adjustment	X		X

\* Six jurisdictions in Texas; not all mechanisms apply to each jurisdiction

# REGULATORY CONSTRUCT

## Filing Timeline: Oklahoma & Kansas



## REGULATORY CONSTRUCT

Filing Timeline: Texas

JURISDICTION	FILING HIGHLIGHTS	STATUS	AMOUNT	RATES EFFECTIVE
West Texas	• GRIP for both incorporated and environs areas	Approved	\$3.5 million increase	July 2018
	• Tax reform adjustment to rates for both incorporated and environs areas	Approved	\$4.6 million reduction; \$2.4 million one-time refund	July 2018; May 2018
Rio Grande Valley	• COSA for incorporated areas	Approved	\$1.1 million increase	August 2018
	• Tax reform adjustment to rates for incorporated areas	Approved	\$1.5 million reduction; \$0.4 million one-time refund	April 2018; May 2018
	• Rate case for unincorporated areas	Approved	\$0.5 million increase	April 2018
Central Texas	• GRIP for both incorporated and environs areas	Approved	\$3.3 million increase	July 2018
	• Tax reform adjustment to rates for both incorporated and environs areas	Approved	\$4.9 million reduction; \$2.5 million one-time refund	July 2018; May 2018
Gulf Coast	• COSA for incorporated areas	Approved	\$0.8 million reduction; \$0.6 million one-time refund	August 2018; August 2018
North Texas	• Rate case for both incorporated and environs areas	Filed June 2018	\$1.0 million increase \$0.7 million one-time refund	Expected December 2018 Expected December 2018
Borger	• Rate case for both incorporated and environs areas	Filed August 2018	\$0.1 million increase \$0.1 million one-time refund	Expected March 2019 Expected March 2019

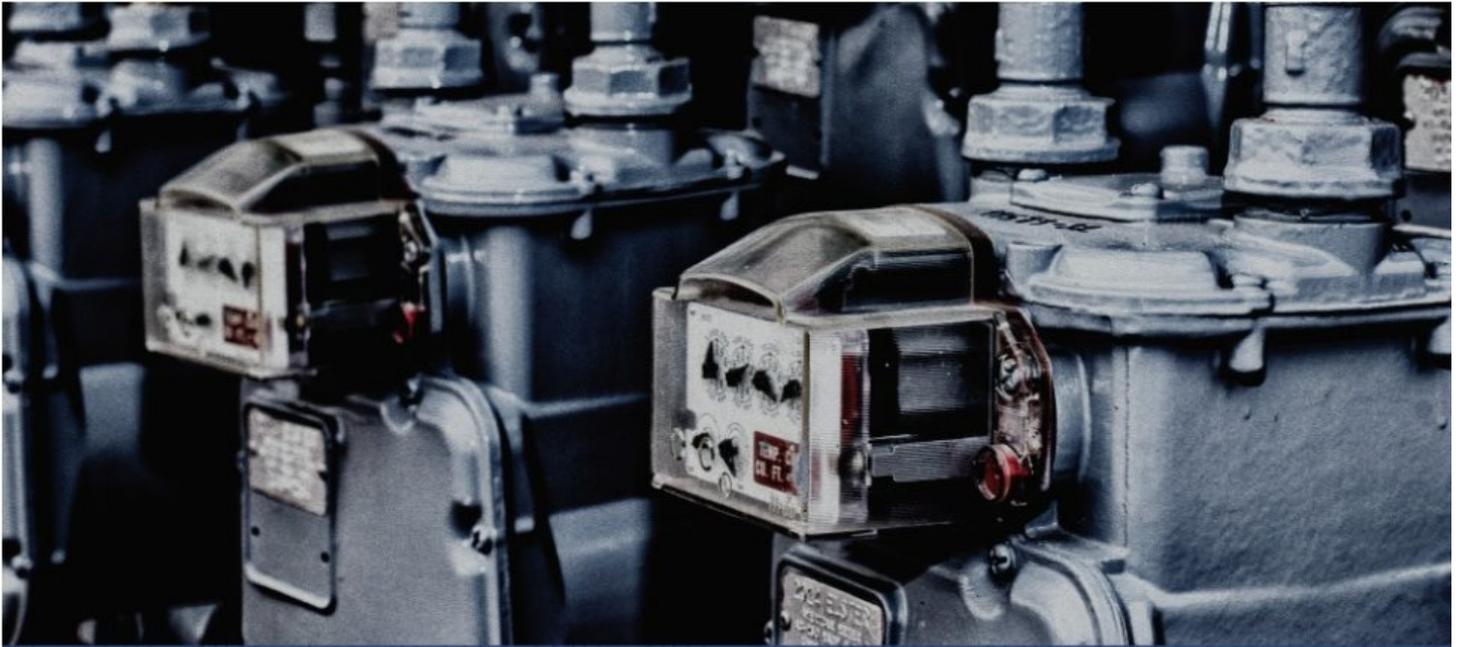
## REGULATORY CONSTRUCT

### Kansas GSRS: Expanded Gas System Reliability Surcharge

	6/30/2017 TEST YEAR			6/30/2018 TEST YEAR		
	CAPITAL EXPENDITURES (MILLIONS)	REVENUE (MILLIONS)	COST PER RESIDENTIAL CUSTOMER PER MONTH	CAPITAL EXPENDITURES (MILLIONS)	REVENUE (MILLIONS)	COST PER RESIDENTIAL CUSTOMER PER MONTH
GSRS through 12/31/2018	\$28.0	\$2.9	\$0.29	\$29.0	\$2.4	\$0.24
Pro Forma GSRS beginning 1/1/2019	\$38.9	\$4.0	\$0.40	\$59.9	\$5.9	\$0.60

#### EXPANDED SCOPE OF GSRS - BEGINNING JANUARY 1, 2019

- Projects eligible for recovery include:
  - All expenditures to replace, upgrade or modernize obsolete facilities
  - Projects that enhance the integrity of pipeline system components or extend the useful life of such assets
- Safety-related investment will include expenditures for physical and cyber security
- Cap on monthly residential surcharge increased to 80 cents from 40 cents



## **CASH FLOW STABILITY**

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## CASH FLOW STABILITY

### Revenue Drivers



	<b>KANSAS</b>	<b>OKLAHOMA</b>	<b>TEXAS</b>	<b>TOTAL</b>
Fixed Charges - Sales customers*	54%	88%	66%	71%
Weather Normalization	100%	100%	100%	100%
Average Annual Heating Degree Days - Normal	4,889	3,264	1,785	-

*Note: Based on 2017 annual results*

*\* Percentage of total net margin on natural gas sales*

# CASH FLOW STABILITY

High Percentage of Residential Customers



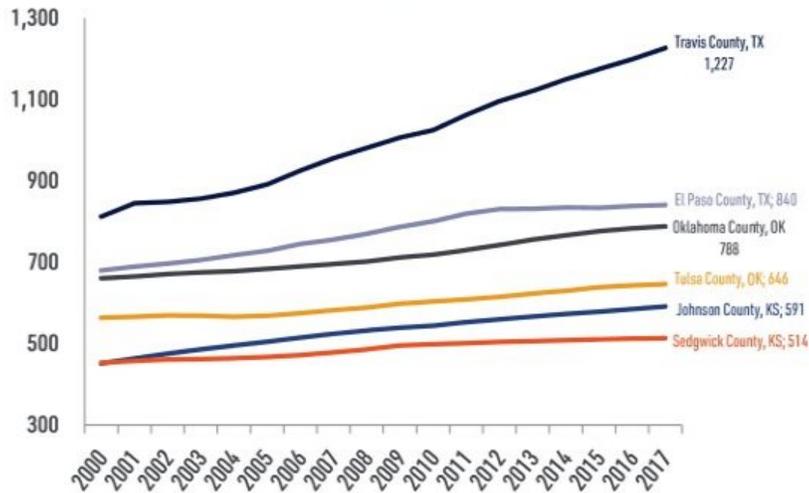
Note: Based on 2017 annual results

# CASH FLOW STABILITY

## Population Growth in Service Territories

**MAJOR METRO COUNTY POPULATION**

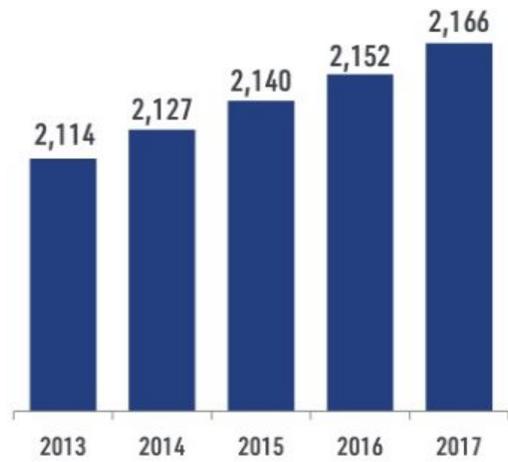
(THOUSANDS)



Source: U.S. Census Bureau, updated January 2018

**AVERAGE CUSTOMER COUNT**

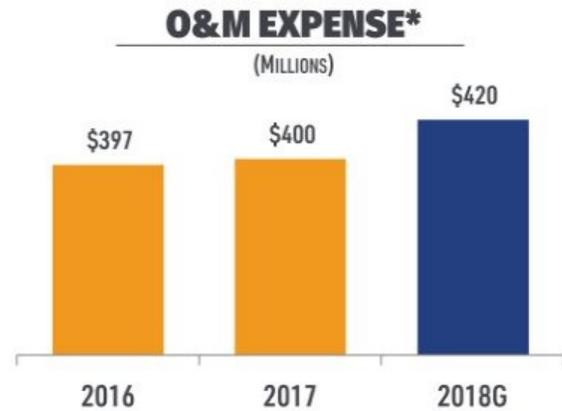
(THOUSANDS)



## CASH FLOW STABILITY

### O&M Expense Control: Building a Foundation for Long-Term Affordability

- Leveraging technology to control expenses by:
  - Increasing efficiency and optimizing processes
  - Making it easier for customers to self-serve
- Forecasting average annual O&M increase of less than 2.5% between 2017 and 2022



*\*Reflects retrospective adoption of ASU 2017-07*



**COMPETITIVE ADVANTAGE**

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## COMPETITIVE ADVANTAGE

### Proximity to Supply: Location Supports Sustainability

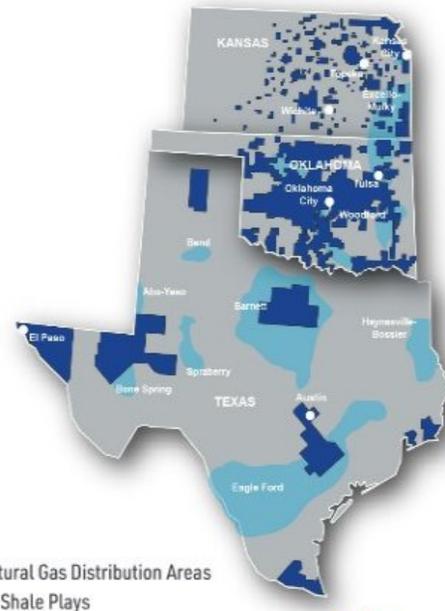
- Close proximity to significant natural gas reserves<sup>1</sup>
  - 63% of all rigs in U.S. operating in Oklahoma and Texas
- Net natural gas exporters<sup>2</sup>
  - Texas: 2.6 Tcf of 4.0 Tcf produced
  - Oklahoma: 1.5 Tcf of 2.3 Tcf produced
- Estimated future supply of natural gas<sup>3</sup>
  - United States: 3,141 Tcf
  - ~37 Tcf annual production<sup>4</sup>

<sup>1</sup> Source: Baker Hughes, as of September 2018

<sup>2</sup> Source: EIA.gov, as of 2016

<sup>3</sup> Source: Potential Gas Committee, reserves plus resources, as of 2016

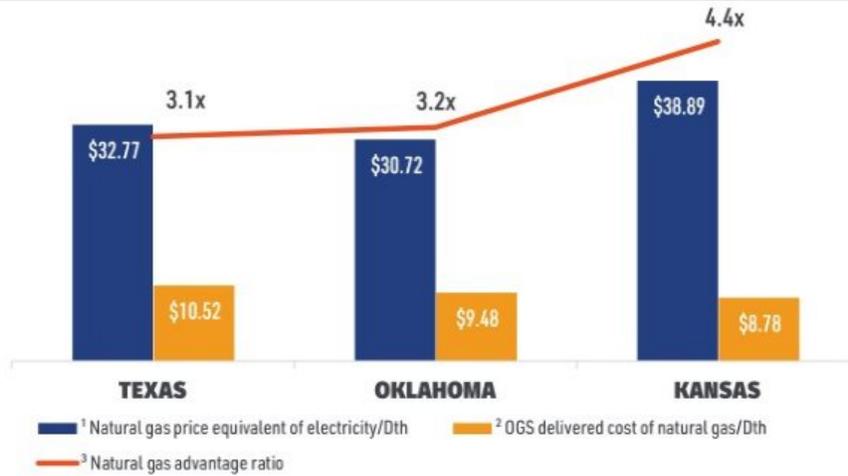
<sup>4</sup> Source: EIA.gov, trailing 12 months, as of June 2018



# COMPETITIVE ADVANTAGE

Natural Gas vs. Electricity

## 3.5-TO-1 AVERAGE ADVANTAGE CONTINUES IN ONE GAS TERRITORIES



<sup>1</sup> Source: United States Energy Information Agency, [www.eia.gov](http://www.eia.gov), for the twelve-month period ended December 31, 2017.

<sup>2</sup> Represents the average delivered cost of natural gas to a residential customer, including the cost of the natural gas supplied, fixed customer charge, delivery charges and charges for riders, surcharges and other regulatory mechanisms associated with the services we provide, for the year ended December 31, 2017.

<sup>3</sup> Calculated as the ratio of the natural gas price equivalent per dekatherm of the average retail price of electricity per kilowatt hour to the ONE Gas delivered average cost of natural gas per dekatherm.



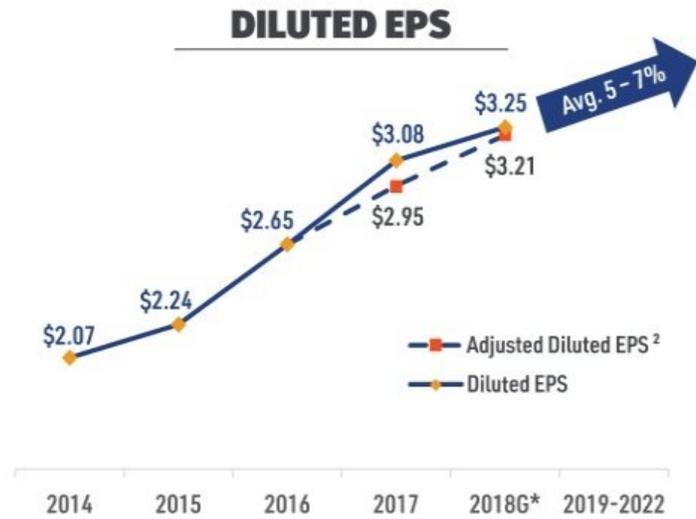
**FINANCIAL PERFORMANCE & OBJECTIVES**

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## 2018 GUIDANCE

Updated July 30, 2018

- Net income range of \$167-\$178 million
- EPS range of \$3.15 - \$3.35
- Rate base expected to grow an average of ~6.0-6.5% per year between 2017-2022
- Expected average annual EPS growth of 5-7% between 2017 and 2022
- 2017 includes \$0.13 per share net benefit related to a new accounting standard, a Kansas accounting authority order and tax reform<sup>1</sup>



\*Represents midpoint of guidance range

<sup>1</sup> Refer to Earnings Release dated February 21, 2018 for details of how these items impacted diluted earnings per share

<sup>2</sup> Adjusted Diluted EPS is a non-GAAP measure defined as diluted EPS excluding adoption of the share-based accounting standard, accounting authority order in Kansas and the impact of tax reform.

## GROWING DIVIDENDS

Building Shareholder Value

- Quarterly dividend of 46 cents per share, resulting in an annualized dividend of \$1.84 per share\*
- Target dividend payout ratio of 55-65% of net income
- Expected average annual dividend growth of 7-9% between 2017 and 2022

### DIVIDENDS DECLARED & PAYOUT RATIO

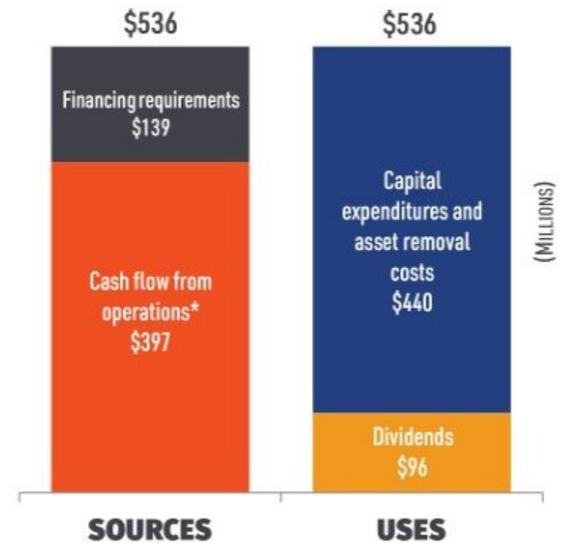


\*Subject to board approval

## 2018 CASH FLOW

### Sources and Uses

- Dividends and capital expenditures primarily funded by cash flow from operations
- \$700 million revolving credit facility supports financing needs through the commercial paper program



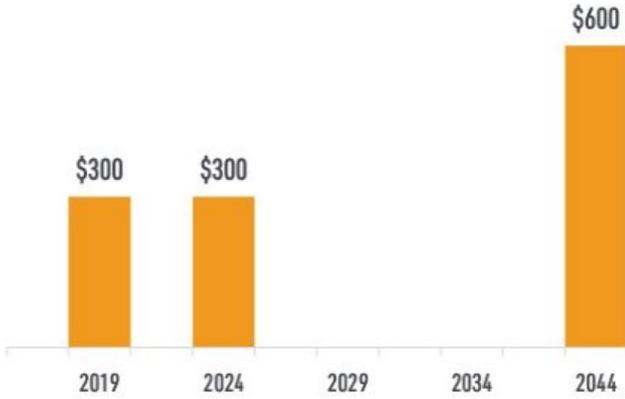
\* Before changes in working capital

# MANAGEABLE DEBT PROFILE

Strong Liquidity Position – as of June 30, 2018

## DEBT MATURITIES

(MILLIONS)



## LIQUIDITY PROFILE

(MILLIONS)



\* Includes commercial paper and letters of credit

## **TAX CUTS AND JOBS ACT OF 2017**

### Summary

Revenue deferral offset by lower tax expense

Excess deferred taxes will be refunded over ~25-30 years

End of bonus depreciation impacts cash flows

Rate base growth increases



## KEY TAKEAWAYS

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## KEY TAKEAWAYS

- Focused business strategy
- Well-defined capital investment plan
- Stable revenue and cash flow profile



## APPENDIX

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# CORPORATE STRUCTURE



## INCORPORATED ENTITY

- 100% regulated natural gas distribution
- No levered holding company, all debt issued at OGS
- Division capital structures match Corporate capital structure



## CUSTOMER AND ASSET MIX

Key Statistics as of December 31, 2017

	<b>KANSAS GAS SERVICE</b>	<b>OKLAHOMA NATURAL GAS</b>	<b>TEXAS GAS SERVICE</b>	<b>TOTAL</b>
Average Number of Customers	638,119	871,482	656,480	2,166,081
Distribution - Miles*	11,400	18,500	10,300	40,200
Transmission - Miles*	1,600	700	300	2,600

\* Totals do not include service lines

# CAPITAL EXPENDITURES

By State

## OKLAHOMA

2018: 2.4x depreciation



## KANSAS

2018: 1.9x depreciation



## TEXAS

2018: 3.2x depreciation



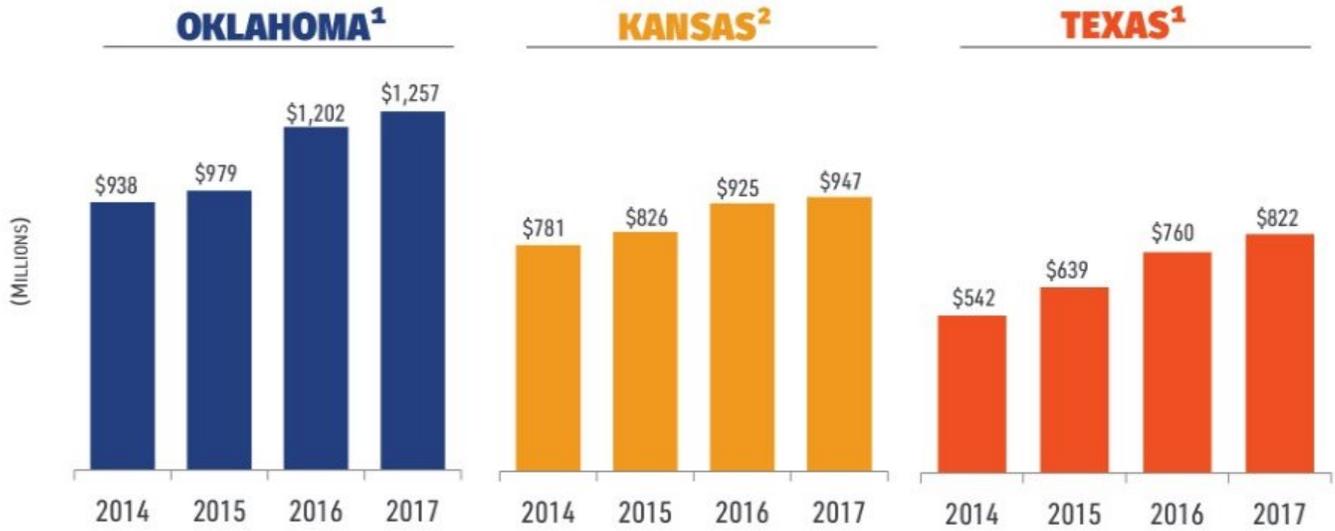
\* Represents midpoint of the capital expenditure guidance range

Note: Capital expenditures include accruals and any adjustments in the year

----- Depreciation

# AUTHORIZED RATE BASE

Historical by State at Year End



<sup>1</sup> Rate bases presented in this table are those from the last approved rate filings for each jurisdiction. These amounts are not necessarily indicative of current or future rate bases.

<sup>2</sup> Last rate case was settled without a determination of rate base and includes the amounts included in the company's filings; these amounts are not necessarily indicative of current or future rate base. 2014, 2015, 2016 and 2017 rate base reflects GSRS approvals.

## TAX REFORM - DETAIL BY STATE

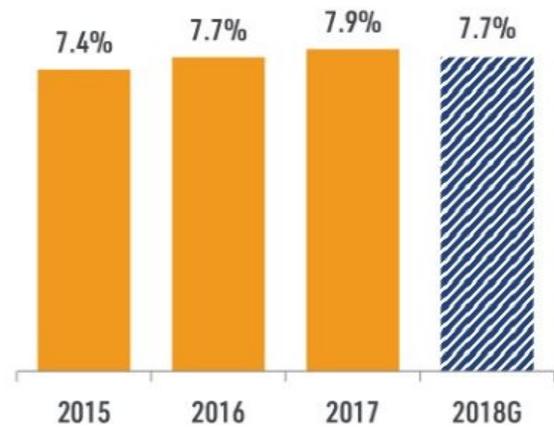
### Tax Cuts and Jobs Act of 2017

- **OKLAHOMA:** In March 2018, ONG's PBRC filing requested potential refunds including:
  - A regulatory liability reflecting the revaluation of accumulated deferred income tax (ADIT) for the change in the federal income tax rate that will be returned to customers over an amortization period
  - An additional \$2.9 million liability for the estimated impact to customer rates for the period between January 9, 2018, and the date new rates are expected to go into effect
- **KANSAS:** KGS will accrue \$14.1 million, as a regulatory liability – the portion of its revenue representing the difference between the 21 percent and 35 percent federal tax rate for 2018. KGS will establish a regulatory liability reflecting the revaluation of ADIT for the change in the federal income tax rate that will be returned to customers over an amortization period. Both of these items will be addressed in KGS' next rate case
- **TEXAS:** Requests were approved in four TGS jurisdictions regarding treatment of tax reform:
  - West Texas: \$4.6 million decrease to rates and a one-time refund of \$2.4 million to customers in the incorporated and unincorporated areas
  - Rio Grande Valley: \$1.6 million decrease to rates and a one-time refund of \$0.4 million to customers in the incorporated and unincorporated areas
  - Central Texas: \$4.9 million decrease to rates and a one-time refund of \$2.5 million to customers in the incorporated and unincorporated areas
  - Gulf Coast: \$0.8 million decrease to rates and a one-time refund of \$0.6 million to customers in the incorporated and unincorporated areas
  - North Texas: \$0.9 million decrease to rates and one-time refund of \$0.7 million requested in June 2018 for customers in the incorporated and unincorporated areas
  - Borger: \$0.2 million decrease to rates and one-time refund of \$0.1 million requested in August 2018 for customers in the incorporated and unincorporated areas

## RETURN ON EQUITY

Opportunity to Improve

- Goal: Minimize the gap between allowed and actual returns
- Variance in 2018 due to timing of rate activity, higher capital spending and effects of tax reform



## REGULATORY INFORMATION

By State as of June 2018 - Authorized

	<b>RATE BASE (MILLIONS)</b>	<b>RATE BASE PER CUSTOMER</b>	<b>AUTHORIZED RATE OF RETURN</b>	<b>AUTHORIZED RETURN ON EQUITY</b>
Oklahoma Natural Gas <sup>1</sup>	\$1,257	\$1,432	7.225%	9-10%
Kansas Gas Service <sup>2</sup>	\$947	\$1,476	N/A	N/A
Texas Gas Service <sup>1</sup>	\$822	\$1,241	7.4%	9.6%

<sup>1</sup> The rate base, authorized rate of return and authorized return on equity presented in this table are those from the last approved rate filings for each jurisdiction. These amounts are not necessarily indicative of current or future rate bases, rates of return or returns on equity.

<sup>2</sup> The most recent rate case was settled without a determination of rate base, return on equity or rate of return; rate base reflects Kansas Gas Service's estimate of rate base contained within the settlement.

# OKLAHOMA NATURAL GAS RATE CASE

New Rates Effective January 2016

## HIGHLIGHTS

Amount	\$29.995 million
Customer impact	\$2.96 per month increase for typical residential customer
Rate base	\$1.2 billion
Return on equity	9.5% (midpoint of allowed band)
Common equity ratio*	60.5%
Debt costs	3.95%
Other	<ul style="list-style-type: none"><li>• Continuation of Performance Based Rate Change (PBR) plan</li><li>• Regulatory asset for \$2.4 million of separation costs</li></ul>

\* The initial common equity ratio will be 60.5 percent, unchanged from the original filed request. For each future PBRC filing, the maximum allowed common equity ratio will decrease by 1 percent beginning with a 59 percent common equity ratio in the 2017 PBRC review of calendar year 2016, and ending with a 56 percent common equity ratio in the 2020 PBRC review of calendar year 2019.

# KANSAS GAS SERVICE RATE CASE

Filed June 29, 2018

## HIGHLIGHTS

Base rates	\$45.6 million total increase, \$42.7 million net increase (already recovering \$2.9 million through GSRS)
Operating income	~\$31 million annual impact, as filed
Customer impact	\$5.67 per month increase for average residential customer
Rate base	\$1.0 billion
Capital expenditures	\$179 million since the previous general rate case
Return on equity	10.0%
Common equity ratio	62.2%
Debt costs	3.94%
Other	<ul style="list-style-type: none"><li>• Each 25 bps change in requested ROE results in a change of approximately \$2.2 million</li><li>• Every 1% change in requested equity ratio results in a change of approximately \$1.4 million</li></ul>

# KANSAS GAS SERVICE

## Accounting Authority Order

### HIGHLIGHTS

Details	<ul style="list-style-type: none"><li>• The agreement allows Kansas Gas Service to defer manufactured gas plant (MGP) costs for the investigation and remediation at the 12 former MGP sites incurred after January 1, 2017, up to a cap of \$15.0 million, net of any related insurance recoveries and amortize approved costs in a future rate proceeding over a 15-year period</li><li>• The unamortized amounts will not be included in rate base or accumulate carrying charges</li><li>• At the time future investigation and remediation work, net of any related insurance recoveries, is expected to exceed \$15.0 million, Kansas Gas Service will be required to file an application with the KCC for approval to increase the \$15.0 million cap</li></ul>
Estimated Costs	A regulatory asset of approximately \$5.9 million was recorded in the fourth quarter 2017 for estimated costs that were accrued at January 1, 2017
Status	Approved November 2017

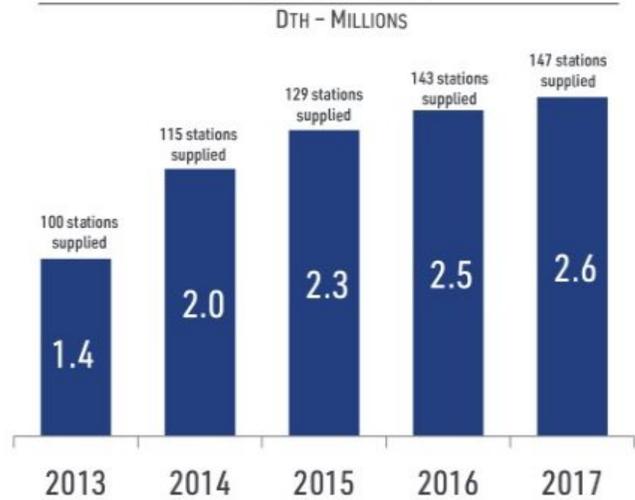
# COMPRESSED NATURAL GAS (CNG)

## Current Outlook

- Currently operate 27 fueling stations accessible to the public, 5 private stations
- Currently transporting supply to 68 retail and 53 private CNG stations
- Rebate program in Oklahoma; Austin, Texas
- Industry
  - Continued interest in CNG for transportation, particularly by fleet operators
  - Tax incentives and rebates further contribute to positive economics

Note: Updated as of June 30, 2018

## CNG VOLUME



## NON-GAAP INFORMATION

ONE Gas has disclosed in this presentation cash flow from operations before changes in working capital and adjusted diluted earnings per share, which are non-GAAP financial measures. Cash flow from operations before changes in working capital and adjusted diluted earnings per share are used as measures of the company's financial performance. Cash flow from operations before changes in working capital is defined as net income adjusted for depreciation and amortization, deferred income taxes, and certain other noncash items. Adjusted diluted earnings per share is defined as diluted earnings per share excluding adoption of the share-based accounting standard, accounting authority order in Kansas and the impact of tax reform.

These non-GAAP financial measures described above are useful to investors as indicators of financial performance of the company's investments to generate cash flows sufficient to support our capital expenditure programs and pay dividends to our investors. ONE Gas cash flow from operations before changes in working capital should not be considered in isolation or as a substitute for net income or any other measure of financial performance presented in accordance with GAAP.

This non-GAAP financial measure excludes some, but not all, items that affect net income. Additionally, these calculations may not be comparable with similarly titled measures of other companies. A reconciliation of cash flow from operations before changes in working capital and adjusted diluted earnings per share are included in this presentation.

## CASH FLOW FROM OPERATIONS

Before Changes in Working Capital\*

(MILLIONS)	UPDATED 2018 GUIDANCE	PREVIOUS 2018 GUIDANCE	CHANGE
Net Income	\$ 172	\$ 162	\$ 10
Depreciation and amortization	161	164	(3)
Deferred taxes	48	41	7
Other	16	13	3
Cash flow from operations before changes in working capital	\$397	\$380	\$17

\* Amounts shown are midpoints of ranges provided.

