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, 2017 .
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 001-36108

ONE Gas, Inc.

(Exact name of registrant as specified in its charter)

Oklahoma	**46-3561936**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
15 East Fifth Street, Tulsa, OK	**74103**
(Address of principal executive offices)	(Zip Code)

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

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

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

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes X No__

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No __

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes X No _

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one) Large accelerated filer X Accelerated filer __ Non-accelerated filer __
Smaller reporting company __ 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.__

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

The aggregate market value of the equity securities held by nonaffiliates based on the closing trade price of the registrant on June 30, 2017, was $3.5 billion .

On February 9, 2018 , we had 52,315,980 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 24, 2018, are incorporated by reference in Part III.

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

GLOSSARY

The abbreviations, acronyms and industry terminology used in this Annual Report are defined as follows:

AAO	Accounting Authority Order
ADIT	Accumulated deferred income tax
ACA	Annual Cost Adjustment
AFUDC	Allowance for funds used during construction
Annual Report	Annual Report on Form 10-K for the year ended December 31, 2017
ASU	Accounting Standards Update
ATSR	Ad-Valorem Tax Surcharge Rider
Bcf	Billion cubic feet
CERCLA	Federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended
CFTC	Commodities Futures Trading Commission
Clean Air Act	Federal Clean Air Act, as amended
Clean Water Act	Federal Water Pollution Control Amendments of 1972, as amended
CNG	Compressed natural gas
Code	Internal Revenue Code of 1986, as amended
COG	Cost of gas
COGR	Cost of gas rider
COSA	Cost-of-Service Adjustment
DOT	United States Department of Transportation
Dth	Dekatherm
ECP	The ONE Gas, Inc. Equity Compensation Plan
EPA	United States Environmental Protection Agency
EPARR	El Paso Annual Rate Review
EPS	Earnings per share
EPSA	El Paso Service Area
ESPP	The ONE Gas, Inc. Employee Stock Purchase Plan
Exchange Act	Securities Exchange Act of 1934, as amended
FASB	Financial Accounting Standards Board
FERC	Federal Energy Regulatory Commission
GAAP	Accounting principles generally accepted in the United States of America
GPAC	Gas Pipeline Advisory Committee
GRIP	Texas Gas Reliability Infrastructure Program
GSRS	Gas System Reliability Surcharge
Heating Degree Day or HDD	A measure designed to reflect the demand for energy needed for heating based on the extent to which the daily average temperature falls below a reference temperature for which no heating is required, usually 65 degrees Fahrenheit
IRS	U.S. Internal Revenue Service
IRS Ruling	Private Letter Ruling from IRS
KCC	Kansas Corporation Commission
KDHE	Kansas Department of Health and Environment
kWh	Kilowatt hour
LDC	Local distribution company
LIBOR	London Interbank Offered Rate
MGP	Manufactured gas plant
MMcf	Million cubic feet
Moody’s	Moody’s Investors Service, Inc.
NOL	Net operating loss
NPRM	Notice of proposed rulemaking
NYMEX	New York Mercantile Exchange
NYSE	New York Stock Exchange
OCC	Oklahoma Corporation Commission

ONE Gas	ONE Gas, Inc.
ONE Gas Credit Agreement	ONE Gas' $700 million amended and restated revolving credit agreement, which expires on October 5, 2022
ONEOK	ONEOK, Inc. and its subsidiaries
ONEOK Partners	ONEOK Partners, L.P. and its subsidiaries
OSHA	Occupational Safety and Health Administration
PBRC	Performance-Based Rate Change
PGA	Purchased Gas Adjustment
PHMSA	United States Department of Transportation Pipeline and Hazardous Materials Safety Administration
Pipeline Safety Improvement Act	Pipeline Safety Improvement Act of 2002, as amended
Pipeline Safety, Regulatory Certainty and Job Creation Act	Pipeline Safety, Regulatory Certainty and Job Creation Act of 2011, as amended
ROE	Return on equity calculated consistent with utility ratemaking principles in each jurisdiction in which we operate
RRC	Railroad Commission of Texas
S&P	Standard and Poor's Rating Services
SEC	Securities and Exchange Commission
Securities Act	Securities Act of 1933, as amended
Senior Notes	ONE Gas' registered notes consisting of $300 million of 2.07 percent senior notes due 2019, $300 million of 3.61 percent senior notes due 2024 and $600 million of 4.658 percent notes due 2044.
Separation and Distribution Agreement	Separation and Distribution Agreement dated January 14, 2014, between ONEOK and ONE Gas
TAC	Temperature Adjustment Clause
Tax Matters Agreement	Tax Matters Agreement dated January 14, 2014, between ONEOK and ONE Gas
WNA	Weather normalization adjustments
XBRL	eXtensible Business Reporting Language

The statements in this Annual Report that are not historical information, including statements concerning plans and objectives of management for future operations, economic performance or related assumptions, are forward-looking statements. Forward-looking statements may include words such as "anticipate," "estimate," "expect," "project," "intend," "plan," "believe," "should," "goal," "forecast," "guidance," "could," "may," "continue," "might," "potential," "scheduled" and other 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, Forward-Looking Statements, in this Annual Report.

PART I

ITEM 1. BUSINESS

OUR BUSINESS

ONE Gas, Inc. is incorporated under the laws of the state of Oklahoma. Our common stock is listed on the NYSE under the trading symbol "OGS," and is included in the S&P MidCap 400 Index. We are a 100-percent regulated natural gas distribution utility, headquartered in Tulsa, Oklahoma. We are one of the largest publicly traded natural gas utilities in the United States, and successor to the company founded in 1906 as Oklahoma Natural Gas Company, which became ONEOK, Inc. (NYSE: OKE) in 1980. On January 31, 2014, ONE Gas officially separated from ONEOK.

We provide natural gas distribution services to more than 2 million customers, and are the largest natural gas distributor in Oklahoma and Kansas and the third largest in Texas, in terms of customers. We serve residential, commercial and industrial, transportation and wholesale, and public authority customers in all three states. Our largest natural gas distribution markets in terms of customers are Oklahoma City and Tulsa, Oklahoma; Kansas City, Wichita and Topeka, Kansas; and Austin and El Paso, Texas. Our three divisions, Oklahoma Natural Gas, Kansas Gas Service and Texas Gas Service, distribute natural gas to approximately 88 percent, 72 percent and 13 percent of the natural gas distribution customers in Oklahoma, Kansas and Texas, respectively.

OUR STRATEGY

We operate with a mission to deliver natural gas for a better tomorrow. Our vision is to be a premier natural gas distribution company, creating exceptional value for all stakeholders. Our business strategy is focused on operating our systems in a safe, reliable and environmentally responsible manner and growing our business strategically, while delivering quality customer service. We believe this will enable us to generate a competitive total return for our shareholders and maintain our financial stability, leading to our strategic goals of zero harm, a fair return and satisfied customers.

We intend to accomplish our objectives by executing on the following strategies:

- Focus on Safety, Reliability and Compliance - We are committed, first and foremost, to pursuing a zero-incident safety and 100-percent compliance culture through programs, procedures, policies, guidelines and other internal controls designed to mitigate risk and incidents that may harm our employees, contractors, customers, the public or the environment. Additionally, a significant portion of our capital spending is focused on the safety, integrity, reliability and efficiency of our natural gas distribution system. We are committed to compliance with all federal, state and local laws and regulations.

- High-performing Workforce - The foundation of our company is our employees. Our success begins with our people and a commitment to attracting, selecting, retaining and developing a high-performing, ethical workforce where every employee understands that they can and do make a difference. We embrace and promote inclusion, diversity and collaboration. We expect a high standard of performance from our employees, and encourage our workforce to measure their productivity and be accountable for the best work possible. Each day that we do our best to safely, efficiently and ethically meet the needs of our customers is a day that leads to individual success and, ultimately, the success of the company.

- Increase Our Achieved ROE - We continually seek to increase our achieved ROE through improved operational performance, regulatory mechanisms and incremental transportation revenues. The difference between our achieved and allowed ROE is related primarily to regulatory lag. We make investments that increase our rate base and we incur increases in our costs that are above the amounts reflected in the rates we charge for our service.

  We continue to leverage technology to improve our operational performance. Ongoing initiatives to expand the use of technology in key areas of operations and customer service are expected to result in increased efficiency, thereby helping reduce the rate of increasing expenses.

  Our focus on credit metrics and maintaining a balanced approach to capital management are significant objectives in providing reasonable rates to customers while also providing a fair return to shareholders. We believe that maintaining an investment-grade credit rating is prudent for our business as we seek to access the capital markets to finance capital investments. As a 100-percent regulated utility, we intend to maintain strong credit metrics while we

pursue a balanced approach to capital investment and a return of capital to shareholders via a dividend that we believe will be competitive with our peer group.

- Advocate Constructive Relationships with Key Stakeholders - We plan to continue our constructive, transparent relationships with our key stakeholders, which include our customers, employees, investors, legislators and regulators. Our strategy includes meeting the needs of our customers through the delivery of safe and reliable natural gas service while seeking outcomes in future rate proceedings that provide recovery of our costs and a fair return on our infrastructure investments.

- Identify and Pursue Growth Opportunities - Our growth opportunities are a result of capital investments related to the safety and reliability of our existing system, as identified by our system integrity program, in addition to system expansion related to the economic and population growth in our service territories. As a result of our commitment to enhance the integrity, reliability and safety of our existing infrastructure, we are making significant investments in our existing system, which we expect to further grow our rate base. In addition, as some of our service territories continue to experience economic growth, we expect to grow our rate base through capital investments in new service lines and main line extensions, predominately in the seven major metropolitan areas we serve.

  We believe the competitiveness of natural gas is increasing, creating new market opportunities for natural gas as an energy source within our existing service territories. Our emphasis on safety and a satisfying customer service experience makes our business an important part of the communities we serve. Natural gas remains positioned within the United States energy economy as the foundation fuel of scale, which we believe will support sustainable growth opportunities, energy independence and national security.

  We remain committed to maintaining our status as a 100-percent regulated natural gas utility. We will, however, follow a disciplined financial and operational approach to evaluating both strategic acquisition opportunities and continued investments in our existing rate base.

REGULATORY OVERVIEW

We are subject to the regulations and oversight of the state and local regulatory authorities of the territories in which we operate. Rates and charges for natural gas distribution 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 incorporated cities that it serves, which have primary jurisdiction for their respective service areas. Rates in unincorporated areas of Texas and all appellate matters are subject to regulatory oversight by the RRC. These regulatory authorities have the responsibility of ensuring that the utilities in their jurisdictions provide safe and reliable service at a reasonable cost, while providing utility companies the opportunity to earn a fair and reasonable return on their investments.

Generally, our rates and charges are established in rate case proceedings. Regulatory authorities may also approve mechanisms that allow for adjustments for specific costs or investments made between rate cases. Due to the nature of the regulatory process, there is an inherent lag between the time that we make investments or incur additional costs and the setting of new rates and/or charges to recover those investments or costs. Additionally, we are not allowed recovery of certain costs we incur. The delay between the time investments are made or increases in costs are incurred and the time that our rates are adjusted to reflect these investments and costs is referred to as regulatory lag.

The following provides additional detail on the regulatory mechanisms in the jurisdictions we serve.

Oklahoma - Oklahoma Natural Gas currently operates under a PBRC mechanism, which provides for streamlined annual rate reviews between rate cases and includes adjustments for incremental capital investment and allowed expenses. Under this mechanism, we have an allowed ROE of between 9 percent and 10 percent. If our achieved ROE is below 9 percent, our base rates are increased upon OCC approval to an amount necessary to restore the ROE to 9.5 percent. If our achieved ROE exceeds 10 percent, the portion of the earnings that resulted in an achieved ROE that exceeds 10 percent is shared with our customers, who receive the benefit of 75 percent of the portion of earnings that resulted in an achieved ROE that exceeds 10 percent. We receive the benefit of the remaining 25 percent. Oklahoma Natural Gas is required to file a rate case on or before June 30, 2021, based on a test year consisting of the twelve months ending December 31, 2020. Other regulatory mechanisms in Oklahoma include the following:

- Rate Design for Residential Customers - Oklahoma Natural Gas is authorized to utilize a rate structure providing customers with two rate choices. Rate Choice “A” is designed for customers whose annual normalized volume is less than 50 Dth. These customers pay a fixed monthly service charge and a per Dth delivery fee. Although a portion of

the net margin for customers in Rate Choice “A” is dependent on usage, these customers use relatively small quantities of natural gas and therefore the net margin that is dependent on usage is not significant. The fixed monthly residential customer charge is $16.98, with a delivery fee of $4.1143 per Dth for these customers. Rate Choice “B” is designed for customers whose annual normalized volume is 50 Dth or greater. These customers pay only a fixed monthly service charge of $34.12. At December 31, 2017 , 72 percent of Oklahoma Natural Gas’ residential customers were on Rate Choice “B.”

- Rate Design for Commercial and Industrial Customers - Oklahoma Natural Gas is authorized to utilize a structure providing two different rate choices for its Small Commercial and Industrial, or SCI, customers. Rate Choice “A” is designed for SCI customers whose annual normalized volume is less than 40 Dth. These customers pay both a fixed monthly service charge of $20.81 and a delivery fee of $4.5599 per Dth. Rate Choice “B” is designed for SCI customers whose annual normalized volume is 40 Dth or greater but less than 150 Dth. These customers pay only a fixed monthly service charge of $36.01. All of Oklahoma Natural Gas’ Large Commercial and Industrial, or LCI, customers, whose annual volume is 150 Dth or greater, but less than 5,000 Dth, pay a fixed monthly service charge of $96.11. At December 31, 2017 , 79 percent of Oklahoma Natural Gas’ commercial and industrial customers were on either SCI Rate Choice “B” or LCI.
- PGA Clause - Oklahoma Natural Gas’ commodity, transportation, storage and gas purchase operations and maintenance costs are passed through to its sales customers, without profit, via the PGA. Any costs associated with natural gas that is lost, used or unaccounted for in operations and the fuel-related portion of bad debts are also recovered through the PGA.
- TAC - The TAC is a weather normalization mechanism designed to reduce the delivery charge component of customers’ bills for the additional volumes used when the actual HDDs exceed the normalized HDDs and to increase the delivery charge component of customers’ bills for volumes not used when actual HDDs are less than the normal HDDs. Normalized HDDs established through our most recent rate proceeding are based on 10-year weighted average HDDs as of December 31, 2014, for years 2005-2014, as calculated using 11 weather stations across Oklahoma and weighted on average customer count for Oklahoma. The TAC is in effect from November through April.
- Energy Efficiency Programs - Oklahoma Natural Gas has energy efficiency programs, available to all of its sales customers. The costs associated with these programs and an incentive to offer these programs are recovered through a monthly surcharge on customer bills. Oklahoma Natural Gas collects approximately $15.4 million each year from sales customers to fund the programs, which provides rebates for energy efficient natural gas appliances.
- CNG Rebate Program - The CNG rebate program is designed to promote and support the CNG market in the state of Oklahoma by offering rebates to Oklahoma residents who purchase dedicated and bi-fueled natural gas vehicles or install residential CNG fueling stations. The rebates are funded by a $0.25 per gasoline gallon equivalent surcharge that Oklahoma Natural Gas is authorized to collect on fuel purchased from a CNG dispenser owned by Oklahoma Natural Gas. Collections from the surcharge to fund the program were not material in 2017 .

For the year ended December 31, 2017 , approximat ely 88 percent o f Oklahoma Natural Gas’ net margin from its sales customers was recovered from fixed charges.

Kansas - Kansas Gas Service files periodic rate cases with the KCC as needed to increase base rates to reflect Kansas Gas Service’s authorized revenue requirement. Other regulatory mechanisms in Kansas include the following:

- COGR and ACA - These mechanisms allow Kansas Gas Service to recover the actual cost of the natural gas it sells to its customers. The COGR includes a monthly estimate of the cost Kansas Gas Service incurs in transporting, storing and purchasing natural gas supply for its sales customers, the ACA and other charges and credits. The ACA is an annual component of the COGR that compares the cost of gas recovered through the COGR for the preceding year with the actual natural gas supply costs and the fuel-related portion of bad debts for the same period. Any over- or under-recovery is reflected in the subsequent year’s COGR.
- WNA Clause - In 2016, the WNA Clause required Kansas Gas Service to accrue the variation in net margin resulting from actual weather differing from normal weather occurring from November through March. Beginning in April 2017, the WNA mechanism allows an accrual each month of the year. WNA is designed to reduce the delivery charge component of customers’ bills for the additional volumes used when the actual HDDs exceed the normalized HDDs and to increase the delivery charge component of customers’ bills for the reduction in volumes used when actual HDDs are less than the normal HDDs. Normal HDDs are established through rate proceedings and are based on a 30-year average for years 1981-2010 published by the National Oceanic and Atmospheric Administration, as calculated using 4 weather stations across Kansas and weighted on HDDs by weather station and customers for Kansas. Annually, the amount of the adjustment is determined and is then applied to customers’ bills over the subsequent 12-month period. Prior to April 2017, Normal HDDs were based on a 30-year average for years 1981-2010 published by

the National Oceanic and Atmospheric Administration, as calculated using 13 weather stations across Kansas and weighted on HDDs by weather station and customers for Kansas.

- ATSR - This rider requires Kansas Gas Service to recover the difference each year between the property tax costs included in its base rates and its actual property tax costs incurred without having to file a rate case. The amount of the adjustment is determined annually and recovered over the subsequent 12 months as a change in the delivery charge component of customers' bills.
- Pension and Other Postemployment Benefits Trackers - These trackers require Kansas Gas Service to track and defer for recovery in its next rate case the difference between the pension and other postemployment benefit costs included in base rates and actual expense as determined in accordance with GAAP.
- GSRS - This surcharge allows Kansas Gas Service to file for a rate adjustment providing a recovery of and return on qualifying infrastructure investments, such as expenditures necessary to meet state and federal pipeline safety requirements and government-required relocation projects, incurred between rate case filings. The filing cannot occur more often than once every 12 months and the rate adjustment cannot increase the monthly charge by more than $0.40 per residential customer compared with the most recent GSRS filing. After five annual filings, Kansas Gas Service is required to file a rate case or cease collection of the surcharge.

The fixed monthly residential customer charge for Kansas Gas Service was $16.70, and for the year ended December 31, 2017, approximately 54 percent of Kansas Gas Service's net margin from its sales customers was recovered from fixed charges.

Texas - Texas Gas Service has grouped its customers into six service areas. These service areas are further divided into the incorporated cities and the unincorporated areas, referred to as the environs. The incorporated cities in the service areas have original jurisdiction, with the RRC having appellate authority, and the RRC has original jurisdiction for the environs. Periodic rate cases are filed with the cities or the RRC, as needed, to reflect Texas Gas Service's authorized revenue requirement. Other regulatory mechanisms and constructs in Texas include the following:

- GRIP Statute - For the incorporated cities in three of the service areas and for the environs in five of the service areas, comprising 81 percent of Texas Gas Service's customers, Texas Gas Service makes an annual filing under the GRIP statute, which allows it to recover taxes and depreciation and to earn a return on the annual net increase in investment for the service area. After five annual GRIP filings, Texas Gas Service is required to file a full rate case. A full rate case may be filed at shorter intervals if desired by either Texas Gas Service or the regulator.
- COSA Filings - In three of the service areas, comprising 19 percent of its customers, Texas Gas Service makes an annual COSA filing for the incorporated cities. COSA tariffs permit Texas Gas Service to recover return, taxes and depreciation on the annual increases in net investment, as well as annual increases or decreases in certain expenses and revenues. The COSAs have a cap of 3.5 percent to 5 percent on the expense portion of the increase. A full rate case may be filed when desired by Texas Gas Service or the regulator, but is not required.
- WNA Clause - Texas Gas Service employs WNA clauses in all six service areas. The WNA clause is designed to reduce the delivery charge component of customers' bills for the additional volumes used when the actual HDDs exceed the normalized HDDs and to increase the delivery charge component of customers' bills for the reduction in volumes used when actual HDDs are less than the normal HDDs. Normal HDDs are established through rate proceedings in each of our service areas and are generally based on a 10-year average of HDDs in each service area. The WNA clause is in effect from September through May.
- COG Clause - In all service areas, Texas Gas Service recovers 100 percent of its natural gas costs, including transportation and storage costs, interest on natural gas in storage and the natural gas cost component of bad debts, via a COG mechanism, subject to a limitation of 5 percent on lost-and-unaccounted-for natural gas. The COG is reconciled annually to compare the natural gas costs recovered through the COG with the actual natural gas supply costs. Any over- or under-recovery is refunded or recovered, as applicable, in the subsequent year.
- Pension and Other Postemployment Benefits - Texas Gas Service is authorized by statute to defer pension and other postemployment benefit costs that exceed the amount recovered in base rates and to seek recovery of the deferred costs in a future rate case.
- Pipeline-Integrity Testing Riders - Texas Gas Service recovers approximately 100 percent of its pipeline-integrity testing expenses via riders.
- Safety-Related Plant Replacements - Texas Gas Service is authorized by RRC rule to defer interest cost, taxes and depreciation expense on safety-related plant replacements from the time the replacements are in service until the plant is reflected in base rates, and to seek recovery of those accrued amounts in a future rate proceeding.
- Energy Conservation Programs - Texas Gas Service has energy conservation programs in the incorporated cities of our Central Texas and Rio Grande Valley service areas, comprising 46 percent of total customers. Texas Gas Service collects approximately $3.5 million per year from customers to fund the programs, which provide energy audits, weatherization and appliance rebates to promote energy conservation.

The average fixed monthly residential customer charge for Texas Gas Service is $16.19, and for the year ended December 31, 2017 , approximately 66 percent of Texas Gas Service's net margin from its sales customers was recovered from fixed charge s.

MARKET CONDITIONS AND SEASONALITY

Supply - We purchased 137 Bcf and 134 Bcf of natural gas supply in 2017 and 2016 , respectively. Our natural gas supply portfolio consists of long-term, seasonal and short-term contracts from a diverse group of suppliers. We award these contracts through competitive-bidding processes to ensure reliable and competitively priced natural gas supply. We acquire our natural gas supply from natural gas processors, marketers and producers.

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

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

Natural gas supply requirements are affected by weather conditions. In addition, economic conditions impact the requirements of our commercial and industrial customers. Natural gas usage per residential customer may decline as customers change their consumption patterns in response to a variety of factors, including:

- more volatile and higher natural gas prices;
- more energy-efficient construction;
- fuel switching from natural gas to electricity; and
- customers improving the energy efficiency of existing homes by replacing doors and windows, adding insulation, and replacing appliances with more efficient appliances.

In each jurisdiction in which we operate, changes in customer-usage profiles are considered in the periodic redesign of our rates.

As of December 31, 2017 , we had 50.4 Bcf of natural gas storage capacity under lease with remaining terms ranging from one to ten years and maximum allowable daily withdrawal capacity of approximately 1.3 Bcf. This storage capacity allows us to purchase natural gas during the off-peak season and store it for use in the winter periods. This storage is also needed to assure the reliability of gas deliveries during peak demands for natural gas. Approximately 27 percent of our winter natural gas supply needs for our sales customers is expected to be supplied from storage.

In managing our natural gas supply portfolios, we partially mitigate price volatility using a combination of financial derivatives and natural gas in storage. We have natural gas financial hedging programs that have been authorized by the OCC, KCC and certain jurisdictions in Texas. We do not utilize financial derivatives for speculative purposes, nor do we have trading operations associated with our business.

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

Seasonality - Natural gas sales to residential and commercial customers are seasonal, as a substantial portion of their natural gas requirements are for heating. Accordingly, the volume of natural gas sales is higher normally during the months of November through March than in other months of the year. The impact on our margins resulting from weather temperatures that are above or below normal is offset partially through our TAC and WNA mechanisms. See discussion above under Regulatory Overview.

Competition - We encounter competition based on customers' preference for natural gas, compared with other energy alternatives and their comparative prices. We compete primarily to supply energy for space and water heating, cooking and clothes drying. Significant energy usage competition occurs between natural gas and electricity in the residential and small commercial markets. Customers and builders typically make the decision on the type of equipment, and therefore the energy

source, at initial installation, generally locking in the chosen energy source for the life of the equipment. Changes in the competitive position of natural gas relative to electricity and other energy alternatives have the potential to cause a decline in consumption of natural gas or in the number of natural gas customers.

The U.S. Department of Energy issued a statement of policy that it will use full fuel-cycle measures of energy use and emissions when evaluating energy-conservation standards for appliances. In addition, the EPA has determined that source energy is the most equitable unit for evaluating energy consumption. Assessing energy efficiency in terms of a full fuel-cycle or source-energy analysis, which takes all energy use into account, including transmission, delivery and production losses, in addition to energy consumed at the site, highlights the high overall efficiency of natural gas in residential and commercial uses compared with electricity.

The table below contains data related to the cost of delivered gas relative to electricity based on current market conditions:

Natural Gas vs. Electricity	Oklahoma	Kansas	Texas
Average retail price of electricity / kWh [1]	10.58¢	13.32¢	11.18¢
Natural gas price equivalent of electricity / Dth [1]	$ 31.01	$ 39.04	$ 32.77
ONE Gas delivered cost of natural gas / Dth [2]	$ 10.90	$ 10.55	$ 13.77
Natural gas advantage ratio [3]	2.8x	3.7x	2.4x

(1) Source: United States Energy Information Agency, www.eia.gov, for the eleven-month period ended November 30, 2017 .
(2) 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 .
(3) Calculated as the ratio of the natural gas price equivalent per Dth of the average retail price of electricity per kWh to the ONE Gas delivered average cost of natural gas per Dth.

We are subject to competition from other pipelines for our large industrial and commercial customers, and this competition has and may continue to impact margins. Under our transportation tariffs, qualifying industrial and commercial customers are able to purchase their natural gas needs from the supplier of their choice and have us transport it for a fee. A portion of the transportation services that we provide are at negotiated rates that are below the maximum approved transportation tariff rates. Reduced-rate transportation service may be negotiated when a competitive pipeline is in close proximity or another viable energy option is available to the customer. Increased competition could potentially lower these rates.

CNG - In meeting increased interest in CNG for motor vehicle transportation, particularly from fleet operators, we have continued to invest in our system to support the supply of natural gas to CNG fueling stations. As of December 31, 2017 , we supply 147 fueling stations, 32 of which we operate. Of the 115 remaining stations, 65 are retail and 50 are private CNG stations. We transported 2.6 million Dth to CNG stations in 2017 , which represents an increase of 5 percent compared with 2016 .

We will continue to support industry efforts to encourage development of more vehicle options by car and truck manufacturers, to support third-party investment in CNG fueling stations and to continue tax incentives for CNG. We continue to deploy a minimum amount of capital to connect CNG stations and allow the free market to build and operate the stations.

ENVIRONMENTAL AND SAFETY MATTERS

See Note 13 of the Notes to Consolidated Financial Statements and Management’s Discussion and Analysis of Financial Condition and Results of Operations in this Annual Report for information regarding environmental and safety matters.

EMPLOYEES

We employed approximately 3,500 people at February 1, 2018 , including approximately 700 people at Kansas Gas Service who are subject to collective bargaining agreements. The following table sets forth our contracts with collective bargaining units at February 1, 2018 :

Union	Approximate Employees	Contract Expires
The United Steelworkers	400	October 31, 2019
International Brotherhood of Electrical Workers (“IBEW”)	300	June 30, 2018

EXECUTIVE OFFICERS OF THE REGISTRANT

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

Name	Age*		Business Experience in Past Five Years
Pierce H. Norton II	57	2014 to present	President, Chief Executive Officer and Director
		2013 to 2014	Executive Vice President, Commercial, ONEOK and ONEOK Partners
Curtis L. Dinan	50	2014 to present	Senior Vice President, Chief Financial Officer and Treasurer
		2013 to 2014	Senior Vice President, Natural Gas, ONEOK Partners
Joseph L. McCormick	58	2014 to present	Senior Vice President, General Counsel and Assistant Secretary
		2013 to 2014	Vice President and Associate General Counsel, ONEOK and ONEOK Partners
Caron A. Lawhorn	56	2014 to present	Senior Vice President, Commercial
		2013 to 2014	Senior Vice President, Commercial, Natural Gas Distribution, ONEOK
Robert S. McAnnally	54	2015 to present	Senior Vice President, Operations
		2013 to 2015	Senior Vice President, Marketing and Customer Service, Alabama Gas Corporation, a subsidiary of The Laclede Group, Inc. (now Spire Inc.)
Mark A. Bender	53	2015 to present	Senior Vice President, Administration and Chief Information Officer
		2014 to 2015	Vice President and Chief Information Officer
		2013 to 2014	Vice President of Information Technology Operations, Chesapeake Energy Corporation

* As of January 1, 2018

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

INFORMATION AVAILABLE ON OUR WEBSITE

We make available, free of charge, on our website (www.onegas.com) copies of our Annual Report, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, amendments to those reports filed or furnished to the SEC pursuant to Section 13(a) or 15(d) of the Exchange Act and reports of holdings of our securities filed by our officers and directors under Section 16 of the Exchange Act as soon as reasonably practicable after filing such material electronically or otherwise furnishing it to the SEC. Copies of our Code of Business Conduct and Ethics, Corporate Governance Guidelines, Certificate of Incorporation, bylaws and the written charters of our Audit Committee, Executive Compensation Committee, Corporate Governance Committee and Executive Committee are also available on our website, and we will provide copies of these documents upon request.

We also use Twitter®, LinkedIn® and Facebook® as additional channels of distribution to reach public investors. Information contained on our website, posted on our Facebook® page or disseminated through Twitter® or LinkedIn®, and any corresponding applications, are not incorporated by reference into this report.

We also make available on our website the Interactive Data Files required to be submitted and posted pursuant to Rule 405 of Regulation S-T.

ITEM 1A. RISK FACTORS

Our investors should consider the following risks that could affect us and our business. Although we have tried to discuss key factors, our investors need to be aware that other risks may prove to be important in the future. New risks may emerge at any time, and we cannot predict such risks or estimate the extent to which they may affect our financial performance. Investors should carefully consider the following discussion of risks and the other information included or incorporated by reference in this Annual Report, including Forward-Looking Statements, which are included in Part 2, Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations.

RISK FACTORS INHERENT IN OUR BUSINESS

Regulatory actions could impact our ability to earn a reasonable rate of return on our invested capital and to fully recover our operating costs.

In addition to regulation by other governmental authorities, we are subject to regulation by the OCC, KCC, RRC and various municipalities in Texas. These authorities set the rates that we charge our customers for our services. Our ability to obtain timely future rate increases depends on regulatory discretion. As such, there can be no assurance that we will be able to obtain rate increases or that our authorized rates of return will continue at the current levels. We monitor and compare the rates of return we achieve with our allowed rates of return and initiate general and specific rate proceedings as needed. If a regulatory agency were to prohibit us from setting rates that allow for the timely recovery of our costs and a reasonable return by significantly lowering our allowed return or adversely altering our cost allocation, rate design or other tariff provisions, modifying or eliminating cost trackers, prohibiting recovery of regulatory assets or disallowing portions of our expenses, then our earnings could be adversely impacted. Regulatory proceedings also involve a risk of rate reduction, because once a proceeding has been filed, it is subject to challenge by various interveners. Risks and uncertainties relating to delays in obtaining, or failure to obtain, regulatory approvals, conditions imposed in regulatory approvals, and determinations in regulatory investigations can also impact financial performance. In particular, the timing and amount of rate relief can materially impact results of operations, financial condition and cash flows.

Further, accounting principles that govern our company permit certain assets that result from the regulatory process to be recorded on our Consolidated Balance Sheets that could not be recorded under GAAP for nonregulated entities. We consider factors such as rate orders from regulators, previous rate orders for substantially similar costs, written approval from the regulators and analysis of recoverability by internal and external legal counsel to determine the probability of future recovery of these assets. If we determine future recovery is no longer probable, we would be required to write off the regulatory assets at that time, which would also adversely affect our results of operations and cash flows. Regulatory authorities also review whether our natural gas costs are prudent and can adjust the amount of our natural gas costs that we pass through to our customers. If any of our natural gas costs were disallowed, our results of operations and cash flows would also be adversely affected.

In the normal course of business in the regulatory environment, assets are placed in service before regulatory action is taken, such as filing a rate case or for interim recovery under a capital tracking mechanism that could result in an adjustment of our returns. Once we make a regulatory filing, regulatory bodies have the authority to suspend implementation of the new rates while studying the filing. Because of this process, we may suffer the negative financial effects of having placed in service assets that do not initially earn our authorized rate of return or may not be allowed recovery on such expenditures at all.

The profitability of our operations is dependent on our ability to timely recover the costs related to providing natural gas service to our customers. However, we are unable to predict the impact that new regulatory requirements will have on our operating expenses or the level of capital expenditures and we cannot give assurance that our regulators will continue to allow recovery of such expenditures in the future. Changes in the regulatory environment applicable to our business or the imposition of additional regulation could impair our ability to recover costs absorbed historically by our customers, and adversely impact our results of operations, financial condition and cash flows.

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

We are subject to comprehensive regulation by several state and municipal utility regulatory agencies, which significantly influences our operating environment and our ability to recover our costs from utility customers. The utility regulatory authorities in Oklahoma, Kansas and Texas regulate many aspects of our utility operations, including organization, safety, financing, affiliate transactions, customer service and the terms of service to customers, including the rates that we can charge

customers. Currently, there are regulatory efforts in Oklahoma, Kansas and Texas to adjust our rates to reflect lower federal corporate tax rates brought about by the enactment of the Tax Cuts and Jobs Act of 2017.

The profitability of our operations is dependent on our ability to pass through costs, including income taxes, related to providing natural gas to our customers by filing periodic rate cases. The regulatory environment applicable to our operations could impair our ability to recover costs historically absorbed by our customers. In addition, as the regulatory environment applicable to our operations increases in complexity, the risk of inadvertent noncompliance could also increase. Our failure to comply with applicable laws and regulations could result in the imposition of fines, penalties or other enforcement action by the authorities that regulate our operations.

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

We are involved in legal or administrative proceedings before various courts and governmental bodies that could adversely affect our financial condition, results of operations and cash flows.

In the normal course of business, we are involved in legal or administrative proceedings before various courts and governmental bodies with respect to general claims, rates, environmental issues, gas cost prudence reviews and other matters. Adverse decisions regarding these matters, to the extent they require us to make payments in excess of amounts provided for in our consolidated financial statements, or to the extent they are not covered by insurance, could adversely affect our financial condition, results of operations and cash flows.

Unfavorable economic and market conditions could adversely affect our earnings.

Weakening economic activity in our markets could result in a loss of existing customers, fewer new customers, especially in newly constructed homes and other buildings, or a decline in energy consumption, any of which could adversely affect our revenues or restrict our future growth. It may become more difficult for customers to pay their natural gas bills, leading to slow collections and higher-than-normal levels of accounts receivable, which in turn could increase our financing requirements and bad debt expense. We cannot predict the timing, strength, or duration of any future economic slowdowns. Fluctuations and uncertainties in the economy make it challenging for us to accurately forecast and plan future business activities and to identify risks that may affect our business, financial condition, results of operations and cash flows. Changes in monetary or other policies of the federal or state governments may adversely affect the economic climate for the United States, the regions in which we operate or particular industries, such as ours or those of our customers. The foregoing could adversely affect our business, financial condition, results of operations and cash flows.

Increases in the price of natural gas could reduce our earnings, increase our working capital requirements and adversely impact our customer base.

Changes in supply and demand within the natural gas markets, as well as other factors, could cause an increase in the price of natural gas. The increased production in the U.S. of natural gas from shale formations has put downward pressure on the wholesale cost of natural gas; however, other factors could put upward pressure on natural gas prices, including restrictions or regulations on shale natural gas production and waste water disposal, increased demand from natural gas fueled electric power generation and increases in natural gas exports. Additionally, the CFTC under the 2010 Dodd-Frank Wall Street Reform and Consumer Protection Act has regulatory authority of the over-the-counter derivatives markets. Regulations affecting derivatives could increase the price of our natural gas supply. Also, the threat of terrorist activities or heightened international tensions could lead to increased economic instability and volatility in the price of natural gas.

Natural gas costs are passed through to our customers based on the actual cost of the natural gas we purchase. However, an increase in the price of natural gas could cause us to experience a significant increase in short-term debt because we must pay suppliers for natural gas when purchased. Costs are recovered through our collection on customer bills following consumption by our customers. The delay in recovery of our natural gas costs could adversely affect our financial condition and cash flows.

Further, higher and more volatile natural gas prices may adversely impact our customers' perception of natural gas. Substantial fluctuations in natural gas prices can occur from year to year and sustained periods of high natural gas prices or of pronounced natural gas price volatility may lead to customers selecting other energy alternatives, such as electricity, and to increased scrutiny of the prudency of our natural gas procurement strategies and practices by our regulators. It may also cause new home developers, builders and new customers to select alternative sources of energy. Additionally, high natural gas prices may cause

customers to conserve more and may also adversely impact our accounts receivable collections, resulting in higher bad debt expense. The occurrence of any of the foregoing could adversely affect our business, financial condition, results of operations and cash flows, as well as our future growth opportunities.

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

We have implemented a set of policies and procedures that involve both our senior management and the Audit Committee of our Board of Directors to assist us in managing risks associated with our business. These risk-management policies and procedures are intended to align strategies, processes, people, information technology and business knowledge so that risk is managed throughout the organization. However, as conditions change and become more complex, current risk measures may fail to assess adequately the relevant risk due to changes in the market and the presence of risks previously unknown to us. Additionally, if employees fail to adhere to our policies and procedures or if our policies and procedures are not effective, potentially because of future conditions or risks outside of our control, we may be exposed to greater risk than we had intended. Ineffective risk-management policies and procedures or violation of risk-management policies and procedures could have an adverse effect on our earnings, financial condition and cash flows.

Our business is subject to competition that could adversely affect our results of operations.

The natural gas distribution business is competitive, and we face competition from other companies that supply energy, including electric companies, private generation, solar, propane dealers, renewable energy providers and coal companies in relation to sources of energy for electric power plants, as well as nuclear energy. Significant competitive factors include efficiency, quality and reliability of the services we provide and price.

The most significant product competition occurs between natural gas and electricity in the residential and small commercial markets. Natural gas competes with electricity for water and space heating, cooking, clothes drying and other general energy needs. Increases in the price of natural gas or decreases in the price of other energy sources could adversely impact our competitive position by decreasing the price benefits of natural gas to the consumer. Customers and builders typically make the decision on the type of equipment at initial installation and use the chosen energy source for the life of the equipment. Changes in the competitive position of natural gas relative to electricity and other energy products have the potential to cause a decline in consumption or in the number of natural gas customers.

Consumer or government-mandated conservation efforts, higher natural gas costs or decreases in the price of other energy sources also may encourage decreases in natural gas consumption and allow competition from alternative energy sources for applications that have used natural gas, encouraging some customers to move away from natural gas-fired equipment to equipment fueled by other energy sources. Competition between natural gas and other forms of energy is also based on efficiency, performance, reliability, safety, environmental and other nonprice factors. Technological improvements in other energy sources, energy storage, conservation, efficiency and events that impair the public perception of the nonprice attributes of natural gas could erode our competitive advantage. These factors in turn could decrease the demand for natural gas, impair our ability to attract new customers, and cause existing customers to switch to other forms of energy or to bypass our systems in favor of alternative competitive sources. This could result in slow or no customer growth and could cause customers to reduce or cease using our product, thereby reducing our ability to make capital expenditures and otherwise grow our business and adversely affecting our financial condition, results of operations and cash flows.

Our business activities are concentrated in three states.

We provide natural gas distribution services to customers in Oklahoma, Kansas and Texas. Changes in the regional economies, politics, regulations and weather patterns of these states could adversely impact the growth opportunities available to us and the usage patterns and financial condition of our customers. This could adversely affect our financial condition, results of operations and cash flows.

The availability of adequate natural gas pipeline transportation and storage capacity and natural gas supply may decrease and impair our ability to meet customers' natural gas requirements and reduce our earnings.

In order to meet customers' natural gas demands, we rely on and must obtain sufficient natural gas supplies, pipeline transportation and storage capacity from third parties. We must contract for reliable and adequate delivery capacity for our distribution system, while considering the dynamics of the interstate and intrastate pipeline capacity markets, our own in-system resources, as well as the characteristics of our customer base. If we are unable to obtain these, our ability to meet our customers' natural gas requirements could be impaired and our financial condition, cash flow and results of operations may be

impacted adversely. A significant disruption to or reduction in natural gas supply, pipeline capacity or storage capacity due to events including, but not limited to, operational failures or disruptions, hurricanes, tornadoes, floods, freeze off of natural gas wells, terrorist or cyber-attacks or other acts of war, or legislative or regulatory actions, could reduce our normal supply of natural gas and thereby reduce our earnings.

A downgrade in our credit ratings could adversely affect our cost of and ability to access capital.

Our ability to obtain adequate and cost-effective financing depends in part on our credit ratings. Our credit ratings are subject to change at any time in the discretion of the applicable rating agencies. Numerous factors, including many of which are not within our control, are considered by the rating agencies in connection with assigning credit ratings. For example, the Tax Cuts and Jobs Act of 2017 recently prompted one rating agency to adjust the credit outlook (but not the underlying credit ratings) of several regulated utilities, including us. A reduction in our ratings by our rating agencies could adversely affect our costs of borrowing and/or access to sources of liquidity and capital. Such a downgrade could further limit or delay our access to public and private credit markets and increase the costs of borrowing under available credit lines. Should our credit ratings be downgraded, it could limit or delay our ability to obtain additional financing in the future for working capital, capital expenditures and acquisitions when necessary or desirable. In addition, our pool of investors and prospective creditors would likely decrease. An increase in borrowing costs without the ability to recover these higher costs in the rates charged to our customers could adversely affect our results of operations, financial condition and cash flows by limiting our ability to earn our allowed rate of return.

We are subject to new and existing laws and regulations that may require significant expenditures or significant increases in operating costs or result in significant fines or penalties for noncompliance.

Our business and operations are subject to regulation by a number of federal agencies, including FERC, DOT, OSHA, EPA, CFTC and various regulatory agencies in Oklahoma, Kansas and Texas, and we are subject to numerous federal and state laws and regulations. Future changes to laws, regulations and policies may impair our ability to compete for business or to recover costs and may increase the cost of our operations. Furthermore, because the language in some laws and regulations is not prescriptive, there is a risk that our interpretation of these laws and regulations may not be consistent with expectations of regulators. Any compliance failure related to these laws and regulations may result in fines, penalties or injunctive measures affecting our operating assets. For example, under the Energy Policy Act of 2005, the FERC has civil penalty authority under the Natural Gas Act of 1938, as amended, to impose penalties for current violations of up to $1 million per day for each violation. In addition, as the regulatory environment for our industry increases in complexity, the risk of inadvertent noncompliance could also increase. Our failure to comply with applicable regulations could result in a material adverse effect on our business, financial condition, results of operations and cash flows, credit rating or reputation.

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

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

We are subject to environmental regulations, which could adversely affect our operations or financial results.

We are subject to laws, regulations and other legal requirements enacted or adopted by federal, state and local governmental authorities relating to environmental and health and safety matters, including those legal requirements that govern discharges of substances into the air and water, the management and disposal of hazardous substances and waste, the clean-up of contaminated sites, groundwater quality and availability, plant and wildlife protection, as well as work practices related to employee health and safety. Environmental legislation also requires that our facilities, sites and other properties associated with our operations be operated, maintained, abandoned and reclaimed to the satisfaction of applicable regulatory authorities. The failure to comply with these laws, regulations and other requirements, or the discovery of presently unknown environmental conditions, could expose us to civil or criminal liability, enforcement actions and regulatory fines and penalties and could have a material adverse effect on our business, financial condition, results of operations and cash flows.

We also own or retain legal responsibility for certain environmental conditions at 12 former MGP sites in Kansas. A number of environmental issues may exist with respect to these former MGP sites. Accordingly, future costs are dependent on the final

determination and regulatory approval of any remedial actions, the complexity of the site, level of remediation, changing technology and governmental regulations and could be material to our financial condition, results of operations and cash flows.

With the trend toward stricter standards, greater regulation and more extensive permit requirements for the types of assets operated by us that are subject to environmental regulation, our environmental expenditures could increase in the future, and such expenditures may not be fully recovered by insurance or recoverable in rates from our customers, which could adversely affect our financial condition, results of operations and cash flows.

We are subject to pipeline safety and system integrity laws and regulations that may require significant expenditures, significant increases in operating costs or, in the case of noncompliance, substantial fines.

We are subject to the Pipeline Safety Improvement Act, which requires companies like us that operate high-pressure pipelines to perform integrity assessments on pipeline segments that pass through densely populated areas or near specifically designated high-consequence areas. Further, the Pipeline Safety, Regulatory Certainty and Job Creation Act increased the maximum penalties for violating federal pipeline safety regulations and directed the DOT and Secretary of Transportation to conduct further review or studies on issues that may or may not be material to us. Compliance with existing or new laws and regulations may result in increased capital, operating and other costs which may not be recoverable in rates from our customers or may impact materially our competitive position relative to other energy providers. Failure to comply with such laws and regulations may result in fines, penalties or injunctive measures that would not be recoverable from customers in rates and could result in a material adverse effect on our financial condition, results of operations and cash flows. The failure to comply with these laws, regulations and other requirements could expose us to civil or criminal liability, enforcement actions, and regulatory fines and penalties and could have a material adverse effect on our business, financial condition, results of operations and cash flows, and reputation.

Climate change, carbon neutral or energy-efficiency legislation or regulations could increase our operating costs or restrict our market opportunities, adversely affecting our growth, cash flows and results of operations.

International, federal, regional and/or state legislative and/or regulatory initiatives may attempt to control or limit the causes of climate change, including greenhouse gas emissions, such as carbon dioxide and methane. Such laws or regulations could impose costs tied to carbon emissions, operational requirements or restrictions, or additional charges to fund energy efficiency activities. They could also provide a cost advantage to alternative energy sources, impose costs or restrictions on end users of natural gas, or result in other costs or requirements, such as costs associated with the adoption of new infrastructure and technology to respond to new mandates. The focus on climate change could adversely impact the reputation of fossil fuel products or services. The occurrence of the foregoing events could put upward pressure on the cost of natural gas relative to other energy sources, increase our costs and the prices we charge to customers, reduce the demand for natural gas or cause fuel switching to other energy sources, and impact the competitive position of natural gas and the ability to serve new or existing customers, adversely affecting our business, results of operations and cash flows.

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

There is a growing belief that emissions of greenhouse gases may be linked to global climate change. Climate change creates physical and financial risk. Our customers' energy needs vary with weather conditions, primarily temperature and humidity. For residential customers, heating and cooling represent their largest energy use. To the extent weather conditions may be affected by climate change, customers' energy use could increase or decrease depending on the duration and magnitude of any changes. To the extent climate change adversely impacts the economic health of our operating territory, it could adversely impact customer demand or our customers' ability to pay. A decrease in energy use due to weather changes may affect our financial condition through decreased revenues and cash flows. Extreme weather conditions in general require more system backup, adding to costs, and can contribute to increased system stresses, including service interruptions. Weather conditions outside of our operating territory could also have an impact on our revenues and cash flows by affecting natural gas prices. Severe weather impacts our operating territories primarily through thunderstorms, tornados and snow or ice storms. To the extent the frequency of extreme weather events increases, our cost of providing service could increase. We may not be able to pass on the higher costs to our customers or recover all the costs related to mitigating these physical risks. To the extent financial markets view climate change and emissions of greenhouse gases as a financial risk, this could adversely affect our ability to access capital markets or cause us to receive less favorable terms and conditions in future financings. Our business could be affected by the potential for lawsuits related to or against greenhouse gas emitters based on the claimed connection between greenhouse gas emissions and climate change, which could adversely impact our business, results of operations and cash flows.

Demand for natural gas is highly weather sensitive and seasonal, and weather conditions may cause our earnings to vary from year to year.

Our earnings can vary from year to year, depending in part on weather conditions, which directly influence the volume of natural gas delivered to customers. Natural gas sales to residential and commercial customers are seasonal, as a substantial portion of their natural gas requirements are for heating during the winter months. Warmer-than-normal weather can reduce our utility margins as customer consumption declines. We have implemented weather normalization mechanisms for our sales to customers in Oklahoma, Kansas and portions of Texas, which are designed to limit our earnings sensitivity to weather. Weather normalization mechanisms require us to increase customer billings to offset lower natural gas usage when weather is warmer than normal and decrease customer billings to offset higher natural gas usage when weather is colder than normal. If our rates and tariffs are modified to curtail such weather protection programs, then we would be exposed to additional risk associated with weather. As a result of occurrences of the foregoing, our results of operations, financial condition and cash flows could vary and be impacted adversely.

We may not be able to complete necessary or desirable expansion or infrastructure development projects, which may delay or prevent us from serving our customers or expanding our business.

In order to serve new customers or expand our service to existing customers, we may need to maintain, expand or upgrade our distribution and/or transmission infrastructure, including laying new distribution lines. Various factors may prevent or delay us from completing such projects or make completion more costly, such as the inability to obtain required approval from local, state and/or federal regulatory and governmental bodies, public opposition to the project, inability to obtain adequate financing, competition for labor and materials, construction delays, cost overruns, and inability to negotiate acceptable agreements relating to construction or other material components of an infrastructure development project. As a result, we may not be able to serve adequately existing customers or support customer growth, which would adversely impact our business, stakeholder perception, financial condition, results of operations and cash flows.

We may pursue acquisitions, divestitures and other strategic opportunities, the success of which may adversely impact our results of operations, cash flows and financial condition.

As part of our strategic objectives, we may pursue acquisitions to complement or expand our business, as well as divestitures and other strategic opportunities. We may not be able to successfully negotiate, finance or receive regulatory approval for future acquisitions or integrate the acquired businesses with our existing business and services. These efforts may also distract our management and employees from day-to-day operations and require substantial commitments of time and resources. Future acquisitions could result in potentially dilutive issuances of equity securities, a decrease in our liquidity as a result of our using a significant portion of our available cash or borrowing capacity to finance the acquisition, the incurrence of debt, contingent liabilities and amortization expenses and substantial goodwill. The effects of these strategic decisions may have long-term implications that are not likely to be known to us in the short-term. Changing political climates and public attitudes may adversely affect the ongoing acceptability of strategic decisions that have been made (and, in some cases, previously approved by regulators) to the detriment of the company. We may be affected materially and adversely if we are unable to successfully integrate businesses that we acquire.

An impairment of goodwill and long-lived assets could reduce our earnings.

At December 31, 2017 , we had approximately $158 million of goodwill recorded on our Consolidated Balance Sheet. Goodwill is recorded when the purchase price of a business exceeds the fair market value of the tangible and separately measurable intangible net assets. GAAP requires us to test goodwill for impairment on an annual basis or when events or circumstances occur indicating that goodwill might be impaired. Long-lived assets with finite useful lives are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If we determine that impairment is indicated, we would be required to take an immediate noncash charge to earnings with a correlative effect on our equity and balance sheet leverage as measured by debt to total capitalization, which could adversely impact our financial condition and results of operations.

We may be unable to access capital or our cost of capital may increase significantly.

Our ability to obtain adequate and cost-effective financing is dependent upon the liquidity of the financial markets, in addition to our financial condition and credit ratings. Disruptions in the capital and credit markets could adversely affect our ability to access short-term and long-term capital. Access to funds under our ONE Gas Credit Agreement will be dependent on the ability of the participating banks to meet their funding commitments. Those banks may not be able to meet their funding commitments if they experience shortages of capital and liquidity. Disruptions and volatility in the global credit markets could

cause the interest rate we pay on our ONE Gas Credit Agreement, which is based on LIBOR, to increase. This could result in higher interest rates on future financings, and could impact the liquidity of the lenders under our ONE Gas Credit Agreement, potentially impairing their ability to meet their funding commitments to us. Disruptions in the capital and credit markets as a result of uncertainty, changing or increased regulation or failures of significant financial institutions could adversely affect our access to capital needed for our business. The inability to access adequate capital or an increase in the cost of capital may require us to conserve cash, prevent or delay us from making capital expenditures, and require us to reduce or eliminate our dividend or other discretionary uses of cash. A significant reduction in our liquidity could cause a negative change in our ratings outlook or even a reduction in our credit ratings. This could in turn further limit our access to credit markets and increase our costs of borrowing.

Changes in federal and state fiscal, tax and monetary policy could significantly increase our costs or decrease our cash flows.

Changes in federal and state fiscal, tax and monetary policy may result in increased taxes, interest rates, and inflationary pressures on the costs of goods, services and labor. This could increase our expenses and capital spending and decrease our cash flows if we are not able to recover or recover timely such increased costs from our customers. This series of events may increase our rates to customers and thus may adversely impact customer billings and customer growth. Changes in tax rates, including the effects of the Tax Cuts and Jobs Act of 2017, could adversely affect our cash flows and may increase the cash we pay for income taxes in the future. Any of these events may cause us to increase debt, conserve cash, adversely affect our ability to make capital expenditures to grow the business or other discretionary uses of cash, and could adversely affect our cash flows.

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

The preparation of our federal and state tax return filings may require significant judgments, use of estimates and the interpretation and application of complex tax laws. Significant judgment also is required in assessing the timing and amounts of deductible and taxable items, and in determining the amount of any reserves for potential adverse outcomes regarding tax positions that have been taken that may be subject to challenge by taxing authorities. Despite management's expectation that our tax return positions will be fully supportable, certain positions may be challenged successfully by federal, state and local jurisdictions.

As a result of cross-default provisions in our borrowing arrangements, we may be unable to satisfy all of our outstanding obligations in the event of a default on our part.

The terms of our debt agreements contain cross-default provisions, which provide that we will be in default under such agreements in the event of certain defaults under other debt agreements. Accordingly, should an event of default occur under any of those agreements, we would face the prospect of being in default under all of our debt agreements, obliged in such instance to satisfy all of our outstanding indebtedness simultaneously. In such an event, we may not be able to obtain alternative financing or, if we are able to obtain such financing, we may not be able to obtain it on terms acceptable to us, which would adversely affect our ability to implement our business plan, have flexibility in planning for, or reacting to, changes in our business, make capital expenditures and finance our operations.

The cost of providing pension and other postemployment health care benefits to eligible employees and qualified retirees is subject to changes in pension fund values and changing demographics and may increase. In addition, the passage of the Patient Protection and Affordable Care Act in 2010 and its potential revision, repeal and/or replacement could increase the cost of health care benefits for our employees. Further, the costs to us of providing such benefits and related funding requirements are subject to the continued and timely recovery of such costs through our rates.

We have defined benefit pension plans and other postemployment welfare plans for certain eligible employees. Our defined benefit plans are closed to new participants. Our other postemployment welfare plans only subsidize costs for providing postemployment medical benefits. The cost of providing these benefits to eligible current and former employees is subject to changes in the market value of our pension and other postemployment benefit plan assets, changing demographics, including longer life expectancy of plan participants and their beneficiaries, current and future legislative changes, changes in health care costs, and various actuarial calculations and assumptions.

Any sustained declines in equity markets and reductions in bond values may have a material adverse effect on the value of our pension and other postemployment benefit plan assets. In these circumstances, additional cash contributions to our pension and other postemployment benefit plans may be required, which could have a material adverse impact on our financial condition and cash flows.

In addition, the costs of providing health care benefits to our employees could increase over the next five to ten years due in large part to the Patient Protection and Affordable Care Act of 2010, and its potential revision, repeal and/or replacement. The future costs of compliance with the provisions are difficult to measure at this time. Also, our costs of providing such benefits and related funding requirements could also materially increase in the future, depending on the timing of the recovery, if any, of such costs through our rates, which could adversely impact our financial condition and cash flows.

Our business is subject to operational hazards and unforeseen interruptions that could materially and adversely affect our business and for which we may not be insured adequately.

We are subject to all of the risks and hazards typically associated with the natural gas distribution business. Operating risks include, but are not limited to, leaks, pipeline ruptures and the breakdown or failure of equipment or processes. Other operational hazards and unforeseen interruptions include adverse weather conditions, accidents, explosions, fires, the collision of equipment with our pipeline facilities (for example, this may occur if a third-party were to perform excavation or construction work near our facilities) and catastrophic events, such as tornados, hurricanes, earthquakes, floods or other similar events beyond our control. It is also possible that our facilities could be direct targets or indirect casualties of an act of terrorism, including cyber attacks. A casualty occurrence might result in injury or loss of life, extensive property damage or environmental damage caused to or by employees, customers, contractors, vendors and other third parties. The location of pipeline facilities near populated areas, including residential areas, commercial business centers and industrial gathering places, could increase the level of damages resulting from these risks. Liabilities incurred and interruptions to the operations of our pipelines or other facilities caused by such an event could reduce revenues generated by us and increase expenses, which could have a material adverse effect on our financial condition, results of operations and cash flows. Additionally, our regulators may not allow us to recover part or all of the increased cost related to the foregoing events from our customers, which would adversely affect our earnings and cash flows.

Unanticipated events or a combination of events, failure in resources needed to respond to events, or slow or inadequate response to events may have an adverse impact on our financial condition, results of operations and cash flows.

While we have general liability and property insurance currently in place in amounts that we consider appropriate based on our assessment of business risk and best practices in our industry and in general business, such policies are subject to certain limits and deductibles. Further, we are not fully insured against all risks inherent in our business. As a result of market conditions, premiums and deductibles for certain insurance policies can increase substantially, and, in some instances, certain insurance may become unavailable or available only for reduced amounts of coverage. Consequently, we may not be able to renew existing insurance policies or purchase other desirable insurance on commercially reasonable terms, if at all.

The insurance proceeds received for any loss of, or any damage to, any of our facilities or to third parties may not be sufficient to restore the total loss or damage. Further, the proceeds of any such insurance may not be paid in a timely manner. The occurrence of any of the foregoing could have a material adverse effect on our financial condition, results of operations and cash flows.

Our business increasingly relies on technology, the failure of which, or the occurrence of cyber or physical security attacks thereon, or those of third parties, may adversely affect our financial results.

Due to increased technology advances, we have become more reliant on technology to help increase efficiency in our business. We use computer programs to help run our financial and operations organizations, including an enterprise resource planning system that integrates data and reporting activities across our company. The failure of these or other similarly important technologies, the lack of alternative technologies, or our inability to have these technologies supported, updated, expanded or integrated into other technologies, could hinder our operations and adversely impact our financial condition and results of operations. The use of technological programs, systems and tools may subject our business to increased risks.

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

There is no guarantee that the precautions we take to protect against unauthorized access to secured data on our systems are adequate to safeguard against all security breaches. Any future cyber or physical security attacks, or threats of such attacks, that affect our distribution facilities, our customers, our suppliers and third-party service providers or any financial data could have a material adverse effect on our businesses. As potential cyber or physical security attacks become more common and sophisticated, we could be required to incur increased costs to strengthen our systems or to obtain additional insurance coverage against potential losses. In addition, cyber or physical attacks or threats on our company, customer and employee data may result in a financial loss and may adversely impact our reputation. Third-party systems on which we rely could also suffer operational system failure.

The foregoing events could adversely affect our business reputation, diminish customer confidence, disrupt operations, subject us to financial liability or increased regulation, increase our costs and expose us to material legal claims and liability, and our business, financial condition and results of operations could be affected adversely.

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

At February 1, 2018 , approximately 700 of our estimated 3,500 employees were represented by collective-bargaining units under collective-bargaining agreements. We are involved periodically in discussions with collective-bargaining units representing some of our employees to negotiate or renegotiate labor agreements. We cannot predict the results of these negotiations, including whether any failure to reach new agreements will have a negative effect on our business, financial condition and results of operations or whether we will be able to reach any agreement with the collective-bargaining units. Any failure to reach agreement on new labor contracts might result in a work stoppage. Any future work stoppage could, depending on the operations and the length of the work stoppage, have a material adverse effect on our financial condition, results of operations and cash flows.

A shortage of skilled labor may make it difficult for us to maintain labor productivity and competitive costs, which could adversely affect operations and cash flows. Further, we may be unable to attract and retain management and professional and technical employees, which could adversely impact our earnings.

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

Our ability to implement our business strategy, satisfy our regulatory requirements, and serve our customers is dependent upon our ability to continue to recruit and employ talented management and professionals while retaining a skilled, high-performing workforce. We are subject to the risk that we will not be able to effectively replace or transfer the knowledge and expertise of retiring management or employees. Without effective succession, our ability to provide quality service to our customers and satisfy our regulatory requirements will be challenged, and this could adversely impact our business, financial condition, results of operations and cash flows.

Changes in accounting standards may adversely impact our financial condition and results of operations.

We are subject to additional changes in GAAP, SEC regulations and other interpretations of financial reporting requirements for public utilities. We neither have control over the impact these changes may have on our financial condition or results of operations nor the timing of such changes.

Our financing arrangements subject us to various restrictions that could limit our operating flexibility.

The covenants in the indenture governing our Senior Notes and our ONE Gas Credit Agreement restrict our ability to create or permit certain liens, to consolidate or merge or to convey, transfer or lease substantially all of our properties and assets.

The ONE Gas Credit Agreement includes a requirement that our debt to total capital ratio may not exceed 70 percent as of the end of any calendar quarter. Events beyond our control could impair our ability to satisfy this requirement. As long as our indebtedness remains outstanding, these restrictive covenants could impair our ability to expand or pursue our growth strategy. In addition, the breach of any covenants or any payment obligations in any of these debt agreements will result in an event of

default under the applicable debt instrument. If there were an event of default under one of our debt agreements, the holders of the defaulted debt may have the ability to cause all amounts outstanding with respect to that debt to be due and payable, subject to applicable grace periods. This could trigger cross-defaults under our other debt agreements, including our Senior Notes. Forced repayment of some or all of our indebtedness would reduce our available cash and have an adverse impact on our financial condition, results of operations and cash flows.

Some of our debt, including borrowings under our ONE Gas Credit Agreement and our commercial paper program, is based on variable rates of interest, which could result in higher interest expenses in the event of an increase in interest rates.

In the future, we could be exposed to fluctuations in variable interest rates. This increases our exposure to fluctuations in market interest rates. Amounts borrowed under the ONE Gas Credit Agreement and commercial paper program are based on variable rates of interest. If these rates rise, the interest rate on this debt will also increase. Therefore, an increase in these rates may increase our interest payment obligations and have a negative effect on our cash flows and financial position.

RISKS RELATING TO THE SEPARATION

We are responsible for certain contingent and other liabilities related to the historical natural gas distribution business of ONEOK, as well as a portion of any contingent corporate liabilities of ONEOK that do not relate to either the natural gas distribution business or ONEOK's remaining businesses.

Under the Separation and Distribution Agreement between us and ONEOK , we assumed and are responsible for certain contingent and other corporate liabilities related to the historical natural gas distribution business of ONEOK (including associated costs and expenses, whether arising prior to, at, or after our separation). In addition, under the Separation and Distribution Agreement we are also responsible for a portion of any contingent corporate liabilities of ONEOK that do not relate to either our business or the business of ONEOK following the separation (for example, liabilities associated with certain corporate activities not specifically attributable to either business). If we are required to indemnify ONEOK or are otherwise liable for these liabilities, they may have a material adverse effect on our financial condition, results of operations and cash flows.

Third parties may seek to hold us responsible for liabilities of ONEOK that we did not assume in our agreements.

Third parties may seek to hold us responsible for retained liabilities of ONEOK. Under our agreements with ONEOK, ONEOK has agreed to indemnify us for claims and losses relating to these retained liabilities. However, if those liabilities are significant and we are ultimately held liable for them, we cannot assure that we will be able to recover the full amount of our losses from ONEOK.

Our prior relationship with ONEOK exposes us to risks attributable to businesses of ONEOK.

ONEOK is obligated to indemnify us for losses that a party may seek to impose upon us or our affiliates for liabilities relating to the business of ONEOK. Any claims made against us that are properly attributable to ONEOK in accordance with these arrangements require us to exercise our rights under our agreements with ONEOK to obtain payment from ONEOK. We are exposed to the risk that, in these circumstances, ONEOK cannot, or will not, make the required payment.

If the distribution, together with certain related transactions, were to fail to qualify as a tax-free transaction for U.S. federal income tax purposes under Sections 355, 368(a)(1)(D) and other related provisions of the Code, then ONEOK and/or its shareholders could incur significant U.S. federal income tax liabilities, and we could incur significant indemnity obligations.

ONEOK received an IRS Ruling to the effect that the distribution, together with certain related transactions, qualified as tax-free to ONEOK, us and the ONEOK shareholders under Sections 355, 368(a)(1)(D) and other related provisions of the Code. ONEOK also received an opinion of Skadden, Arps, Slate, Meagher & Flom LLP, tax counsel to ONEOK, which opinion relies on the continued validity of the IRS Ruling, with respect to certain issues relating to the tax-free nature of the transactions that were not addressed in or covered by the IRS Ruling.

The IRS Ruling and the tax opinion rely upon certain assumptions, as well as statements, representations and certain undertakings made by our officers and the officers of ONEOK regarding the past and future conduct of the companies' respective businesses and other matters. If any of those statements, representations or assumptions are incorrect or untrue in any material respect or any of those undertakings are not complied with, the conclusions reached in the IRS Ruling or the

opinion could be affected adversely, and ONEOK and/or its shareholders could be subject to significant tax liabilities. Notwithstanding the IRS Ruling and opinion of tax counsel, the IRS could determine on audit that the distribution, together with certain related transactions, was taxable if it determines that any of these statements, representations, assumptions, or undertakings were not correct or have been violated or if it disagrees with the conclusions in the opinion that were not covered by the IRS Ruling, or for other reasons, including as a result of certain significant changes in the stock ownership of ONEOK or us after the distribution.

If the distribution were subsequently determined, for whatever reason, not to qualify as a transaction that is tax-free for U.S. federal income tax purposes under Sections 355, 368(a)(1)(D), and other related provisions of the Code, ONEOK and/or the holders of ONEOK common stock immediately prior to the distribution could incur significant tax liabilities, and, in certain circumstances we will be required to indemnify ONEOK, its subsidiaries, and certain related persons for taxes and related expenses resulting from the distribution, which could be material. Any such indemnity obligation could have a materially adverse impact on our financial condition, results of operations and cash flows.

RISKS RELATING TO OUR COMMON STOCK

Provisions in our certificate of incorporation, our bylaws, Oklahoma law and certain of the agreements into which we have entered as part of the separation may prevent or delay an acquisition of our company, which could decrease the trading price of our common stock.

Our certificate of incorporation, bylaws and Oklahoma law contain provisions that are intended to deter coercive takeover practices and inadequate takeover bids by making such practices or bids unacceptably expensive to the raider and to encourage prospective acquirers to negotiate with our Board of Directors rather than to attempt a hostile takeover. These provisions include, among others:

- a Board of Directors that is divided into three classes with staggered terms;
- rules regarding how shareholders may present proposals or nominate directors for election at shareholder meetings;
- the right of our Board of Directors to issue preferred stock without shareholder approval; and
- limitations on the right of shareholders to remove directors.

Oklahoma law also imposes some restrictions on mergers and other business combinations between us and any holder of 15 percent or more of our outstanding common stock.

We believe these provisions protect our shareholders from coercive or otherwise potentially unfair takeover tactics by requiring potential acquirers to negotiate with our board of directors and by providing our Board of Directors with more time to assess any acquisition proposal. These provisions are not intended to make our company immune from takeovers. However, these provisions apply even if the offer may be considered beneficial by some shareholders and could delay or prevent an acquisition that our Board of Directors determines is not in the best interests of our company and our shareholders.

Our ability to pay dividends on our common stock will depend on our ability to generate sufficient positive earnings and cash flows.

Our ability to pay dividends in the future will depend upon, among other things, our future earnings, cash flows and restrictive covenants, if any, under future credit agreements to which we may be a party. Our cash available for dividends will principally be generated from our operations. Because the cash we generate from operations will fluctuate from quarter to quarter, we may not be able to maintain future dividends at the levels we expect or at all. Our ability to pay dividends depends primarily on cash flows, including cash flows from changes in working capital, and not solely on profitability, which is affected by noncash items. As a result, we may pay dividends during periods when we record net losses and may be unable to pay cash dividends during periods when we record net income.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

The following table sets forth the approximate miles of distribution mains and transmission pipeline as of December 31, 2017 :

Properties (miles)	OK	KS	TX	Total
Distribution	**18,500**	**11,400**	**10,300**	**40,200**
Transmission	**700**	**1,600**	**300**	**2,600**
Total properties	**19,200**	**13,000**	**10,600**	**42,800**

We lease approximately 400 thousand square feet of office space and other facilities for our operations. In addition, we have 50.4 Bcf of natural gas storage capacity under lease, with maximum allowable daily withdrawal capacity of approximately 1.3 Bcf.

ITEM 3. LEGAL PROCEEDINGS

See Note 13 of the Notes to Consolidated Financial Statements in this Annual Report for information regarding legal proceedings.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

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

MARKET INFORMATION, HOLDERS AND DIVIDENDS

Our common stock is listed on the NYSE under the trading symbol "OGS." The following table sets forth the high and low closing prices of our common stock for the period indicated:

	Year Ended December 31, 2017		
	High	Low	Dividends
First Quarter	$ 68.59	$ 62.30	$ 0.42
Second Quarter	$ 72.40	$ 67.65	$ 0.42
Third Quarter	$ 75.73	$ 68.80	$ 0.42
Fourth Quarter	$ 79.25	$ 72.38	$ 0.42

	Year Ended December 31, 2016		
	High	Low	Dividends
First Quarter	$ 61.78	$ 48.40	$ 0.35
Second Quarter	$ 66.59	$ 56.95	$ 0.35
Third Quarter	$ 66.50	$ 59.50	$ 0.35
Fourth Quarter	$ 64.59	$ 56.75	$ 0.35

At February 9, 2018 , there were 13,206 registered shareholders of the company's common stock.

In January 2018 , we declared a dividend of $0.46 per share ($1.84 per share on an annualized basis) for shareholders of record as of February 23, 2018 , payable on March 9, 2018 .

ISSUER PURCHASES OF EQUITY SECURITIES

We repurchased approximately 256 thousand shares of our common stock for approximately $17.5 million during the year ended December 31, 2017 .

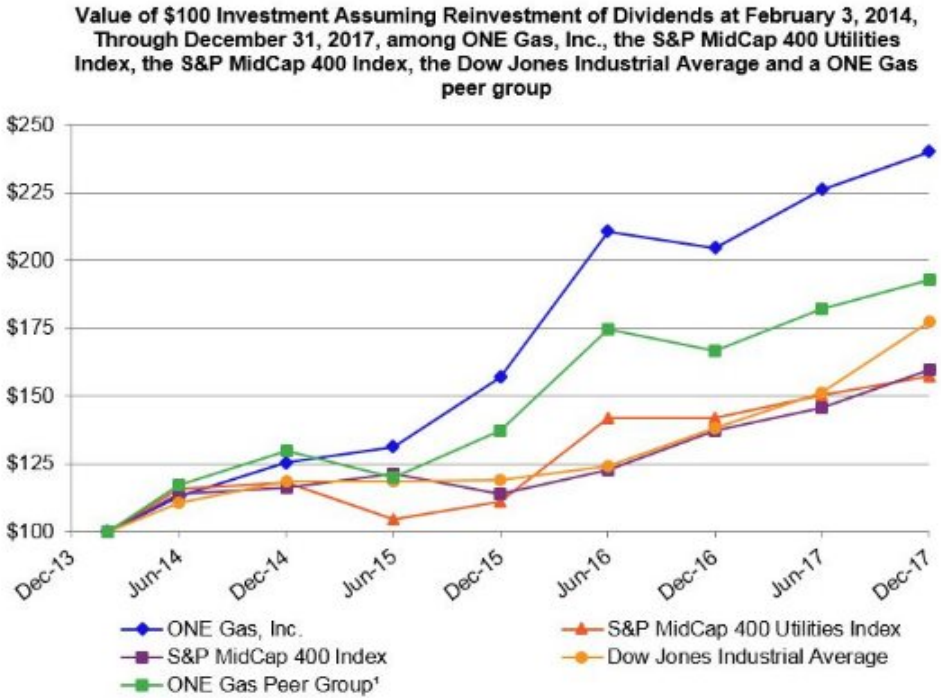
Employee Stock Award Program

Under the Employee Stock Award Program, we issued, for no monetary consideration, one share of our common stock to all eligible employees when the per-share closing price of our common stock on the NYSE closed for the first time at or above each $1.00 increment above $34. The total number of shares of our common stock authorized for issuance under this program was 125,000 . Shares issued to employees under this program during 2017, 2016 and 2015 totaled 13,791 , 50,573 and 23,506 , respectively, leaving 1,812 shares remaining. Compensation expense, before taxes, related to the Employee Stock Award Program was $0.9 million , $3.0 million and $1.1 million for 2017, 2016 and 2015 , respectively. The Employee Stock Award Program will not be renewed.

The shares issued under this program have not been registered under the Securities Act, in reliance upon the position taken by the SEC (see Release No. 6188, dated February 1, 1980) that the issuance of shares to employees pursuant to a program of this kind does not require registration under the Securities Act. See Note 10 of the Notes to Consolidated Financial Statements in this Annual Report for additional information.

Performance Graph

The following performance graph compares the performance of our common stock with the S&P MidCap 400 Index, the Dow Jones Industrial Average and a ONE Gas peer group during the period beginning February 3, 2014, and ending on December 31, 2017 . February 3, 2014 was the first day of "regular way" trading for ONE Gas common stock on the NYSE. This graph assumes a $100 investment in our common stock and in each of the indices at the beginning of the period and a reinvestment of dividends paid on such investments throughout the period.



Cumulative Total Return

As of Each Semi-Annual Period Ending

	2014		2015		2016		2017	
	6/30	12/31	6/30	12/31	6/30	12/31	6/30	12/31
ONE Gas, Inc.	$ 113.12	$ 125.39	$ 131.32	$ 156.83	$ 210.61	$ 204.61	$ 226.17	$ 240.01
S&P MidCap 400 Utilities Index	$ 115.89	$ 118.29	$ 104.63	$ 111.26	$ 141.94	$ 141.69	$ 150.20	$ 157.40
S&P MidCap 400 Index	$ 113.95	$ 116.36	$ 121.24	$ 113.82	$ 122.85	$ 137.43	$ 145.66	$ 159.75
Dow Jones Industrial Average	$ 110.59	$ 118.52	$ 118.56	$ 118.77	$ 123.90	$ 138.37	$ 151.30	$ 177.26
ONE Gas Peer Group [1]	$ 117.11	$ 129.96	$ 119.72	$ 137.14	$ 174.63	$ 166.79	$ 182.09	$ 192.68

[1] The ONE Gas peer group used in this graph is the same peer group that will be used in determining our level of performance under our 2017 performance units at the end of the three-year performance period and is comprised of the following companies: Alliant Energy Corporation; Atmos Energy Corporation; Avista Corporation; CMS Energy Corporation; New Jersey Resources Corporation; NiSource Inc.; Northwest Natural Gas Company; NorthWestern Corporation; South Jersey Industries, Inc.; Southwest Gas Corporation; Spire Inc.; Vectren Corporation and WGL Holdings, Inc.

ITEM 6. SELECTED FINANCIAL DATA

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

	Years Ended December 31,				
	2017	**2016**	**2015**	**2014**	**2013**
	(*Millions of dollars except per share data*)				
Consolidated Statements of Income data:					
Revenues	**$ 1,539.6**	$ 1,427.2	$ 1,547.7	$ 1,818.9	$ 1,690.0
Cost of natural gas	**$ 614.5**	$ 541.8	$ 706.0	$ 991.9	$ 877.0
Net margin	**$ 925.1**	$ 885.4	$ 841.7	$ 827.0	$ 813.0
Operating income	**$ 299.5**	$ 269.1	$ 239.1	$ 225.3	$ 220.3
Net income	**$ 163.0**	$ 140.1	$ 119.0	$ 109.8	$ 99.2
Basic earnings per share	**$ 3.10**	$ 2.67	$ 2.26	$ 2.10	$ 1.90
Diluted earnings per share	**$ 3.08**	$ 2.65	$ 2.24	$ 2.07	$ 1.90
Dividends declared per common share	**$ 1.68**	$ 1.40	$ 1.20	$ 0.84	—

Net margin is comprised of total revenues less cost of natural gas. Cost of natural gas includes commodity purchases, fuel, storage, transportation and other gas purchase costs recovered through our cost of natural gas regulatory mechanisms and does not include an allocation of general operating costs or depreciation and amortization. In addition, our cost of natural gas regulatory mechanisms provide a method of recovering natural gas costs on an ongoing basis without a profit. Therefore, although our revenues will fluctuate with the cost of gas that we purchase, net margin is not affected by fluctuations in the cost of natural gas.

Prior to 2014, historical basic and diluted earnings per share for the periods presented were calculated based on the number of shares distributed to ONEOK shareholders on separation plus any shares associated with fully vested stock awards that had not been issued and considered outstanding as of the beginning of each period prior to the separation. See Note 1 of the Notes to Consolidated Financial Statements in this Annual Report for additional information on earnings per share.

	December 31,				
	2017	**2016**	**2015**	**2014**	**2013**
	(*Millions of dollars*)				
Consolidated Balance Sheets data:					
Total assets	**$ 5,206.9**	$ 4,942.8	$ 4,634.8	$ 4,638.8	$ 3,846.5
Long-term debt, including current maturities	**$ 1,193.3**	$ 1,192.5	$ 1,191.7	$ 1,190.9	$ 1.3
Long-term line of credit with ONEOK	**$ —**	$ —	$ —	$ —	$ 1,027.6

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

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

EXECUTIVE SUMMARY

We are a 100-percent regulated natural gas distribution company. As such, our regulators determine the rates we are allowed to charge for our service based on our revenue requirements needed to achieve our authorized rates of return. We earn revenues from the delivery of natural gas, but do not earn a profit on the natural gas that we deliver, as those costs are passed through to our customers at cost. The primary components of our revenue requirements are the amount of capital invested in our business, which is also known as rate base, our allowed rate of return on our capital investments and our recoverable operating expenses, including depreciation and income taxes. Our rates have both a fixed and a variable component, with approximately 71 percent of our natural gas sales net margin in 2017 derived from fixed monthly charges to our customers. The variable component of our rates is dependent on the consumption of natural gas, which is impacted primarily by the weather and, to a lesser extent, economic activity. While we have weather normalization mechanisms in most jurisdictions that adjust customers' bills when the actual HDDs differ from normalized HDDs, these mechanisms are in place for only a portion of the year and do not offset

all fluctuations in usage resulting from weather variability. Accordingly, the weather can have either a positive or negative impact on our financial performance.

Our financial performance, therefore, is contingent on a number of factors, including: (1) regulatory outcomes, which determine the returns we are authorized to earn and the rates we are allowed to charge for our service; (2) the consumption of natural gas, which impacts the amount of our net margin derived from the variable component of our rates; (3) our operating performance, which impacts our operating expenses; and (4) the perceived value of natural gas relative to other energy sources, particularly electricity, which influences our customers' choice of natural gas to provide a portion of their energy needs.

We are subject to regulatory requirements for pipeline integrity and environmental compliance. These requirements impact our operating expenses and the level of capital expenditures required for compliance. Historically, our regulators have allowed recovery of these expenditures. However, because integrity and environmental regulation is changing constantly, our capital and operating expenditures to comply will change, as well. Although we believe our regulators will continue to allow recovery of such expenditures in the future, we will continue to make these expenditures with no assurance about if, or over what period, we will be permitted to recover them.

RECENT DEVELOPMENTS

Tax Reform - In December 2017, the Tax Cuts and Jobs Act of 2017 was signed into law. Substantially all of the provisions of the new law are effective for taxable years beginning after December 31, 2017. The new law includes significant changes to the Code, including amendments which significantly change the taxation of business entities and includes specific provisions related to regulated public utilities. The more significant changes that impact us include reductions in the corporate federal statutory income tax rate to 21 percent from 35 percent, and several technical provisions including, among others, the elimination of full expensing for tax purposes of certain property acquired after September 27, 2017, the continuation of certain rate normalization requirements for accelerated depreciation benefits and the general allowance for the continued deductibility of interest expense. Additionally, the new law limits the utilization of NOLs arising after December 31, 2017, to 80 percent of taxable income with an indefinite carryforward.

As a result of the enactment of the Tax Cuts and Jobs Act of 2017, we remeasured our deferred income taxes based upon the new tax rate enacted in 2017. As a regulated entity, the change in deferred income taxes is recorded as an offset to a regulatory liability and may be subject to refund to customers. The effect on the net deferred income tax liability for the enacted decrease in the federal tax rate was $517.2 million , of which $519.4 million was recorded as a reduction to the deferred income tax liabilities and deferred as a regulatory liability for ratemaking purposes and offset by $2.2 million recorded as an increase in deferred income tax expense attributable to the remeasured deferred income taxes associated with certain expenses not currently recovered in our rates. These adjustments had no impact on our 2017 cash flows.

See Regulatory Activities below for a discussion of the impact of tax reform on our rates in each state.

Dividend - In January 2018 , we declared a dividend of $0.46 per share ($1.84 per share on an annualized basis) for shareholders of record as of February 23, 2018 , payable on March 9, 2018 .

REGULATORY ACTIVITIES

Oklahoma - In March 2017, Oklahoma Natural Gas filed its first annual PBRC following the general rate case that was approved in January 2016. This filing was based on a calendar test year of 2016. The PBRC filing demonstrated that Oklahoma Natural Gas was earning within the allowed return on equity range of 9.0 to 10.0 percent. Therefore, Oklahoma Natural Gas did not seek a modification to base rates. The filing also requested an energy efficiency program true-up and utility incentive adjustment of approximately $1.9 million. A joint stipulation and settlement agreement was approved by the OCC in August 2017. As required, PBRC filings are made annually on March 15, until the next general rate case, which is currently required to be filed on or before June 30, 2021, based on a calendar test year of 2020.

In March 2016, Oklahoma Natural Gas filed its energy efficiency program true-up application for its 2015 program year, requesting a utility incentive of $1.9 million and a program true-up adjustment of $3.1 million. This filing also sought approval for the demand portfolio of conservation and energy efficiency programs for calendar years 2017 through 2019. In October 2016, the OCC approved the joint stipulation and settlement agreement.

In July 2015, Oklahoma Natural Gas filed a request with the OCC for an increase in base rates, reflecting system investments and operating costs necessary to maintain the safety and reliability of its natural gas distribution system. In January 2016, the OCC approved a joint stipulation and settlement agreement to allow an increase in revenue of $29,995,000. We also recorded a

regulatory asset of $2.4 million to recover certain information technology costs incurred as a result of our separation from ONEOK in 2014, which will be recovered over four years. The agreement set Oklahoma Natural Gas' authorized return on equity at 9.5 percent, which represents the midpoint of the allowed range of 9.0 to 10.0 percent, and approved a rate base of approximately $1.2 billion. The agreement includes the continuation, with certain modifications, of the PBRC tariff that was established in 2009.

In March 2015, Oklahoma Natural Gas filed its energy efficiency program true-up application for its 2014 program year, requesting a utility incentive of $1.2 million. In December 2015, the OCC approved the joint stipulation and settlement agreement which was filed in July 2015.

Kansas - In August 2017, Kansas Gas Service submitted an application to the KCC requesting an increase of approximately $2.9 million related to its GSRS. In November 2017, the KCC approved the $2.9 million increase effective December 2017.

In April 2017, Kansas Gas Service filed an application with the KCC seeking approval of an AAO associated with the costs incurred at, and nearby, the 12 former MGP sites which we own or retain responsibility for certain environmental conditions. In October 2017, Kansas Gas Service, the KCC staff and the Citizens' Utility Ratepayer Board filed a unanimous settlement agreement with the KCC. The agreement allows Kansas Gas Service to defer and seek recovery of costs that are necessary for 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. Costs approved in a future rate proceeding would then be amortized over a 15-year period. The unamortized amounts will not be included in rate base or accumulate carrying charges. 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. The KCC issued an order approving the settlement agreement in November 2017. A regulatory asset of approximately $5.9 million was recorded for estimated costs that have been accrued at January 1, 2017. See discussion below in Environmental, Safety and Regulatory Matters for additional information concerning the 12 former MGP sites.

In May 2016, Kansas Gas Service filed a request with the KCC for an increase in base rates, reflecting system investments and operating costs necessary to maintain the safety and reliability of its natural gas distribution system. In October 2016, Kansas Gas Service reached a unanimous settlement agreement with all parties for a net increase in base rates of approximately $8.1 million. Including the GSRS of approximately $7.4 million, the total base rate increase was $15.5 million. The agreement was a "black-box settlement," meaning the parties agreed to a specific revenue number but no specific return on equity or determination with respect to other contested issues. Additionally, the agreement modified the weather normalization clause to accrue the variation in net margin resulting from the difference in actual weather relative to normal weather over 12 months, rather than five months. The KCC approved the new rates effective January 1, 2017.

In August 2015, Kansas Gas Service submitted an application to the KCC requesting an increase of approximately $2.4 million related to its GSRS. In November 2015, the KCC approved the $2.4 million increase effective December 2015.

Texas - *West Texas Service Area* - In March 2017, Texas Gas Service made GRIP filings for all customers in the West Texas service area. The RRC and the cities approved an increase of $4.3 million and new rates became effective in July 2017.

In November 2015, Texas Gas Service notified the EPSA that it would be filing a full rate case in 2016 in lieu of the previously agreed to annual rate review mechanism called EPARR. In March 2016, Texas Gas Service filed a rate case for its El Paso, Dell City and Permian service areas, as well as consolidation of these three areas. In September 2016, the RRC approved the consolidation and a base rate increase of $8.8 million, which was based on a 9.5 percent return on equity and a 60.1 percent common equity ratio. In October 2016, new rates went into effect for all customers, except for those in the cities of the former Permian service area. Texas Gas Service filed for these new rates for customers in the cities of the former Permian service area in October 2016, and the rates became effective in December 2016.

Rio Grande Valley Service Area - In January 2018, Texas Gas Service reached a settlement with the RRC Staff in the unincorporated areas of the Rio Grande Valley service area. This settlement, if approved by the RRC, will result in an increase in revenues of $0.5 million with new rates expected to be effective by April 2018. This settlement reflects a corporate income tax rate of 21 percent associated with the Tax Cuts and Jobs Act of 2017 and requires Texas Gas Service to calculate, defer and begin refunding to customers the rate reductions resulting from changes to the corporate tax rate made in the Tax Cuts and Jobs Act of 2017 that would have occurred between January 1, 2018 and the effective date of the new rates.

In June 2017, Texas Gas Service filed a rate case for customers in its Rio Grande Valley service area. In October 2017, Texas Gas Service and the cities in the Rio Grande Valley service area agreed to an increase of $3.6 million, and new rates became effective in October 2017.

Central Texas Service Area - In March 2017, Texas Gas Service made GRIP filings for customers of the consolidated Central Texas service area. The cities and the RRC approved an increase of $4.9 million, and new rates became effective in June 2017.

In June 2016, Texas Gas Service filed a rate case for its Central Texas and South Texas service areas. The filing included a request to consolidate the South Texas service area with the Central Texas service area. Texas Gas Service filed this rate case directly with the cities of the Central Texas service area, which includes the city of Austin, and the RRC for the unincorporated areas. In October 2016, all parties to the filing reached a unanimous settlement agreement for an increase in revenues of $6.8 million for the new consolidated service area. New rates were effective in November 2016, for customers in the cities of the former Central Texas service area. RRC approval was received in November 2016 and new rates became effective for customers in the unincorporated areas of the new consolidated Central Texas service area the same month. Texas Gas Service received approval for the same rates in the incorporated areas of the former South Texas service area, with new rates effective in January 2017.

Texas Gas Service received approval under the GRIP statute with the city of Austin, Texas, and surrounding communities in May 2015, for an increase in revenues of approximately $3.7 million. The new rates were effective in June 2015.

Gulf Coast Service Area - In December 2015, Texas Gas Service filed a rate case for its Galveston and South Jefferson County service areas, which included a request to consolidate these two service areas into a new Gulf Coast service area. Texas Gas Service filed this rate case directly with the incorporated cities and the RRC for the unincorporated areas. Texas Gas Service reached a unanimous settlement agreement with representatives of the cities and the staff of the RRC, on behalf of the unincorporated areas for an increase in revenues of $2.3 million. Following RRC approval, new rates became effective in May 2016.

El Paso Service Area - In March 2015, Texas Gas Service filed under the EPARR, requesting an increase in revenues totaling $11.2 million in the city of El Paso and surrounding incorporated cities in the EPSA. In August 2015, Texas Gas Service and the incorporated cities in the EPSA reached an agreement on a rate increase of $8.0 million to take effect in August 2015. In April 2015, Texas Gas Service filed with the RRC under the GRIP statute, requesting an increase of $0.4 million in revenues for the unincorporated areas of the EPSA. The RRC approved the filing in July 2015.

Other Texas Service Areas - In the normal course of business, Texas Gas Service has filed rate cases and sought GRIP and COSA increases in various other Texas jurisdictions to address investments in rate base and changes in expenses. Annual rate increases associated with these filings that were approved totaled $1.4 million, $2.0 million and $4.8 million in 2017, 2016 and 2015, respectively.

Tax Reform - We are working with our regulators in each of the states that we operate to address the impact of the Tax Cuts and Jobs Act of 2017 on our rates. In each state, we have received or expect to receive accounting orders requiring us to establish a separate regulatory liability for the difference in taxes included in our rates that have been calculated based on a 35 percent statutory income tax rate and the new 21 percent statutory income tax rate beginning in January 2018. The establishment of this regulatory liability will result in a reduction to our revenues beginning in the first quarter of fiscal 2018. The amount, period and timing of the return of these liabilities to our customers will be determined by our regulators in each of our jurisdictions.

The following regulatory activities relate to the enactment of the Tax Cuts and Jobs Act of 2017:

Oklahoma - In December 2017, the Oklahoma Attorney General filed a motion on behalf of customers in Oklahoma requesting that the OCC take action for an immediate reduction in rates and protection of rate payers' interests. On January 9, 2018, the Commissioners approved an order directing Oklahoma Natural Gas to record a deferred liability beginning on the effective date of the order to reflect the reduced federal corporate tax rate of 21 percent and the associated savings in excess ADIT and any other tax implications of the Tax Cuts and Jobs Act of 2017 on an interim basis, subject to refund, until utility rates are adjusted to reflect the federal tax savings and a final order is issued in Oklahoma Natural Gas' next scheduled PBRC proceeding. The order also directs Oklahoma Natural Gas, to the extent not already accounted for in Oklahoma Natural Gas' current PBRC tariff, to accrue interest at a rate equivalent to Oklahoma Natural Gas' cost of capital as recognized in the most recent PBRC filing on the amounts of any refunds determined to be owed to customers until issuance of a final order in the upcoming PBRC proceeding.

Kansas - On January 18, 2018, the KCC opened a general investigation for the purposes of examining the financial impact of the Tax Cuts and Jobs Act of 2017 on regulated public utilities operating in Kansas. The KCC also granted a KCC Staff recommendation: (1) to issue an AAO requiring utilities to track and accumulate, in a deferred revenue account, the portion of

their revenue that results from the use of a 35 percent federal corporate tax rate for its last KCC-approved revenue determination instead of the new lower federal corporate tax rate; (2) that the deferrals commence on the effective date of the new federal corporate tax rate; (3) that the KCC express its intent to capture excess ADIT in a manner consistent with tax normalization rules; and (4) that the portion of current rates affected by the Tax Cuts and Jobs Act of 2017 should be considered interim and subject to refund, with interest compounded monthly at the rate for customer deposits, until the KCC has an opportunity to evaluate the reasonableness of those rates with new lower federal tax rates.

In December 2017, Kansas Industrial Consumers ("KIC") filed a complaint against all utilities asking the KCC to act to ensure that KIC members are not charged unreasonable rates because of the Tax Cuts and Jobs Act of 2017. In January 2018, the Citizens' Utility Ratepayer Board filed a complaint stating that the change in tax rates requires the KCC to not only address the reduction in the corporate tax rate to 21 percent from 35 percent, but also excess ADIT. As of February 2018, the KCC has not made a final determination on these two complaints.

Texas - The RRC is in the process of determining how the impact of the Tax Cuts and Jobs Act of 2017 will be reflected in gas utility rates in Texas. On January 23, 2018, the RRC directed the Commission's gas services division to analyze the impact of the Tax Cuts and Jobs Act of 2017 on current gas utility rates and to develop recommendations to ensure that, beginning January 1, 2018, all gas utility customers in Texas receive the full benefit of the Tax Cuts and Jobs Act of 2017.

See Liquidity and Capital Resources - Tax Reform and Note 12 of the Notes to Consolidated Financial Statements for additional discussion of the Tax Cuts and Jobs Act of 2017.

OTHER

Certain costs to be recovered through the ratemaking process have been capitalized as regulatory assets. Should recovery cease due to regulatory actions, certain of these assets may no longer meet the criteria for recognition and accordingly, a writeoff of regulatory assets and stranded costs may be required. There were no writeoffs of regulatory assets resulting from the failure to meet the criteria for capitalization during 2017, 2016 and 2015 .

In 2017, we formed a wholly-owned captive insurance company in the state of Oklahoma to provide insurance to our divisions.

Selected Financial Results - Net income was $163.0 million , or $3.08 per diluted share, $140.1 million , or $2.65 per diluted share, and $119.0 million , or $2.24 per diluted share, for the years ended December 31, 2017, 2016 and 2015 , respectively. Our prospective adoption of ASU 2016-09, "Improvements to Employee Share-Based Payment Accounting," resulted in favorable impacts to income tax expense and our net income from recording $5.2 million of excess tax benefits as a reduction to income tax expense in the first quarter 2017. As a result of the Tax Cuts and Jobs Act of 2017, we recorded deferred income tax expense of $2.2 million attributable to the remeasurement of ADIT associated with portions of our operating expenses not previously recovered in our rates.

We operate in one reportable business segment: regulated public utilities that deliver natural gas to residential, commercial, industrial, wholesale, public authority and transportation customers. We evaluate our financial performance principally on operating income. The following table sets forth certain selected financial results for our operations for the periods indicated:

	Years Ended December 31,			Variances 2017 vs. 2016		Variances 2016 vs. 2015	
Financial Results	**2017**	**2016**	**2015**	**Increase (Decrease)**		**Increase (Decrease)**	
			(*Millions of dollars, except percentages*)				
Natural gas sales	**$ 1,409.1**	$ 1,300.1	$ 1,417.9	**$ 109.0**	**8%**	$ (117.8)	(8)%
Transportation revenues	**100.9**	98.1	98.8	**2.8**	**3%**	(0.7)	(1)%
Cost of natural gas	**614.5**	541.8	706.0	**72.7**	**13%**	(164.2)	(23)%
Net margin, excluding other revenues	**895.5**	856.4	810.7	**39.1**	**5%**	45.7	6 %
Other revenues	**29.6**	29.0	31.0	**0.6**	**2%**	(2.0)	(6)%
Net margin	**925.1**	885.4	841.7	**39.7**	**4%**	43.7	5 %
Operating costs	**473.7**	472.5	469.6	**1.2**	**—%**	2.9	1 %
Depreciation and amortization	**151.9**	143.8	133.0	**8.1**	**6%**	10.8	8 %
Operating income	**$ 299.5**	$ 269.1	$ 239.1	**$ 30.4**	**11%**	$ 30.0	13 %
Capital expenditures	**$ 356.4**	$ 309.0	$ 294.3	**$ 47.4**	**15%**	$ 14.7	5 %

Net margin is comprised of total revenues less cost of natural gas. Cost of natural gas includes commodity purchases, fuel, storage, transportation and other gas purchase costs recovered through our cost of natural gas regulatory mechanisms and does not include an allocation of general operating costs or depreciation and amortization. In addition, our cost of natural gas regulatory mechanisms provide a method of recovering natural gas costs on an ongoing basis without a profit. Therefore, although our revenues will fluctuate with the cost of gas that we purchase, net margin is not affected by fluctuations in the cost of natural gas.

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

	Years Ended December 31,			Variances 2017 vs. 2016		Variances 2016 vs. 2015	
Net Margin, Excluding Other Revenues	**2017**	**2016**	**2015**	**Increase (Decrease)**		**Increase (Decrease)**	
Natural gas sales			(*Millions of dollars, except percentages*)				
Residential	**$ 663.8**	$ 629.8	$ 589.8	**$ 34.0**	**5 %**	$ 40.0	7 %
Commercial and industrial	**124.2**	121.7	115.6	**2.5**	**2 %**	6.1	5 %
Wholesale and public authority	**6.6**	6.8	6.5	**(0.2)**	**(3)%**	0.3	5 %
Net margin on natural gas sales	**794.6**	758.3	711.9	**36.3**	**5 %**	46.4	7 %
Transportation revenues	**100.9**	98.1	98.8	**2.8**	**3 %**	(0.7)	(1)%
Net margin, excluding other revenues	**$ 895.5**	$ 856.4	$ 810.7	**$ 39.1**	**5 %**	$ 45.7	6 %

Our net margin on natural gas sales is comprised of two components, fixed and variable margin. Fixed margin reflects the portion of our net margin attributable to the monthly fixed customer charge component of our rates, which does not fluctuate based on customer usage in each period. Variable margin reflects the portion of our net margin that fluctuates with the volumes delivered and billed. We believe that the combination of the significant residential component of our customer base, the fixed charge component of our sales margin and our regulatory rate mechanisms in place result in a stable cash flow profile. The following table sets forth our net margin on natural gas sales by revenue type for the periods indicated:

	Years Ended December 31,			Variances 2017 vs. 2016		Variances 2016 vs. 2015	
Net Margin on Natural Gas Sales	**2017**	**2016**	**2015**	**Increase (Decrease)**		**Increase (Decrease)**	
Net margin on natural gas sales			(*Millions of dollars, except percentages*)				
Fixed margin	**$ 567.1**	$ 557.5	$ 519.2	**$ 9.6**	**2%**	$ 38.3	7%
Variable margin	**227.5**	200.8	192.7	**26.7**	**13%**	8.1	4%
Net margin on natural gas sales	**$ 794.6**	$ 758.3	$ 711.9	**$ 36.3**	**5%**	$ 46.4	7%

2017 vs. 2016 - Net margin increased $39.7 million due primarily to the following:

- an increase of $26.7 million from new rates primarily in Texas and Kansas;
- an increase of $5.3 million from the impact of weather normalization mechanisms, which offset warmer than normal weather in 2017;
- an increase of $3.8 million due primarily to higher transportation volumes from customers in Kansas and Oklahoma; and
- an increase of $3.4 million in residential sales due primarily to net customer growth in Oklahoma and Texas.

Operating costs increased $1.2 million due primarily to the following:

- an increase of $8.4 million in employee-related costs resulting from higher labor and compensation costs;
- an increase of $2.9 million from the deferral in the first quarter of 2016 of certain information technology costs incurred as a result of our separation from ONEOK in 2014, which was approved in Oklahoma as a regulatory asset, and a deferral of regulatory expenses incurred previously in the fourth quarter of 2016, which was approved in the West Texas rate case as a regulatory asset;
- an increase of $1.9 million in bad debt expense; and
- an increase of $1.2 million in information technology costs; offset by
- a decrease of $5.9 million from the deferral of MGP costs previously accrued, as discussed further in our Environmental, Safety and Regulatory Matters, which was approved in Kansas as a regulatory asset;
- a decrease of $4.0 million related to the higher environmental remediation costs in 2016 discussed further in our Environmental, Safety and Regulatory Matters; and
- a decrease of $3.4 million in legal-related costs.

Depreciation and amortization expense increased $8.1 million due primarily to an $11.0 million increase in depreciation from our capital expenditures being placed into service, offset partially by a decrease in the amortization of other postemployment benefit deferrals in Kansas.

2016 vs. 2015 - Net margin increased $43.7 million due primarily to the following:

- an increase of $44.0 million from new rates primarily in Oklahoma and Texas;
- an increase of $3.8 million in residential sales due primarily to customer growth in Oklahoma and Texas; and
- an increase of $1.3 million in ad-valorem recoveries in Kansas, which is offset with higher regulatory amortization expense in depreciation and amortization expense; offset partially by
- a decrease of $1.8 million due to lower sales volumes, net of weather normalization, primarily from warmer weather in 2016 compared to 2015;
- a decrease of $1.7 million due primarily to lower transportation volumes from weather-sensitive customers in Kansas and Oklahoma; and
- a decrease of $1.1 million in CNG revenues in Oklahoma.

Operating costs increased $2.9 million due primarily to the following:

- an increase of $4.0 million in environmental remediation costs discussed further below in our Environmental, Safety and Regulatory Matters;
- an increase of $2.7 million in legal-related costs; and
- an increase of $0.9 million in employee-related costs; offset partially by
- a decrease of $2.9 million from the deferral of certain information technology costs incurred as a result of our separation from ONEOK in 2014, which was approved in Oklahoma as a regulatory asset, and a deferral of regulatory expenses incurred previously, which was approved in the West Texas rate case as a regulatory asset; and
- a decrease of $1.5 million in information technology costs.

Depreciation and amortization expense increased $10.8 million due primarily to an increase in depreciation from our capital expenditures being placed into service.

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

Capital expenditures increased $47.4 million for 2017, compared with 2016, due primarily to increased system integrity activities and extending service to new areas. Capital expenditures increased $14.7 million for 2016, compared with 2015, due primarily to increased system integrity activities and extending service to new areas. Our capital expenditures are expected to be approximately $375.0 million for 2018.

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

	Years Ended December 31,								Variances 2017 vs. 2016			
(in thousands)	2017				2016				Increase (Decrease)			
Average Number of Customers	**OK**	**KS**	**TX**	**Total**	**OK**	**KS**	**TX**	**Total**	**OK**	**KS**	**TX**	**Total**
Residential	**793**	**582**	**618**	**1,993**	787	581	612	1,980	**6**	**1**	**6**	**13**
Commercial and industrial	**73**	**50**	**35**	**158**	73	50	34	157	—	—	**1**	**1**
Wholesale and public authority	—	—	**3**	**3**	—	—	3	3	—	—	—	—
Transportation	**5**	**6**	**1**	**12**	5	6	1	12	—	—	—	—
Total customers	**871**	**638**	**657**	**2,166**	865	637	650	2,152	**6**	**1**	**7**	**14**

	Years Ended December 31,								Variances 2016 vs. 2015			
(in thousands)	2016				2015				Increase (Decrease)			
Average Number of Customers	**OK**	**KS**	**TX**	**Total**	**OK**	**KS**	**TX**	**Total**	**OK**	**KS**	**TX**	**Total**
Residential	787	581	612	1,980	783	579	606	1,968	4	2	6	12
Commercial and industrial	73	50	34	157	73	50	34	157	—	—	—	—
Wholesale and public authority	—	—	3	3	—	—	3	3	—	—	—	—
Transportation	5	6	1	12	5	6	1	12	—	—	—	—
Total customers	865	637	650	2,152	861	635	644	2,140	4	2	6	12

The following table reflects the total volumes delivered, excluding the effects of weather normalization mechanisms on sales volumes. On an ongoing basis we will report volumes delivered to show the relationship between our volumes delivered and actual HDDs for the periods presented.

	Years Ended December 31,		
Volumes *(MMcf)*	**2017**	**2016**	**2015**
Natural gas sales			
Residential	**99,940**	101,956	114,303
Commercial and industrial	**32,242**	32,276	35,518
Wholesale and public authority	**1,933**	2,414	2,624
Total sales volumes delivered	**134,115**	136,646	152,445
Transportation	**209,551**	208,141	204,762
Total volumes delivered	**343,666**	344,787	357,207

Total sales volumes delivered decreased for 2017, compared with 2016, due primarily to warmer temperatures in our Texas services areas. Total sales volumes delivered decreased for 2016, compared with 2015, due primarily to warmer temperatures in 2016. The impact of weather on residential and commercial net margin is mitigated by weather normalization mechanisms in all jurisdictions. Transportation volumes increased slightly for 2017 compared with 2016 due to higher consumption by our transportation customers in Oklahoma. Transportation volumes increased for 2016 compared with 2015, due to a large industrial customer's facility undergoing maintenance in 2015, offset partially by a decrease in transportation volumes associated with smaller weather-sensitive customers.

The following table reflects the total volumes sold:

Volumes *(MMcf)*	Years Ended December 31, 2017	2016	2015
Natural gas sales			
Residential	**106,805**	105,494	115,477
Commercial and industrial	**33,811**	33,084	35,943
Wholesale and public authority	**1,925**	2,406	2,615
Total sales volumes sold	**142,541**	140,984	154,035
Transportation	**209,551**	208,141	204,763
Total volumes sold	**352,092**	349,125	358,798

Total sales volumes sold increased for 2017, compared with 2016, due primarily to colder temperatures in the fourth quarter of 2017. Total sales volumes sold decreased for 2016, compared with 2015, due primarily to warmer temperatures in 2016. Transportation volumes increased slightly for 2016 compared with 2015, due to a large industrial customer's facility undergoing maintenance in 2015, offset partially by a decrease in transportation volumes associated with smaller weather-sensitive customers.

Wholesale sales represent contracted natural gas volumes that exceed the needs of our residential, commercial and industrial customer base and are available for sale to other parties. The impact to net margin from changes in volumes associated with these customers is minimal.

	Years Ended December 31,						
	2017		2016		2017 vs. 2016	2017	2016
HDDs	Actual	Normal	Actual	Normal	Actual Variance	Actual as a percent of Normal	
Oklahoma	2,849	3,264	2,843	3,264	**— %**	**87%**	87%
Kansas	4,088	4,889	4,016	4,860	**2 %**	**84%**	83%
Texas	1,247	1,785	1,455	1,785	**(14)%**	**70%**	82%

	Years Ended December 31,						
	2016		2015		2016 vs. 2015	2016	2015
HDDs	Actual	Normal	Actual	Normal	Actual Variance	Actual as a percent of Normal	
Oklahoma	2,843	3,264	3,135	3,317	(9)%	87%	95%
Kansas	4,016	4,860	4,264	4,860	(6)%	83%	88%
Texas	1,455	1,785	1,715	1,785	(15)%	82%	96%

Normal HDDs are established through rate proceedings in each of our rate jurisdictions for use primarily in weather normalization billing calculations. Normal HDDs disclosed above are based on:

- *Oklahoma* - For 2017 and 2016, 10-year weighted average HDDs as of December 31, 2014, for years 2005-2014, as calculated using 11 weather stations across Oklahoma and weighted on average customer count, and for 2015, 10-year weighted average HDDs as of December 31, 2008, for years 1999-2008, as calculated using 11 weather stations across Oklahoma and weighted on average customer count.
- *Kansas* - For 2017, 30-year average for years 1981-2010 published by the National Oceanic and Atmospheric Administration, as calculated using 4 weather stations across Kansas and weighted on HDDs by weather station and customers, and for 2016 and 2015, 30-year average for years 1981-2010 published by the National Oceanic and Atmospheric Administration, as calculated using 13 weather stations across Kansas and weighted on HDDs by weather station and customers.

- *Texas* - An average of HDDs authorized in our most recent rate proceeding in each jurisdiction, and weighted using a rolling 10-year average of actual natural gas distribution sales volumes by jurisdiction.

Actual HDDs are based on year-to-date, weighted average of:

- 11 weather stations and customers by month for Oklahoma;
- 4 weather stations and customers by month for Kansas; and
- 9 weather stations and natural gas distribution sales volumes by service area for Texas.

Through March 31, 2017, Kansas Gas Services' WNA clause required it to accrue the variation in net margin resulting from actual weather differing from normal weather occurring from November through March. Beginning in April 2017, Kansas Gas Services' WNA clause requires an accrual each month of the year.

CONTINGENCIES

We are a party to various litigation matters and claims that have arisen in the normal course of our operations. While the results of litigation and claims cannot be predicted with certainty, we believe the reasonably possible losses from such matters, individually and in the aggregate, are not material. Additionally, we believe the probable final outcome of such matters will not have a material adverse effect on our results of operations, financial position or cash flows. See Note 13 of the Notes to Consolidated Financial Statements in this Annual Report for information with respect to legal proceedings.

LIQUIDITY AND CAPITAL RESOURCES

General - We have relied primarily on operating cash flow and commercial paper for our liquidity and capital resource requirements. We fund operating expenses, working capital requirements, including purchases of natural gas, and capital expenditures primarily with cash from operations and commercial paper.

We believe that the combination of the significant residential component of our customer base, the fixed-charge component of our natural gas sales net margin and our regulatory rate mechanisms that we have in place result in a stable cash flow profile. Because the energy consumption of residential customers is less volatile compared with commercial and industrial customers, our business historically has generated stable and predictable net margin and cash flows. Additionally, we have several regulatory rate mechanisms in place to reduce the lag in earning a return on our capital expenditures. We anticipate that our cash flow generated from operations and our expected short- and long-term financing arrangements will enable us to maintain our current and planned level of operations and provide us flexibility to finance our infrastructure investments.

Our ability to access capital markets for debt and equity financing under reasonable terms depends on market conditions and our financial condition and credit ratings. We believe that stronger credit ratings will provide a significant advantage to our business. By maintaining a conservative financial profile and stable revenue base, we believe that we will be able to maintain an investment-grade credit rating, which we believe will provide us access to diverse sources of capital at favorable rates in order to finance our infrastructure investments.

Tax Reform - The Tax Cuts and Jobs Act of 2017 will have an overall negative impact on our operating cash flow due to several dynamics. The reduction in the tax rate will result in less revenue collected from customers related to the recovery of tax expense included in our rates. Although this revenue is ultimately paid out as an expense, under the new law, we will lose the timing benefit, thereby reducing cash that may have been carried over many years. Under the new tax law, natural gas utilities are not eligible to take bonus depreciation, but they are also not subject to the new limitations on the deduction of interest expense. The loss of bonus depreciation will result in earlier cash tax payments, as compared to the previous tax law, once accumulated NOLs are fully extinguished. The lowering of the tax rate effectively resulted in an over-collection of tax expenses, as customers' rates include tax expenses based on the statutory tax rate. Future cash flows will be reduced as we refund the excess ADIT collection to customers.

The timing of these changes in our cash flows and the degree to which it impacts us will not be known until we make future regulatory filings, new rates are approved by our regulators and the manner and timing in which we refund previously collected taxes are determined. We believe that our capital structure and available liquidity resources will be adequate to adjust for these changes. See additional discussion under Regulatory Activities - Tax Reform and Note 12 of Notes to Consolidated Financial Statements of this Annual Report.

Short-term Financing - In October 2017, we amended and restated our revolving credit agreement. The ONE Gas Credit Agreement remains a $700.0 million revolving unsecured credit facility, and includes a $20.0 million letter of credit subfacility

and a $60.0 million swingline subfacility. We will also be able to request an increase in commitments of up to an additional $500.0 million upon satisfaction of customary conditions, including receipt of commitments from either new lenders or increased commitments from existing lenders. The ONE Gas Credit Agreement expires in October 2022, and is available to provide liquidity for working capital, capital expenditures, acquisitions and mergers, the issuance of letters of credit and for other general corporate purposes.

The ONE Gas Credit Agreement contains certain financial, operational and legal covenants. Among other things, these covenants include maintaining ONE Gas' total debt-to-capital ratio of no more than 70 percent at the end of any calendar quarter. The ONE Gas Credit Agreement also contains customary affirmative and negative covenants, including covenants relating to liens, indebtedness of subsidiaries, investments, changes in the nature of business, fundamental changes, transactions with affiliates, burdensome agreements, and use of proceeds. In the event of a breach of certain covenants by ONE Gas, amounts outstanding under the ONE Gas Credit Agreement may become due and payable immediately. At December 31, 2017 , our total debt-to-capital ratio was 44 percent , and we were in compliance with all covenants under the ONE Gas Credit Agreement.

The ONE Gas Credit Agreement contains provisions for an applicable margin rate and an annual facility fee, both of which adjust with changes in our credit rating. Based on our current credit ratings, borrowings, if any, will accrue interest at LIBOR plus 79.5 basis points, and the annual facility fee is 8 basis points.

We may reduce the unutilized portion of the ONE Gas Credit Agreement in whole or in part without premium or penalty. The ONE Gas Credit Agreement contains customary events of default. Upon the occurrence of certain events of default, the obligations under the ONE Gas Credit Agreement may be accelerated and the commitments may be terminated.

We have a commercial paper program under which we may issue unsecured commercial paper up to a maximum amount of $700 million to fund short-term borrowing needs. The maturities of the commercial paper notes may vary but may not exceed 270 days from the date of issue. The commercial paper notes are generally sold at par less a discount representing an interest factor.

The ONE Gas Credit Agreement is available to repay the commercial paper notes, if necessary. Amounts outstanding under the commercial paper program reduce the borrowing capacity under the ONE Gas Credit Agreement.

At December 31, 2017 , we had issued $357.2 million in the form of commercial paper, $2.1 million in letters of credit outstanding and had approximately $14.4 million of cash and cash equivalents. At December 31, 2017 , we had no borrowings and $340.7 million of credit available under the ONE Gas Credit Agreement. The weighted-average interest rate on our commercial paper was 1.55 percent at December 31, 2017 .

Long-Term Debt - The indenture governing our Senior Notes includes an event of default upon the acceleration of other indebtedness of $100 million or more. Such events of default would entitle the trustee or the holders of 25 percent in aggregate principal amount of the outstanding Senior Notes to declare those Senior Notes immediately due and payable in full. At December 31, 2017 , our long-term debt-to-capital ratio was 38 percent.

We may redeem our Senior Notes at par, plus accrued and unpaid interest to the redemption date, starting one month, three months, and six months, respectively, before their maturity dates. Prior to these dates, we may redeem these Senior Notes, in whole or in part, at a redemption price equal to the principal amount, plus accrued and unpaid interest and a make-whole premium. The redemption price will never be less than 100 percent of the principal amount of the respective Senior Notes plus accrued and unpaid interest to the redemption date. Our Senior Notes are senior unsecured obligations, ranking equally in right of payment with all of our existing and future unsecured senior indebtedness.

Credit Ratings - Our credit ratings as of December 31, 2017 , were:

Rating Agency	Rating	Outlook
Moody's	A2	Stable
S&P	A	Stable

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

Our commercial paper is currently rated Prime-1 by Moody's and A-1 by S&P. We intend to maintain strong credit metrics while we pursue a balanced approach to capital investment and a return of capital to shareholders via a dividend that we believe will be competitive with our peer group.

Pension and Other Postemployment Benefit Plans - During 2017, we contributed $111.9 million to our defined benefit pension plan and $6.2 million to our other postemployment benefit plans. Information about our pension and other postemployment benefits plans, including anticipated contributions, is included under Note 11 of the Notes to Consolidated Financial Statements in this Annual Report.

CASH FLOW ANALYSIS

We use the indirect method to prepare our Consolidated Statements of Cash Flows. Under this method, we reconcile net income to cash flows provided by operating activities by adjusting net income for those items that impact net income but may not result in actual cash receipts or payments and changes in our assets and liabilities not classified as investing or financing activities during the period. Items that impact net income but may not result in actual cash receipts or payments include, but are not limited to, depreciation and amortization, deferred income taxes, share-based compensation expense and provision for doubtful accounts.

The following table sets forth the changes in cash flows by operating, investing and financing activities for the periods indicated:

	Years Ended December 31,			Variances	
	2017	**2016**	**2015**	**2017 vs. 2016**	**2016 vs. 2015**
			(*Millions of dollars*)		
Total cash provided by (used in):					
Operating activities	**$ 253.8**	$ 290.6	$ 407.9	**$ (36.8)**	$ (117.3)
Investing activities	**(355.8)**	(308.5)	(294.3)	**(47.3)**	(14.2)
Financing activities	**101.7**	30.2	(123.1)	**71.5**	153.3
Change in cash and cash equivalents	**(0.3)**	12.3	(9.5)	**(12.6)**	21.8
Cash and cash equivalents at beginning of period	**14.7**	2.4	11.9	**12.3**	(9.5)
Cash and cash equivalents at end of period	**$ 14.4**	$ 14.7	$ 2.4	**$ (0.3)**	$ 12.3

Operating Cash Flows - Changes in cash flows from operating activities are due primarily to changes in net margin and operating expenses discussed in Financial Results and Operating Information. Changes in natural gas prices and demand for our services or natural gas, whether because of general economic conditions, changes in supply or increased competition from other service providers, could affect our earnings and operating cash flows. Typically, our cash flows from operations are greater in the first half of the year compared with the second half of the year.

2017 vs. 2016 - Cash flows from operating activities were lower in 2017 compared with 2016. Before considering the impacts of operating asset and liability changes, cash flows were higher in 2017 compared with 2016 due primarily to an increase in net income, higher noncash expenses for depreciation and amortization and deferred income taxes. The increase in operating asset and liability changes more than offset these increases. The largest decrease in working capital relates to a decrease in employee benefit obligation attributed to the $111.9 million contribution to our defined benefit pension plan and $6.2 million contribution to our other postemployment benefit plans in 2017.

2016 vs. 2015 - Cash flows from operating activities were lower in 2016 compared with 2015. Before considering the impacts of operating asset and liability changes, cash flows were higher in 2016 compared with 2015 due primarily to an increase in net income, higher noncash expenses for depreciation and amortization and deferred income taxes. The increase in operating asset and liability changes more than offset these increases. The largest increase in working capital relates to an increase in accounts receivable caused by higher costs of natural gas delivered to customers in the fourth quarter of 2016 compared with 2015, when accounts receivable declined. Additionally, through 2016, our net over-recovered purchased gas costs decreased by $29.3 million. Through 2015, our net over-recovered purchased gas costs increased by $25.3 million. The change in the natural gas cost recoveries between periods also contributed to the decrease in cash flows from operating assets and liabilities.

Investing Cash Flows - 2017 vs. 2016 - Cash used in investing activities increased for 2017, compared to 2016, due primarily to capital expenditures for increased system integrity activities and extending service to new areas.

2016 vs. 2015 - Cash used in investing activities increased for 2016, compared to 2015, due primarily to capital expenditures for increased system integrity activities and extending service to new areas.

Financing Cash Flows - 2017 vs. 2016 - Cash provided by financing activities for 2017 increased, compared with 2016, due primarily to net borrowings on our notes payable to fund working capital and capital investments, offset partially by the 28 cent per share increase in annual dividends.

2016 vs. 2015 - Cash provided by financing activities for 2016 increased, compared with 2015, due primarily to net borrowings on our notes payable to fund working capital and capital investments, offset partially by the 20 cent per share increase in annual dividends.

ENVIRONMENTAL, SAFETY AND REGULATORY MATTERS

Environmental Matters - We are subject to multiple historical, wildlife preservation and environmental laws and/or regulations, which affect many aspects of our present and future operations. Regulated activities include, but are not limited to, those involving air emissions, storm water and wastewater discharges, handling and disposal of solid and hazardous wastes, wetland preservation, hazardous materials transportation, and pipeline and facility construction. These laws and regulations require us to obtain and/or comply with a wide variety of environmental clearances, registrations, licenses, permits and other approvals. Failure to comply with these laws, regulations, licenses and permits may expose us to fines, penalties and/or interruptions in our operations that could be material to our results of operations. In addition, emission controls and/or other regulatory or permitting mandates under the Clean Air Act and other similar federal and state laws could require unexpected capital expenditures. We cannot assure that existing environmental statutes and regulations will not be revised or that new regulations will not be adopted or become applicable to us. Revised or additional statutes or regulations that result in increased compliance costs or additional operating restrictions could have a material adverse effect on our business, financial condition and results of operations. Our expenditures for environmental investigation, and remediation compliance to-date have not been significant in relation to our financial position, results of operations or cash flows, and our expenditures related to environmental matters had no material effects on earnings or cash flows during 2017, 2016 or 2015 .

We own or retain legal responsibility for certain environmental conditions at 12 former MGP sites in Kansas. These sites contain contaminants generally associated with MGP sites and are subject to control or remediation under various environmental laws and regulations. A consent agreement with the KDHE governs all environmental investigation and remediation work at these sites. The terms of the consent agreement require us to investigate these sites and set remediation activities based upon the results of the investigations and risk analysis. Remediation typically involves the management of contaminated soils and may involve removal of structures and monitoring and/or remediation of groundwater.

We have completed or addressed removal of the source of soil contamination at 11 of the 12 sites, and continue to monitor groundwater at eight of the 12 sites according to plans approved by the KDHE. Regulatory closure has been achieved at three of the 12 sites, but these sites remain subject to potential future requirements that may result in additional costs. During 2016, we completed a site assessment at the twelfth site where no active soil remediation has occurred. We have submitted a work plan to the KDHE for approval to address a source of contamination and associated contaminated soil on a portion of this site. We are also conducting a study of the feasibility of various options to address the remainder of the site. Costs associated with the remediation at this site are not expected to be material to our results of operations or financial position.

With regard to one of our former MGP sites, periodic monitoring and a 2016 interim site investigation indicated elevated levels of contaminants generally associated with MGP sites. Additional testing and work plan development continued in 2017 to determine a remediation work plan to present to the KDHE for approval, which could impact our estimates of the cost of remediation at this site. In the fourth quarter of 2016, we estimated the potential costs associated with additional investigation and remediation to be in the range of $4.0 million to $7.0 million . A single reliable estimate of the remediation costs was not feasible due to the amount of uncertainty in the ultimate remediation approach that will be utilized. Accordingly, we recorded a reserve of $4.0 million for this site in the fourth quarter of 2016.

In April 2017, Kansas Gas Service filed an application with the KCC seeking approval of an AAO associated with the costs incurred at, and nearby, the 12 former MGP sites which we own or retain responsibility for certain environmental conditions. In October 2017, Kansas Gas Service, the KCC staff and the Citizens' Utility Ratepayer Board filed a unanimous settlement agreement with the KCC. The agreement allows Kansas Gas Service to defer and seek recovery of costs that are necessary for 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. Costs approved in a future rate proceeding would then be amortized over a 15-year period. The unamortized amounts will not be included in rate base or accumulate carrying charges. 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. The KCC issued an order approving the settlement agreement in November 2017. A regulatory asset of approximately $5.9 million was recorded for estimated costs that have been accrued at January 1, 2017.

Our expenditures for environmental evaluation, mitigation, remediation and compliance to date have not been significant in relation to our financial position, results of operations or cash flows, and our expenditures related to environmental matters had no material effects on earnings or cash flows during 2017, 2016 or 2015 . A number of environmental issues may exist with respect to MGP sites that are unknown to us. Accordingly, future costs are dependent on the final determination and regulatory approval of any remedial actions, the complexity of the site, level of remediation required, changing technology and governmental regulations, and to the extent not recovered by insurance or recoverable in rates from our customers, could be material to our financial condition, results of operations or cash flows.

We are subject to environmental regulation by federal, state and local authorities. Due to the inherent uncertainties surrounding the development of federal and state environmental laws and regulations, we cannot determine with specificity the impact such laws may have on its existing and future facilities. With the trend toward stricter standards, greater regulation and more extensive permit requirements for the types of assets operated by us, our environmental expenditures could increase in the future, and such expenditures may not be fully recovered by insurance or recoverable in rates from our customers, and those costs may adversely affect our financial condition, results of operations and cash flows. We do not expect expenditures for these matters to have a material adverse effect on our financial condition, results of operations or cash flows.

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

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

In April 2016, PHMSA published a NPRM, the Safety of Gas Transmission & Gathering Lines Rule, in the Federal Register to revise pipeline safety regulations applicable to the safety of onshore natural gas transmission and gathering pipelines. Proposals include changes to pipeline integrity management requirements and other safety-related requirements. The NPRM comment period ended July 7, 2016, and comments are under review by PHMSA. As part of the comment review process, PHMSA is being advised by the Technical Pipeline Safety Standards Committee, informally known by PHMSA as the GPAC, a statutorily mandated advisory committee that advises PHMSA on proposed safety policies for natural gas pipelines. The GPAC reviews PHMSA's proposed regulatory initiatives to assure the technical feasibility, reasonableness, cost-effectiveness and practicality of each proposal. The potential capital and operating expenditures associated with compliance with the proposed rule are currently being evaluated and could be significant depending on the final regulations.

Air and Water Emissions - The Clean Air Act, the Clean Water Act, analogous state laws and/or regulations promulgated thereunder, impose restrictions and controls regarding the discharge of pollutants into the air and water in the United States. Under the Clean Air Act, a federally enforceable operating permit is required for sources of significant air emissions. We may be required to incur certain capital expenditures for air-pollution-control equipment in connection with obtaining or maintaining permits and approvals for sources of air emissions. We do not expect that these expenditures will have a material impact on our respective results of operations, financial position or cash flows. The Clean Water Act imposes substantial potential liability for the removal of pollutants discharged to waters of the United States and remediation of waters affected by such discharge.

International, federal, regional and/or state legislative and/or regulatory initiatives may attempt to regulate greenhouse gas emissions. We monitor relevant legislation and regulatory initiatives to assess the potential impact on our operations. The EPA’s Mandatory Greenhouse Gas Reporting Rule requires annual greenhouse gas emissions reporting as carbon dioxide equivalents from affected facilities and for the natural gas delivered by us to our natural gas distribution customers who are not otherwise required to report their own emissions. The additional cost to gather and report this emission data did not have, and

we do not expect it to have, a material impact on our results of operations, financial position or cash flows. In addition, Congress has considered, and may consider in the future, legislation to reduce greenhouse gas emissions, including carbon dioxide and methane. Likewise, the EPA may institute additional regulatory rulemaking associated with greenhouse gas emissions. At this time, no rule or legislation has been enacted for natural gas distribution that assesses any costs, fees or expenses on any of these emissions.

CERCLA - The CERCLA, also commonly known as Superfund, imposes strict, joint and several liability, without regard to fault or the legality of the original act, on certain classes of "persons" (defined under CERCLA) that caused and/or contributed to the release of a hazardous substance into the environment. These persons include, but are not limited to, the owner or operator of a facility where the release occurred and/or companies that disposed or arranged for the disposal of the hazardous substances found at the facility. Under CERCLA, these persons may be liable for the costs of cleaning up the hazardous substances released into the environment, damages to natural resources and the costs of certain health studies. We do not expect that our responsibilities under CERCLA will have a material impact on our respective results of operations, financial position or cash flows.

Pipeline Security - The U.S. Department of Homeland Security's Transportation Security Administration issued updated pipeline security guidelines in April 2012. Our pipeline facilities have been reviewed according to the current guidelines and no material changes have been required to date.

Environmental Footprint - Our environmental and climate change strategy focuses on taking steps to minimize the impact of our operations on the environment. These strategies include: (1) developing and maintaining an accurate greenhouse gas emissions inventory according to current rules issued by the EPA; (2) improving the integrity of our various pipelines; (3) following developing technologies for emission control; and (4) utilizing practices to reduce the loss of methane from our facilities.

We participate in the EPA's Natural Gas STAR Program to voluntarily reduce methane emissions. We continue to focus on maintaining low rates of lost-and-unaccounted-for natural gas through expanded implementation of best practices to limit the release of natural gas during pipeline and facility maintenance and operations. Additionally, in March 2016, we were one of 40 founding partners to launch the EPA's Natural Gas STAR Methane Challenge Program, whereby oil and natural gas companies agree to promote and track commitments to reduce methane emissions beyond what is federally required. Our Methane Challenge Program commitment to annually replace or rehabilitate at least two percent of our combined inventory of cast iron and noncathodically-protected steel pipe aligns with our planned system integrity expenditures for infrastructure replacements. We anticipate reporting in 2018 our calendar year 2017 performance relative to our commitment.

Additional information about our environmental matters is included in the section entitled Environmental Matters in Note 13 of the Notes to Consolidated Financial Statements in this Annual Report. We cannot assure that existing environmental statutes and regulations will not be revised or that new regulations will not be adopted or become applicable to us. Revised or additional regulations that result in increased compliance costs or additional operating restrictions could have a material adverse effect on our business, financial condition and results of operations. Our expenditures for environmental investigation, and remediation compliance to-date have not been significant in relation to our financial position, results of operations or cash flows, and our expenditures related to environmental matters had no material effects on earnings or cash flows during 2017, 2016 or 2015 .

Regulatory - Several regulatory initiatives impacted the earnings and future earnings potential of our business. See additional information regarding our regulatory initiatives in Management's Discussion and Analysis of Financial Condition and Results of Operations.

IMPACT OF NEW ACCOUNTING STANDARDS

Information about the impact of new accounting standards is included in Note 1 of the Notes to Consolidated Financial Statements in this Annual Report.

ESTIMATES AND CRITICAL ACCOUNTING POLICIES

The preparation of our consolidated financial statements and related disclosures in accordance with GAAP requires us to make estimates and assumptions with respect to values or conditions that cannot be known with certainty that affect the reported amounts of assets and liabilities; and also requires the disclosure of contingent assets and liabilities at the date of the consolidated financial statements. These estimates and assumptions also affect the reported amounts of revenue and expenses

during the reporting period. Although we believe these estimates and assumptions are reasonable, actual results could differ from our estimates. See our Risk Factors and/or Forward-Looking Statements for factors which could impact our estimates.

The following summary sets forth what we consider to be our most critical estimates and accounting policies. Our critical accounting policies are defined as those estimates and policies most important to the portrayal of our financial condition and results of operations and that require management's most difficult, subjective or complex judgment, particularly because of the need to make estimates concerning the impact of inherently uncertain matters.

Regulation - Our operations are subject to regulation with respect to rates, service, maintenance of accounting records and various other matters by the respective regulatory authorities in the states in which we operate. We account for the financial effects of the ratemaking and accounting practices and policies of the various regulatory commissions in our consolidated financial statements. We record regulatory assets for costs that have been deferred for which future recovery through customer rates is considered probable and regulatory liabilities when it is probable that revenues will be reduced for amounts that will be credited to customers through the ratemaking process. As a result, certain costs that would normally be expensed under GAAP are capitalized or deferred on the balance sheet because it is probable they can be recovered through rates. Discontinuing the application of this method of accounting for regulatory assets and liabilities could significantly increase our operating expenses, as fewer costs would likely be capitalized or deferred on the balance sheet, which could reduce our net income. Further, regulation may impact the period in which revenues or expenses are recognized. The amounts to be recovered or recognized are based upon historical experience and our understanding of the regulations. The impact of regulation on our operations may be affected by decisions of the regulatory authorities or the issuance of new regulations.

For further discussion of regulatory assets and liabilities, see Note 8 of the Notes to Consolidated Financial Statements in this Annual Report.

Impairment of Goodwill - We assess our goodwill for impairment at least annually as of July 1. Our goodwill impairment analysis performed in 2017 and 2016 , utilized a qualitative assessment and did not result in any impairment indicators. Subsequent to July 1, 2017 , no event has occurred indicating that the fair value is less than the carrying value.

As part of our goodwill impairment test, we first assess qualitative factors (including macroeconomic conditions, industry and market considerations, cost factors and overall financial performance) to determine whether it is more likely than not that our fair value is less than our carrying amount. If further testing is necessary, we perform a two-step impairment test for goodwill. In the first step, an initial assessment is made by comparing our fair value with our book value, including goodwill. If the fair value is less than the book value, an impairment is indicated, and we must perform a second test to measure the amount of the impairment. In the second test, we calculate the implied fair value of the goodwill by deducting the fair value of all tangible and intangible net assets from the fair value determined in step one of the assessment. If the carrying value of the goodwill exceeds the implied fair value of the goodwill, we will record an impairment charge.

To estimate our fair value, we use two generally accepted valuation approaches, an income approach and a market approach, using assumptions consistent with a market participant's perspective. Under the income approach, we use anticipated cash flows over a period of years plus a terminal value and discount these amounts to their present value using appropriate discount rates. Under the market approach, we apply acquisition multiples to forecasted cash flows. The acquisition multiples used are consistent with historical asset transactions. The forecasted cash flows are based on average forecasted cash flows over a period of years.

Our impairment tests require the use of assumptions and estimates, such as industry economic factors and the profitability of future business strategies. If actual results are not consistent with our assumptions and estimates or our assumptions and estimates change due to new information, we may be exposed to future impairment charges.

See Note 1 of the Notes to Consolidated Financial Statements in this Annual Report for further discussion of goodwill.

Pension and Other Postemployment Benefits - We have defined benefit retirement plans covering eligible retirees and full-time employees. We also sponsor welfare plans that provide other postemployment medical and life insurance benefits to eligible retirees and employees who retire with at least five years of service.

To calculate the expense and liabilities related to our plans, we utilize an outside actuarial consultant, which uses statistical and other factors to anticipate future events. These factors include assumptions about the discount rate, expected return on plan assets, rate of future compensation increases, age and mortality and employment periods. We use tables issued by the Society of Actuaries to estimate mortality rates. In determining the projected benefit costs, assumptions can change from period to period and may result in material changes in the costs and liabilities we recognize.

During 2017 , we contributed approximately $111.9 million to our defined benefit pension plan and $6.2 million to our other postemployment benefit plans. In 2018 , we expect to contribute approximately $1.0 million to our defined benefit pension plan and $3.0 million to our other postemployment benefit plans. In September 2017, we purchased group annuity contracts and transferred approximately $46.7 million of the assets and liabilities related to certain participants in our defined benefit pension plan to a third-party insurance company.

During 2017, we recorded net periodic benefit costs of $30.2 million and $1.7 million related to our pension plans and other postemployment benefit plans, respectively, prior to regulatory deferrals. We estimate that in 2018, we will record expense of $29.0 million and a credit of $3.5 million related to pension plans and other postemployment benefit plans, respectively, prior to regulatory deferrals.

The following table sets forth the significant assumptions used to determine our estimated 2018 net periodic benefit cost related to our defined pension and other postemployment benefit plans, and sensitivity to changes with respect to these assumptions:

	Rate Used	Cost Sensitivity (a)	Obligation Sensitivity (b)
		(*Millions of dollars*)	
Discount rate for pension	**3.80%**	**$ 3.4**	**$ 32.8**
Discount rate for other postemployment benefits	**3.70%**	**$ 0.7**	**$ 6.7**
Expected long-term return on plan assets (c)	**7.25%/7.60%**	**$ 2.6**	**$ —**

(a) Approximate impact a quarter percentage point decrease in the assumed rate would have on net periodic pension costs.
(b) Approximate impact a quarter percentage point decrease in the assumed rate would have on defined benefit pension obligation.
(c) Expected long-term return on plan assets for pension and other postemployment benefits are 7.25 percent and 7.60 percent, respectively.

Assumed health care cost-trend rates have a significant effect on the amounts reported for our other postemployment benefit plans. A one percentage point change in assumed health care cost trend rates would have the following effects:

	One Percentage Point Increase	One Percentage Point Decrease
	(*Millions of dollars*)	
Effect on total of service and interest cost	**$ 0.6**	**$ (0.6)**
Effect on other postemployment benefit obligation	**$ 2.9**	**$ (3.0)**

Revenue Recognition - For regulated deliveries of natural gas, we read meters and bill customers on a monthly cycle. We recognize revenues upon the delivery of natural gas commodity or services rendered to customers. The billing cycles for customers do not necessarily coincide with the accounting periods used for financial reporting purposes. We accrue unbilled revenues for natural gas that has been delivered but not yet billed at the end of an accounting period. Accrued unbilled revenue is based on a percentage estimate of amounts unbilled each month, which is dependent upon a number of factors, some of which require management's judgment. These factors include customer consumption patterns and the impact of weather on usage.

We will adopt the FASB's ASU 2014-09, "Revenue from Contracts with Customers" ("ASC 606"), which clarifies and converges the revenue recognition principles under GAAP and International Financial Reporting Standards, for our interim and annual reports beginning in the first quarter 2018, using the modified retrospective method. We have evaluated all of our sources of revenue to determine the potential effect of the new standard on our financial position, results of operations, cash flows and the related accounting policies and business processes. Upon adoption, there will not be a cumulative adjustment to our opening retained earnings. The only impact of adopting ASC 606 is that we expect to reclassify certain revenues that do not meet the requirements under ASC 606 as revenues from contracts with customers, but will continue to be reflected as other revenues in determining total revenue. The items we expect to reclassify relate primarily to the weather normalization mechanism in Kansas, where the KCC determines how we reflect variations in weather in our rates billed to customers.

We have determined the majority of our natural gas sales and transportation tariffs to be implied contracts with customers, which are settled over time, where our performance obligation is settled with our customer when natural gas is delivered and simultaneously consumed by the customer. For our other utility revenue, which are primarily one-time service fees that meet the requirements under ASC 606, the performance obligation is satisfied at a point in time when services are rendered to the customer. In addition, we will use the invoice method practical expedient, where we will recognize revenue for volumes delivered for which we have a right to invoice. As a result, we will estimate unbilled revenues at the end of each accounting period consistent with past practice. Our disclosures will reflect our sources of revenue disaggregated among natural gas sales

including sales to residential, commercial, industrial, wholesale and public authority customers, transportation revenue, and other utility revenues. The reclassification of certain revenues that do not meet the requirements under ASC 606 will be classified as other revenues on the Consolidated Income Statement and in our Notes to Consolidated Financial Statements.

Contingencies - Our accounting for contingencies covers a variety of business activities, including contingencies for legal and environmental exposures. We accrue these contingencies when our assessments indicate that it is probable that a liability has been incurred or an asset will not be recovered and an amount can be reasonably estimated. We expense legal fees as incurred and base our legal liability estimates on currently available facts and our assessments of the ultimate outcome or resolution. Accruals for estimated losses from environmental remediation obligations generally are recognized no later than the completion of a remediation feasibility study. Recoveries of environmental remediation costs from other parties are recorded as assets when their receipt is deemed probable. In 2017, we recorded a regulatory asset of approximately $5.9 million for estimated costs incurred at, and nearby, our 12 former MGP sites that was accrued at January 1, 2017. In 2016, we recorded a reserve of $4.0 million for potential costs associated with further investigation and remediation at one of the former MGP sites. Our expenditures for environmental evaluation, mitigation, remediation and compliance to date have not been significant in relation to our financial position or results of operations, and our expenditures related to environmental matters had no material effect on earnings or cash flows for 2017, 2016 or 2015 . Actual results may differ from our estimates resulting in an impact, positive or negative, on earnings.

See Note 13 of the Notes to Consolidated Financial Statements in this Annual Report for additional discussion of contingencies.

CONTRACTUAL OBLIGATIONS

The following table sets forth our contractual obligations at December 31, 2017 :

Contractual Obligations

(*Millions of dollars*)

	2018	2019	2020	2021	2022	Thereafter	Total
Long-term debt, including current maturities	$ —	$ 300.0	$ —	$ —	$ —	$ 901.3	$ 1,201.3
Commercial paper	357.2	—	—	—	—	—	357.2
Interest payments on debt	45.1	39.4	38.9	38.9	38.9	602.7	803.9
Firm transportation and storage capacity contracts	190.2	175.7	164.5	144.7	117.5	102.1	894.7
Natural gas purchase commitments	140.5	0.6	0.1	0.1	0.1	0.1	141.5
Employee benefit plans	4.0	0.1	0.1	0.1	0.1	—	4.4
Operating leases	4.7	3.9	3.7	3.3	3.3	3.2	22.1
Total	$ 741.7	$ 519.7	$ 207.3	$ 187.1	$ 159.9	$ 1,609.4	$ 3,425.1

Long-term debt, commercial paper borrowings and interest payments on debt - Long-term debt includes our three debt issuances at their due dates. Interest payments on debt are calculated by multiplying our long-term debt by the respective coupon rates.

Firm transportation and storage contracts - We are party to fixed-price contracts providing us with firm transportation and storage capacity. The commitments associated with these contracts are recoverable through our purchased-gas cost mechanisms as allowed by the applicable regulatory authority.

Natural gas purchase commitments - We are party to fixed-price and variable-price contracts for the purchase of natural gas. Future variable-price natural gas purchase commitments are estimated based on market price information. Actual future variable-price purchase commitments may vary depending on market prices at the time of delivery. As market information changes daily and is potentially volatile, these values may change significantly. The commitments associated with these contracts are recoverable through our purchased-gas cost mechanisms as allowed by the applicable regulatory authority.

Employee benefit plans - Employee benefit plans include our anticipated contribution to maintain the minimum required funding level for our pension and other postemployment benefit plans. See Note 11 of the Notes to Consolidated Financial Statements in this Annual Report for discussion of employee benefit plans.

Operating leases - Our operating leases include leases for office space, facilities and information technology hardware and software.

FORWARD-LOOKING STATEMENTS

Some of the statements contained and incorporated in this Annual Report are forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act. The forward-looking statements relate to our anticipated financial performance, liquidity, management's plans and objectives for our future operations, our business prospects, the outcome of regulatory and legal proceedings, market conditions and other matters. We make these forward-looking statements in reliance on the safe harbor protections provided under the Private Securities Litigation Reform Act of 1995. The following discussion is intended to identify important factors that could cause future outcomes to differ materially from those set forth in the forward-looking statements.

Forward-looking statements include the items identified in the preceding paragraph, the information concerning possible or assumed future results of our operations and other statements contained or incorporated in this Annual Report identified by words such as "anticipate," "estimate," "expect," "project," "intend," "plan," "believe," "should," "goal," "forecast," "guidance," "could," "may," "continue," "might," "potential," "scheduled," "likely," and other words and terms of similar meaning. One should not place undue reliance on forward-looking statements, which are applicable only as of the date of this Annual Report. Known and unknown risks, uncertainties and other factors may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by forward-looking statements. Those factors may affect our operations, markets, products, services and prices. In addition to any assumptions and other factors referred to specifically in connection with the forward-looking statements, factors that could cause our actual results to differ materially from those contemplated in any forward-looking statement include, among others, the following:

- our ability to recover operating costs and amounts equivalent to income taxes, costs of property, plant and equipment and regulatory assets in our regulated rates;
- our ability to manage our operations and maintenance costs;
- changes in regulation of natural gas distribution services, particularly those in Oklahoma, Kansas and Texas;
- the economic climate and, particularly, its effect on the natural gas requirements of our residential and commercial industrial customers;
- competition from alternative forms of energy, including, but not limited to, electricity, solar power, wind power, geothermal energy and biofuels;
- conservation and energy storage efforts of our customers;
- variations in weather, including seasonal effects on demand, the occurrence of storms and disasters, and climate change;
- indebtedness could make us more vulnerable to general adverse economic and industry conditions, limit our ability to borrow additional funds and/or place us at competitive disadvantage compared with competitors;
- our ability to secure reliable, competitively priced and flexible natural gas transportation and supply, including decisions by natural gas producers to reduce production or shut-in producing natural gas wells and expiration of existing supply, and transportation and storage arrangements that are not replaced with contracts with similar terms and pricing;
- the mechanical integrity of facilities operated;
- operational hazards and unforeseen operational interruptions;
- adverse labor relations;
- the effectiveness of our strategies to reduce earnings lag, margin protection strategies and risk mitigation strategies, which may be affected by risks beyond our control such as commodity price volatility and counterparty creditworthiness;
- our ability to generate sufficient cash flows to meet all our liquidity needs;
- changes in the financial markets during the periods covered by the forward-looking statements, particularly those affecting the availability of capital and our ability to refinance existing debt and fund investments and acquisitions;
- actions of rating agencies, including the ratings of debt, general corporate ratings and changes in the rating agencies' ratings criteria;
- changes in inflation and interest rates;
- our ability to recover the costs of natural gas purchased for our customers;
- impact of potential impairment charges;
- volatility and changes in markets for natural gas;
- possible loss of LDC franchises or other adverse effects caused by the actions of municipalities;
- payment and performance by counterparties and customers as contracted and when due;
- changes in existing or the addition of new environmental, safety, tax and other laws to which we and our subsidiaries are subject;
- the uncertainty of estimates, including accruals and costs of environmental remediation;

- advances in technology;
- population growth rates and changes in the demographic patterns of the markets we serve;
- acts of nature and the potential effects of threatened or actual terrorism, including cyber attacks or breaches of technology systems and war;
- the sufficiency of insurance coverage to cover losses;
- the effects of our strategies to reduce tax payments;
- the effects of litigation and regulatory investigations, proceedings, including our rate cases, or inquiries and the requirements of our regulators as a result of the Tax Cuts and Jobs Act of 2017;
- changes in accounting standards;
- changes in corporate governance standards;
- discovery of material weaknesses in our internal controls;
- our ability to attract and retain talented employees, management and directors;
- declines in the discount rates on, declines in the market value of the debt and equity securities of, and increases in funding requirements for, our defined benefit plans, as well as increased costs of providing health care benefits;
- the ability to successfully complete merger, acquisition or divestiture plans, regulatory or other limitations imposed as a result of a merger, acquisition or divestiture, and the success of the business following a merger, acquisition or divestiture;
- the final resolutions or outcomes with respect to our contingent and other corporate liabilities related to the natural gas distribution business and any related actions for indemnification made pursuant to the Separation and Distribution Agreement with ONEOK; and
- the costs associated with increased regulation and enhanced disclosure and corporate governance requirements pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010.

These factors are not necessarily all of the important factors that could cause actual results to differ materially from those expressed in any of our forward-looking statements. Other factors could also have material adverse effects on our future results. These and other risks are described in greater detail in Part 1, Item 1A, Risk Factors, in this Annual Report. All forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by these factors. Other than as required under securities laws, we undertake no obligation to update publicly any forward-looking statement whether as a result of new information, subsequent events or change in circumstances, expectations or otherwise.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our exposure to market risk discussed below includes forward-looking statements. Our views on market risk are not necessarily indicative of actual results that may occur and do not represent the maximum possible gains and losses that may occur since actual gains and losses will differ from those estimated based on actual fluctuations in commodity prices or interest rates and the timing of transactions.

Commodity Price Risk

Our commodity price risk, driven primarily by fluctuations in the price of natural gas, is mitigated by our purchased-gas cost adjustment mechanisms. We use derivative instruments to economically hedge the cost of anticipated natural gas purchases during the winter heating months to protect our customers from upward market price volatility of natural gas. Additionally, we inject natural gas into storage during the summer months and withdraw the natural gas during the winter heating season. Gains or losses associated with these derivative instruments and storage activities are included in, and recoverable through our purchased-gas cost adjustment mechanisms, which are subject to review by regulatory authorities.

Interest-Rate Risk

We are exposed to interest-rate risk primarily associated with new debt financing needed to fund capital requirements, including future contractual obligations and maturities of long-term and short-term debt. We expect to manage interest-rate risk on future borrowings through the use of fixed-rate debt, floating-rate debt and, at times, interest-rate swaps. Fixed-rate swaps may be used to reduce our risk of increased interest costs during periods of rising interest rates. Floating-rate swaps may be used to convert the fixed rates of long-term borrowings into short-term variable rates.

Counterparty Credit Risk

We assess the creditworthiness of our customers. Those customers who do not meet minimum standards are required to provide security, including deposits and other forms of collateral, when appropriate. With more than 2 million customers across three states, we are not exposed materially to a concentration of credit risk. We maintain a provision for doubtful

accounts based upon factors surrounding the credit risk of customers, historical trends, consideration of the current credit environment and other information. In Oklahoma, Kansas and most jurisdictions we serve in Texas, we are able to recover natural gas costs related to uncollectible accounts through our purchased-gas cost adjustment mechanisms.

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ITEM 8. CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of ONE Gas, Inc.

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of ONE Gas, Inc., and its subsidiaries as of December 31, 2017 and 2016, and the related consolidated statements of income, comprehensive income, equity and cash flows for each of the three years in the period ended December 31, 2017, including the related notes (collectively referred to as the "consolidated financial statements"). We also have audited the Company's internal control over financial reporting as of December 31, 2017 based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2017 and 2016, the results of their operations and their cash flows for each of the three years in the period ended December 31, 2017, in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2017, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the COSO.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control over Financial Reporting appearing in Item 9A. Our responsibility is to express opinions on the Company's consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the

company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/PricewaterhouseCoopers, LLP

Tulsa, Oklahoma
February 22, 2018

We have served as the Company's auditor since 2013.

ONE Gas, Inc.

CONSOLIDATED STATEMENTS OF INCOME

	Years Ended December 31,		
	2017	**2016**	**2015**
	(*Thousands of dollars, except per share amounts*)		
Revenues	**$ 1,539,633**	$ 1,427,232	$ 1,547,692
Cost of natural gas	**614,501**	541,797	705,959
Net margin	**925,132**	885,435	841,733
Operating expenses			
Operations and maintenance	**416,542**	417,142	414,476
Depreciation and amortization	**151,889**	143,829	133,023
General taxes	**57,225**	55,344	55,105
Total operating expenses	**625,656**	616,315	602,604
Operating income	**299,476**	269,120	239,129
Other income	**4,217**	1,447	263
Other expense	**(1,490)**	(1,490)	(2,813)
Interest expense, net	**(46,065)**	(43,739)	(44,570)
Income before income taxes	**256,138**	225,338	192,009
Income taxes	**(93,143)**	(85,243)	(72,979)
Net income	**$ 162,995**	$ 140,095	$ 119,030
Earnings per share			
Basic	**$ 3.10**	$ 2.67	$ 2.26
Diluted	**$ 3.08**	$ 2.65	$ 2.24
Average shares (*thousands*)			
Basic	**52,527**	52,453	52,578
Diluted	**52,979**	52,963	53,254
Dividends declared per share of stock	**$ 1.68**	$ 1.40	$ 1.20

See accompanying Notes to Consolidated Financial Statements.

ONE Gas, Inc.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31,		
	2017	**2016**	**2015**
	(*Thousands of dollars*)		
Net income	**$ 162,995**	$ 140,095	$ 119,030
Other comprehensive income (loss), net of tax			
Change in pension and other postemployment benefit plans liability, net of tax of $486, $197, and $(483), respectively	**(778)**	(314)	773
Total other comprehensive income (loss), net of tax	**(778)**	(314)	773
Comprehensive income	**$ 162,217**	$ 139,781	$ 119,803

See accompanying Notes to Consolidated Financial Statements.

ONE Gas, Inc.
CONSOLIDATED BALANCE SHEETS

	December 31, 2017	December 31, 2016
Assets	(*Thousands of dollars*)	
Property, plant and equipment		
Property, plant and equipment	**$ 5,713,912**	$ 5,404,168
Accumulated depreciation and amortization	**1,706,327**	1,672,548
Net property, plant and equipment	**4,007,585**	3,731,620
Current assets		
Cash and cash equivalents	**14,413**	14,663
Accounts receivable, net	**298,768**	290,944
Materials and supplies	**39,672**	34,084
Natural gas in storage	**130,154**	125,432
Regulatory assets	**88,180**	83,146
Other current assets	**17,807**	20,654
Total current assets	**588,994**	568,923
Goodwill and other assets		
Regulatory assets	**405,189**	440,522
Goodwill	**157,953**	157,953
Other assets	**47,157**	43,773
Total goodwill and other assets	**610,299**	642,248
Total assets	**$ 5,206,878**	$ 4,942,791

See accompanying Notes to Consolidated Financial Statements.

ONE Gas, Inc.

CONSOLIDATED BALANCE SHEETS

(Continued)

	December 31, 2017	December 31, 2016
Equity and Liabilities	(*Thousands of dollars*)	
Equity and long-term debt		
Common stock, $0.01 par value: authorized 250,000,000 shares; issued 52,598,005 shares and outstanding 52,312,516 shares at December 31, 2017; issued 52,598,005 shares and outstanding 52,283,260 shares at December 31, 2016	**$ 526**	$ 526
Paid-in capital	**1,737,551**	1,749,574
Retained earnings	**246,121**	161,021
Accumulated other comprehensive income (loss)	**(5,493)**	(4,715)
Treasury stock, at cost: 285,489 shares at December 31, 2017 and 314,745 shares at December 31, 2016	**(18,496)**	(18,126)
Total equity	**1,960,209**	1,888,280
Long-term debt, excluding current maturities, and net of issuance costs of $8,033 and $8,851, respectively	**1,193,257**	1,192,446
Total equity and long-term debt	**3,153,466**	3,080,726
Current liabilities		
Notes payable	**357,215**	145,000
Accounts payable	**143,681**	131,988
Accrued interest	**18,776**	18,854
Accrued taxes other than income	**41,324**	42,571
Accrued liabilities	**30,058**	22,931
Customer deposits	**60,811**	61,209
Other current liabilities	**21,465**	21,380
Total current liabilities	**673,330**	443,933
Deferred credits and other liabilities		
Deferred income taxes	**599,945**	1,038,568
Regulatory liabilities	**519,421**	—
Employee benefit obligations	**172,938**	303,507
Other deferred credits	**87,778**	76,057
Total deferred credits and other liabilities	**1,380,082**	1,418,132
Commitments and contingencies		
Total liabilities and equity	**$ 5,206,878**	$ 4,942,791

See accompanying Notes to Consolidated Financial Statements.

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ONE Gas, Inc.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31,		
	2017	**2016**	**2015**
	(*Thousands of dollars*)		
Operating activities			
Net income	**$ 162,995**	$ 140,095	$ 119,030
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	**151,889**	143,829	133,023
Deferred income taxes	**92,393**	86,788	63,789
Share-based compensation expense	**8,876**	11,219	9,187
Provision for doubtful accounts	**7,323**	5,427	4,520
Changes in assets and liabilities:			
Accounts receivable	**(15,147)**	(80,028)	105,886
Materials and supplies	**(5,588)**	(759)	(5,814)
Income tax receivable	**—**	37,480	4,923
Natural gas in storage	**(4,722)**	16,721	43,147
Asset removal costs	**(52,376)**	(53,430)	(51,608)
Accounts payable	**1,945**	27,596	(59,635)
Accrued interest	**(78)**	(19)	1
Accrued taxes other than income	**(1,247)**	5,322	(7,493)
Accrued liabilities	**7,127**	(8,539)	5,451
Customer deposits	**(398)**	884	322
Regulatory assets and liabilities	**29,250**	(49,472)	50,658
Employee benefit obligation	**(118,095)**	(25,666)	(15,033)
Other assets and liabilities	**(10,347)**	33,141	7,562
Cash provided by operating activities	**253,800**	290,589	407,916
Investing activities			
Capital expenditures	**(356,361)**	(309,071)	(294,320)
Other	**618**	492	—
Cash used in investing activities	**(355,743)**	(308,579)	(294,320)
Financing activities			
Borrowings (repayment) on notes payable, net	**212,215**	132,500	(29,500)
Repurchase of common stock	**(17,512)**	(24,066)	(24,122)
Issuance of common stock	**4,457**	4,017	7,051
Dividends paid	**(87,951)**	(73,209)	(62,826)
Tax withholdings related to net share settlements of stock compensation	**(9,516)**	(9,022)	(13,709)
Cash provided by (used in) financing activities	**101,693**	30,220	(123,106)
Change in cash and cash equivalents	**(250)**	12,230	(9,510)
Cash and cash equivalents at beginning of period	**14,663**	2,433	11,943
Cash and cash equivalents at end of period	**$ 14,413**	$ 14,663	$ 2,433
Supplemental cash flow information:			
Cash paid for interest, net of amounts capitalized	**$ 44,436**	$ 42,129	$ 42,980
Cash received for income taxes, net	**$ (1,389)**	$ (35,702)	$ (5,423)

See accompanying Notes to Consolidated Financial Statements.

ONE Gas, Inc.

CONSOLIDATED STATEMENTS OF EQUITY

	Common Stock Issued	Common Stock	Paid-in Capital
	(Shares)	(*Thousands of dollars*)	
January 1, 2015	52,083,859	$ 521	$ 1,758,796
Net income	—	—	—
Other comprehensive income	—	—	—
Repurchase of common stock	—	—	—
Common stock issued	514,146	5	5,027
Common stock dividends - $1.20 per share	—	—	1,052
December 31, 2015	52,598,005	526	1,764,875
Net income	—	—	—
Other comprehensive loss	—	—	—
Repurchase of common stock	—	—	—
Common stock issued	—	—	(16,212)
Common stock dividends - $1.40 per share	—	—	911
December 31, 2016	52,598,005	526	1,749,574
Cumulative effect of accounting change	—	—	—
Net income	—	—	—
Other comprehensive loss	—	—	—
Repurchase of common stock	—	—	—
Common stock issued and other	—	—	**(12,949)**
Common stock dividends - $1.68 per share	—	—	**926**
December 31, 2017	**52,598,005**	**$ 526**	**$ 1,737,551**

See accompanying Notes to Consolidated Financial Statements.

ONE Gas, Inc.

CONSOLIDATED STATEMENTS OF EQUITY

(Continued)

	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Total Equity
		(*Thousands of dollars*)		
January 1, 2015	$ 39,894	$ —	$ (5,174)	$ 1,794,037
Net income	119,030	—	—	119,030
Other comprehensive income	—	—	773	773
Repurchase of common stock	—	(24,122)	—	(24,122)
Common stock issued	—	9,631	—	14,663
Common stock dividends - $1.20 per share	(63,878)	—	—	(62,826)
December 31, 2015	95,046	(14,491)	(4,401)	1,841,555
Net income	140,095	—	—	140,095
Other comprehensive loss	—	—	(314)	(314)
Repurchase of common stock	—	(24,066)	—	(24,066)
Common stock issued	—	20,431	—	4,219
Common stock dividends - $1.40 per share	(74,120)	—	—	(73,209)
December 31, 2016	161,021	(18,126)	(4,715)	1,888,280
Cumulative effect of accounting change	**10,982**	—	—	**10,982**
Net income	**162,995**	—	—	**162,995**
Other comprehensive loss	—	—	**(778)**	**(778)**
Repurchase of common stock	—	**(17,512)**	—	**(17,512)**
Common stock issued and other	—	**17,142**	—	**4,193**
Common stock dividends - $1.68 per share	**(88,877)**	—	—	**(87,951)**
December 31, 2017	**$ 246,121**	**$ (18,496)**	**$ (5,493)**	**$ 1,960,209**

See accompanying Notes to Consolidated Financial Statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Operations - We provide natural gas distribution services to more than 2 million customers through our divisions in Oklahoma, Kansas and Texas through Oklahoma Natural Gas, Kansas Gas Service and Texas Gas Service, respectively. We serve residential, commercial, industrial and transportation customers in all three states. In addition, we also provide natural gas distribution services to wholesale and public authority customers. We are a corporation incorporated under the laws of the state of Oklahoma, and our common stock is listed on the NYSE under the trading symbol "OGS." In 2017, we formed a wholly-owned captive insurance company in the state of Oklahoma to provide insurance to our divisions.

Basis of Presentation - The consolidated financial statements include the accounts of the natural gas distribution business as set forth in "Organization and Nature of Operations" above. All significant balances and transactions between our subsidiaries have been eliminated.

Use of Estimates - The preparation of our consolidated financial statements and related disclosures in accordance with GAAP requires us to make estimates and assumptions with respect to values or conditions that cannot be known with certainty that affect the reported amount of assets and liabilities, and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements. These estimates and assumptions also affect the reported amounts of revenue and expenses during the reporting period. Items that may be estimated include, but are not limited to, the economic useful life of assets, fair value of assets and liabilities, provisions for doubtful accounts receivable, unbilled revenues for natural gas delivered but for which meters have not been read, natural gas purchased but for which no invoice has been received, provision for income taxes, including any deferred income tax valuation allowances, the results of litigation and various other recorded or disclosed amounts.

We evaluate these estimates on an ongoing basis using historical experience and other methods we consider reasonable based on the particular circumstances. Nevertheless, actual results may differ significantly from the estimates. Any effects on our financial position or results of operations from revisions to these estimates are recorded in the period when the facts that give rise to the revision become known.

Fair Value Measurements - We define fair value as the price that would be received from the sale of an asset or the transfer of a liability in an orderly transaction between market participants at the measurement date. We use the market and income approaches to determine the fair value of our assets and liabilities and consider the markets in which the transactions are executed. We measure the fair value of a group of financial assets and liabilities consistent with how a market participant would price the net risk exposure at the measurement date.

Fair Value Hierarchy - At each balance sheet date, we utilize a fair value hierarchy to classify fair value amounts recognized or disclosed in our consolidated financial statements based on the observability of inputs used to estimate such fair value. The levels of the hierarchy are described below:

- Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 - Significant observable pricing inputs other than quoted prices included within Level 1 that are, either directly or indirectly, observable as of the reporting date. Essentially, this represents inputs that are derived principally from or corroborated by observable market data; and
- Level 3 - May include one or more unobservable inputs that are significant in establishing a fair value estimate. These unobservable inputs are developed based on the best information available and may include our own internal data.

We recognize transfers into and out of the levels as of the end of each reporting period.

Determining the appropriate classification of our fair value measurements within the fair value hierarchy requires management's judgment regarding the degree to which market data is observable or corroborated by observable market data. We categorize derivatives for which fair value is determined using multiple inputs within a single level, based on the lowest level input that is significant to the fair value measurement in its entirety. See Note 7 for additional information regarding our fair value measurements.

Cash and Cash Equivalents - Cash equivalents consist of highly liquid investments, which are readily convertible into cash and have original maturities of three months or less.

Revenue Recognition - For regulated deliveries of natural gas, we read meters and bill customers on a monthly cycle. We recognize revenues upon the delivery of the natural gas commodity or services rendered to customers. The billing cycles for customers do not necessarily coincide with the accounting periods used for financial reporting purposes. Revenues are accrued for natural gas delivered and services rendered to customers, but not yet billed. Accrued unbilled revenue is based on a percentage estimate of amounts unbilled each month, which is dependent upon a number of factors, some of which require management's judgment. These factors include customer consumption patterns and the impact of weather on usage. The amounts of accrued unbilled natural gas sales revenues at December 31, 2017 and 2016 , were $138.5 million and $143.2 million , respectively.

We collect and remit other taxes on behalf of governmental authorities, and we record these amounts in accrued taxes other than income in our Consolidated Balance Sheets on a net basis.

Cost of Natural Gas - Net margin is comprised of total revenues less cost of natural gas. Cost of natural gas includes commodity purchases, fuel, storage, transportation and other gas purchase costs recovered through our cost of natural gas regulatory mechanisms and does not include an allocation of general operating costs or depreciation and amortization. In addition, our cost of natural gas regulatory mechanisms provide a method of recovering natural gas costs on an ongoing basis without a profit. Therefore, although our revenues will fluctuate with the cost of gas that we purchase, net margin is not affected by fluctuations in the cost of natural gas. See Note 8 for additional discussion of purchased gas cost recoveries.

Accounts Receivable - Accounts receivable represent valid claims against nonaffiliated customers for natural gas sold or services rendered, net of allowances for doubtful accounts. We assess the creditworthiness of our customers. Those customers who do not meet minimum standards are required to provide security, including deposits and other forms of collateral, when appropriate. With more than 2 million customers across three states, we are not exposed materially to a concentration of credit risk. We maintain an allowance for doubtful accounts based upon factors surrounding the credit risk of customers, historical trends, consideration of the current credit environment and other information. In Oklahoma, Kansas and most jurisdictions we serve in Texas, we are able to recover natural gas costs related to doubtful accounts through purchased-gas cost adjustment mechanisms. At December 31, 2017 and 2016 , our allowance for doubtful accounts was $4.8 million and $4.2 million , respectively.

Inventories - Natural gas in storage is maintained on the basis of weighted-average cost. Natural gas inventories that are injected into storage are recorded in inventory based on actual purchase costs, including storage and transportation costs. Natural gas inventories that are withdrawn from storage are accounted for in our purchased-gas cost adjustment mechanisms at the weighted-average inventory cost.

Materials and supplies inventories are stated at the lower of weighted-average cost or net realizable value.

Derivatives and Risk Management Activities - We record all derivative instruments at fair value, with the exception of normal purchases and normal sales that are expected to result in physical delivery. The accounting for changes in the fair value of a derivative instrument depends on whether it has been designated and qualifies as part of a hedging relationship and, if so, the reason for holding it, or if regulatory rulings require a different accounting treatment.

If certain conditions are met, we may elect to designate a derivative instrument as a hedge of exposure to changes in fair values or cash flows.

The table below summarizes the various ways in which we account for our derivative instruments and the impact on our consolidated financial statements:

	Recognition and Measurement	
Accounting Treatment	**Balance Sheet**	**Income Statement**
Normal purchases and normal sales	- Fair value not recorded	- Change in fair value not recognized in earnings
Mark-to-market	- Recorded at fair value	- Change in fair value recognized in, and recoverable through, the purchased-gas cost adjustment mechanisms

We have not elected to formally designate any of our derivative instruments as hedges. Gains or losses associated with the fair value of commodity derivative instruments entered into by us are included in, and recoverable through, the purchased-gas cost adjustment mechanisms.

See Note 7 for additional information regarding our fair value measurements and hedging activities using derivatives.

Property, Plant and Equipment - Our properties are stated at cost, which includes direct construction costs such as direct labor, materials, burden and AFUDC. Generally, the cost of our property retired or sold, plus removal costs, less salvage, is charged to accumulated depreciation. Gains and losses from sales or retirement of an entire operating unit or system of our properties are recognized in income. Maintenance and repairs are charged directly to expense.

AFUDC represents the cost of borrowed funds used to finance construction activities. We capitalize interest costs during the construction or upgrade of qualifying assets. Capitalized interest is recorded as a reduction to interest expense.

Our properties are depreciated using the straight-line method over their estimated useful lives. Generally, we apply composite depreciation rates to functional groups of property having similar economic circumstances. We periodically conduct depreciation studies to assess the economic lives of our assets. These depreciation studies are completed as a part of our regulatory proceedings, and the changes in economic lives, if applicable, are implemented prospectively when the new rates are approved by our regulators and become effective. Changes in the estimated economic lives of our property, plant and equipment could have a material effect on our financial position, results of operations or cash flows.

Property, plant and equipment on our Consolidated Balance Sheets includes construction work in process for capital projects that have not yet been placed in service and therefore are not being depreciated. Assets are transferred out of construction work in process when they are substantially complete and ready for their intended use.

See Note 9 for additional information regarding our property, plant and equipment.

Impairment of Goodwill and Long-Lived Assets - We assess our goodwill for impairment at least annually as of July 1. Our goodwill impairment analysis performed in 2017, 2016 and 2015 , utilized a qualitative assessment and did not result in any impairment indicators. Subsequent to July 1, 2017 , no event has occurred indicating that it is more likely than not that our fair value is less than our carrying value of our net assets.

As part of our goodwill impairment test, we first assess qualitative factors (including macroeconomic conditions, industry and market considerations, cost factors and overall financial performance) to determine whether it is more likely than not that our fair value is less than our carrying amount. If further testing is necessary, we perform an impairment test for goodwill. This assessment is made by comparing our fair value with our book value, including goodwill. If the fair value is less than the book value, we will record an impairment charge, not to exceed the carrying amount of goodwill.

To estimate our fair value, we use two generally accepted valuation approaches, an income approach and a market approach, using assumptions consistent with a market participant’s perspective. Under the income approach, we use anticipated cash flows over a period of years plus a terminal value and discount these amounts to their present value using appropriate discount rates. Under the market approach, we apply acquisition multiples to forecasted cash flows. The acquisition multiples used are consistent with historical market transactions. The forecasted cash flows are based on average forecasted cash flows over a period of years.

We assess our long-lived assets for impairment whenever events or changes in circumstances indicate that an asset’s carrying amount may not be recoverable. An impairment is indicated if the carrying amount of a long-lived asset exceeds the sum of the undiscounted future cash flows expected to result from the use and eventual disposition of the asset. If an impairment is indicated, we record an impairment loss equal to the difference between the carrying value and the fair value of the long-lived asset. We determined that there were no asset impairments in 2017, 2016 or 2015 .

Regulation - We are subject to the rate regulation and accounting requirements of the OCC, KCC, RRC and various municipalities in Texas. We follow the accounting and reporting guidance for regulated operations. During the ratemaking process, regulatory authorities set the framework for what we can charge customers for our services and establish the manner that our costs are accounted for, including allowing us to defer recognition of certain costs and permitting recovery of the amounts through rates over time, as opposed to expensing such costs as incurred. Examples include weather normalization, unrecovered purchased-gas costs, pension and postemployment benefit costs and ad-valorem taxes. This allows us to stabilize rates over time rather than passing such costs on to the customer for immediate recovery. Actions by regulatory authorities could have an effect on the amount recovered from rate payers. Any difference in the amount recoverable and the amount deferred is recorded as income or expense at the time of the regulatory action. A write-off of regulatory assets and costs not recovered may be required if all or a portion of the regulated operations have rates that are no longer:

- established by independent regulators;
- designed to recover the specific entity's costs of providing regulated services; and
- set at levels that will recover our costs when considering the demand and competition for our services.

See Note 8 for additional information regarding our regulatory assets and liabilities disclosures.

Pension and Other Postemployment Employee Benefits - We have defined benefit retirement plans covering eligible employees. We also sponsor welfare plans that provide other postemployment medical and life insurance benefits to eligible employees who retire with at least five years of service. To calculate the costs and liabilities related to our plans, we utilize an outside actuarial consultant, which uses statistical and other factors to anticipate future events. These factors include assumptions about the discount rate, expected return on plan assets, rate of future compensation increases, age and mortality and employment periods. We use tables issued by the Society of Actuaries to estimate mortality rates. In determining the projected benefit obligations and costs, assumptions can change from period to period and may result in material changes in the cost and liabilities we recognize.

Income Taxes - Deferred income taxes are recorded for the difference between the financial statement and income tax basis of assets and liabilities and carryforward items, based on income tax laws and rates existing at the time the temporary differences are expected to reverse. The effect on deferred income taxes of a change in tax rates is deferred and amortized for operations regulated by the OCC, KCC, RRC and various municipalities in Texas, if, as a result of an action by a regulator, it is probable that the effect of the change in tax rates will be recovered from or returned to customers through future rates. We continue to amortize previously deferred investment tax credits for ratemaking purposes over the periods prescribed by our regulators.

A valuation allowance for deferred income tax assets is recognized when it is more likely than not that some or all of the benefit from the deferred income tax asset will not be realized. To assess that likelihood, we use estimates and judgment regarding our future taxable income, as well as the jurisdiction in which such taxable income is generated, to determine whether a valuation allowance is required. Such evidence can include our current financial position, our results of operations, both actual and forecasted, the reversal of deferred income tax liabilities, as well as the current and forecasted business economics of our industry. We had no valuation allowance at December 31, 2017 and 2016 .

We utilize a more-likely-than-not recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position that is taken or expected to be taken in a tax return. We reflect penalties and interest as part of income tax expense as they become applicable for tax provisions that do not meet the more-likely-than-not recognition threshold and measurement attribute. There were no material uncertain tax positions at December 31, 2017 and 2016 .

See Note 12 for additional information regarding income taxes.

Asset Retirement Obligations - Asset retirement obligations represent legal obligations associated with the retirement of long-lived assets that result from the acquisition, construction, development and/or normal use of the asset. Certain long-lived assets that comprise our natural gas distribution systems, primarily our pipeline assets, are subject to agreements or regulations that give rise to an asset retirement obligation for removal or other disposition costs associated with retiring the assets in place upon the discontinued use of the natural gas distribution system. We recognize the fair value of a liability for an asset retirement obligation in the period when it is incurred if a reasonable estimate of the fair value can be made. We are not able to estimate reasonably the fair value of the asset retirement obligations for portions of our assets because the settlement dates are indeterminable given our expected continued use of the assets with proper maintenance. We expect our natural gas distribution systems will continue in operation as long as natural gas supply and demand for natural gas distribution service exists. Based on the widespread use of natural gas for heating and cooking activities by residential and commercial customers in our service areas, management expects supply and demand to exist for the foreseeable future.

In accordance with long-standing regulatory treatment, we collect through rates the estimated costs of removal on certain regulated properties through depreciation expense, with a corresponding credit to accumulated depreciation and amortization. These removal costs collected through our rates include costs attributable to legal and nonlegal removal obligations; however, the amounts collected that are in excess of these nonlegal asset-removal costs incurred are accounted for as a regulatory liability for financial reporting purposes. Historically, with the exception of the regulatory authority in Kansas, the regulatory authorities that have jurisdiction over our regulated operations have not required us to quantify or disclose this amount; rather, these costs are addressed prospectively in depreciation rates and are set in each general rate order. We have made an estimate of our regulatory liability using current rates since the last general rate order in each of our jurisdictions if the removal costs collected have exceeded our removal cost incurred; however, for financial reporting purposes, significant uncertainty exists regarding the future disposition of this regulatory liability, pending, among other issues, clarification of regulatory intent. We continue to monitor the regulatory requirements, and the liability may be adjusted as more information is obtained. We record the estimated asset removal obligation in noncurrent liabilities in other deferred credits on our Consolidated Balance Sheets. To the extent this estimated liability is adjusted, such amounts will be reclassified between accumulated depreciation and amortization and other deferred credits and therefore will not have an impact on earnings.

Contingencies - Our accounting for contingencies covers a variety of business activities, including contingencies for legal and environmental exposures. We accrue these contingencies when our assessments indicate that it is probable that a liability has been incurred or an asset will not be recovered and an amount can be estimated reasonably. We expense legal fees as incurred and base our legal liability estimates on currently available facts and our estimates of the ultimate outcome or resolution. Accruals for estimated losses from environmental remediation obligations generally are recognized no later than the completion of a remediation feasibility study. Recoveries of environmental remediation costs from other parties are recorded as assets when their receipt is deemed probable. Actual results may differ from our estimates resulting in an impact, positive or negative, on earnings.

See Note 13 for additional information regarding contingencies.

Share-Based Payments - We expense the fair value of share-based payments net of estimated forfeitures. We estimate forfeiture rates based on historical forfeitures under our share-based payment plans.

Earnings per share - Basic EPS is based on net income and is calculated based upon the daily weighted-average number of common shares outstanding during the periods presented. Also, this calculation includes fully vested stock awards that have not yet been issued as common stock. Diluted EPS includes the above, plus unvested stock awards granted under our compensation plans, but only to the extent these instruments dilute earnings per share.

Segments - We operate in one reportable business segment: regulated public utilities that deliver natural gas to residential, commercial, industrial, wholesale, public authority and transportation customers. We define reportable business segments as components of an organization for which discrete financial information is available and operating results are evaluated on a regular basis by the chief operating decision maker (“CODM”) in order to assess performance and allocate resources. Our CODM is our Chief Executive Officer (“CEO”). Characteristics of our organization that were relied upon in making this determination include the similar nature of services we provide, the functional alignment of our organizational structure, and the reports that are regularly reviewed by the CODM for the purpose of assessing performance and allocating resources. Our management is functionally aligned and centralized, with performance evaluated based upon results of the entire distribution business. Capital allocation decisions are driven by asset integrity management, operating efficiency, growth opportunities and government relocations, not geographic location or regulatory jurisdiction.

In 2017 , 2016 and 2015 , we had no single external customer from which we received 10 percent or more of our gross revenues.

Treasury Stock - We record treasury stock purchases at cost, which includes incremental direct transaction costs. Amounts are recorded as reductions in equity in our Consolidated Balance Sheets. We record the reissuance of treasury stock at our weighted average cost of treasury shares recorded in equity in our Consolidated Balance Sheets.

Recently Issued Accounting Standards Update - In February 2018, the FASB issued ASU 2018-02, “Income Statement - Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income,’’ which allows a reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the Tax Cuts and Jobs Act of 2017. This new guidance is required for our interim and annual reports for periods beginning after December 15, 2018, and early adoption is permitted. We are currently assessing the timing and impacts of adopting this standard, but do not expect a material impact to our consolidated financial statements.

In August 2017, the FASB issued ASU 2017-12, “Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities,” which allows more types of hedging strategies to be eligible for hedge accounting and simplifies application of hedge accounting. This new guidance is required for our interim and annual reports for periods beginning after December 15, 2018, and early adoption is permitted, but must be applied as of the beginning of the fiscal year, or initial application date. The impact of this guidance is not material to us, as we have not elected hedge accounting due to the nature of the types of derivatives we have entered.

In March 2017, the FASB issued ASU 2017-07, “Compensation - Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost,” which requires (1) separation of net periodic service costs for pension and other postemployment benefits into service cost and other components, (2) presentation of the service cost component in the same line as other compensation costs rendered by pertinent employees during the period, and (3) reporting the other components of net periodic benefit costs separately from the service cost component and outside a subtotal of income from operations. Additionally, only the service cost component is eligible for capitalization for GAAP, when applicable. However, all of our cost components remain eligible for capitalization under the accounting requirements for rate regulated entities.

We will adopt this guidance for our interim and annual reports in the first quarter of 2018. When adopted, the presentation changes required for net periodic benefit costs will not impact previously reported net income; however, the reclassification of the other components of benefits costs will result in an increase in operating income and an increase in other expenses for 2017 and 2016 of $17.3 million and $19.8 million , respectively. We will use the retroactive presentation that permits the use of the amounts disclosed for the various components of net benefit cost in our Employee Benefit Plans footnote to our consolidated financial statements as the basis for the retrospective application. In addition, we updated our information systems for the capitalization of service costs to property and non-service costs to a regulatory asset on a prospective basis, as well as the appropriate accounts for non-service costs to apply retroactive reclassification.

In January 2017, the FASB issued ASU 2017-04, “Intangibles - Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment,” which simplifies how an entity is required to test goodwill for impairment by eliminating Step 2 of the goodwill test, where the measurement of a goodwill impairment loss was determined by comparing the implied fair value of a reporting unit’s goodwill with the carrying amount of that goodwill. Upon adoption, a goodwill impairment will be the amount by which a reporting unit’s carrying value exceeds its fair value, not to exceed the carrying amount of goodwill. We early adopted this new guidance in the current year, and it did not have an impact on our consolidated financial statements. See our conclusions regarding our current year Goodwill Impairment Test above.

In June 2016, the FASB issued ASU 2016-13, “Financial Instruments - Credit Losses: Measurement of Credit Losses on Financial Instruments,’’ which introduced new guidance to the accounting for credit losses on instruments within its scope, including trade receivables. It is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years, and may be adopted a year earlier. The new guidance will be initially applied through a cumulative-effect adjustment to retained earnings as of the beginning of the period of adoption. We are currently assessing the timing and impacts of adopting this standard, which must be adopted by the first quarter of 2020.

In March 2016, the FASB issued ASU 2016-09, “Improvements to Employee Share-Based Payment Accounting,” which includes various new aspects to simplify how share-based payments are accounted for and presented in the consolidated financial statements. The new standard modifies several aspects of the accounting and reporting for employee share-based payments and related tax accounting impacts, including the presentation in the consolidated statements of operations and cash flows. We adopted this new guidance in the first quarter 2017, and in accordance with the transition requirements, we recorded $5.2 million of excess tax benefit in income tax expense and have transitioned all provisions of this new guidance prospectively, other than our presentation of our withholding shares for tax-withholding purposes, which we accounted for retrospectively in the Financing Activities section of our Consolidated Statement of Cash Flows. We recorded a noncash cumulative-effect increase of $11.0 million to retained earnings, with an offset to a deferred income tax asset, as of the beginning of the reporting period in 2017, for excess tax benefits earned prior to January 1, 2017, that had not been recognized. We continue our use of the estimation method to account for share unit award forfeitures rather than actual forfeitures. The retrospective impact of our withholding shares for tax-withholding purposes to our Consolidated Statement of Cash Flows for the year ended December 31, 2016 , was a $9.0 million increase to net cash provided by operating activities and a $9.0 million decrease to net cash used in financing activities. The retrospective impact of our withholding shares for tax-withholding purposes to our Consolidated Statement of Cash Flows for the year ended December 31, 2015 , was a $13.7 million increase to net cash provided by operating activities and a $13.7 million decrease to net cash used in financing activities.

In February 2016, the FASB issued ASU 2016-02, “Leases (Topic 842),” which prescribes recognizing lease assets and liabilities on the balance sheet and includes disclosure of key information about leasing arrangements. A modified

retrospective transition approach is required for leases existing at the time of adoption. In January 2018, the FASB issued ASU 2018-01, "Leases (Topic 842)," as an amendment to address stakeholder concerns about the costs and complexity of complying with the transition provisions of the new lease requirements to provide an optional transition practical expedient to not evaluate under Topic 842 existing or expired land easements that were not previously accounted for as leases under the current leases guidance in Topic 840. We are continuing to evaluate our population of leases, analyzing lease agreements, and holding meetings with cross-functional teams to determine the potential impact of this accounting standard on our financial position and results of operations and the transition approach we will utilize. We will adopt this new guidance in the first quarter of 2019.

In May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers" ("ASC 606"), which clarifies and converges the revenue recognition principles under GAAP and International Financial Reporting Standards. In July 2015, FASB delayed the effective date for one year. We have evaluated all of our sources of revenue to determine the potential effect on our financial position, results of operations, cash flows and the related accounting policies and business processes. We will adopt this new guidance for our interim and annual reports beginning in the first quarter 2018, using the modified retrospective method. There will not be a cumulative adjustment to our opening retained earnings. The only impact we expect would be a reclassification of certain revenues that do not meet the requirements under ASC 606 as revenues from contracts with customers, but will continue to be reflected as other revenues in determining total revenue. The items we expect to reclassify relate primarily to the weather normalization mechanism in Kansas, where the KCC determines how we reflect variations in weather in our rates billed to customers. We have determined the majority of our tariffs to be contracts with customers which are settled over time, where our performance obligation is settled with our customer when natural gas is delivered and simultaneously consumed.

The majority of our revenues that meet the requirements under ASC 606 are considered implied contracts, as established by our tariff rates approved by regulatory authorities. Our sources of revenue will be disaggregated by natural gas sales (including sales to residential, commercial, industrial, wholesale and public authority customers), transportation revenue, and other utility revenues, which are primarily one-time service fees, that meet the requirements under ASC 606. The reclassification of certain revenues that do not meet the requirements under ASC 606 will be classified as other revenues on the Consolidated Income Statement and in our Notes to Consolidated Financial Statements. Additionally, for our natural gas sales and transportation revenues, our customers receive the benefits of our performance when the commodity is delivered to the customer and the performance obligation is satisfied over time as the customer receives and consumes the natural gas. For our other utility revenue, the performance obligation of one time services are satisfied at a point in time when services are rendered to the customer. In addition, we will use the invoice method practical expedient, where we will recognize revenue for volumes delivered for which we have a right to invoice.

2. CREDIT FACILITY AND SHORT-TERM NOTES PAYABLE

In October 2017, we amended and restated our revolving credit agreement. The ONE Gas Credit Agreement remains a $700 million revolving unsecured credit facility, and includes a $20 million letter of credit subfacility and a $60 million swingline subfacility. We will also be able to request an increase in commitments of up to an additional $500 million upon satisfaction of customary conditions, including receipt of commitments from either new lenders or increased commitments from existing lenders. The ONE Gas Credit Agreement expires in October 2022 , and is available to provide liquidity for working capital, capital expenditures, acquisitions and mergers, the issuance of letters of credit and for other general corporate purposes.

The ONE Gas Credit Agreement contains certain financial, operational and legal covenants. Among other things, these covenants include maintaining ONE Gas' total debt-to-capital ratio of no more than 70 percent at the end of any calendar quarter. The ONE Gas Credit Agreement also contains customary affirmative and negative covenants, including covenants relating to liens, indebtedness of subsidiaries, investments, changes in the nature of business, fundamental changes, transactions with affiliates, burdensome agreements, and use of proceeds. In the event of a breach of certain covenants by ONE Gas, amounts outstanding under the ONE Gas Credit Agreement may become due and payable immediately. At December 31, 2017 , our total debt-to-capital ratio was 44 percent and we were in compliance with all covenants under the ONE Gas Credit Agreement.

The ONE Gas Credit Agreement contains provisions for an applicable margin rate and an annual facility fee, both of which adjust with changes in our credit rating. Based on our current credit ratings, borrowings, if any, will accrue interest at LIBOR plus 79.5 basis points, and the annual facility fee is 8 basis points.

We have a commercial paper program under which we may issue unsecured commercial paper up to a maximum amount of $700 million to fund short-term borrowing needs. The maturities of the commercial paper notes may vary but may not exceed 270 days from the date of issue. The commercial paper notes are sold generally at par less a discount representing an interest factor.

The ONE Gas Credit Agreement is available to repay the commercial paper notes, if necessary. Amounts outstanding under the commercial paper program reduce the borrowing capacity under the ONE Gas Credit Agreement.

At December 31, 2017 , we had $357.2 million of commercial paper, $2.1 million in letters of credit issued under the ONE Gas Credit Agreement, with no borrowings and $340.7 million of remaining credit available under the ONE Gas Credit Agreement. The weighted-average interest rate on our commercial paper was 1.55 percent and 0.95 percent at December 31, 2017 and 2016 , respectively.

3. LONG-TERM DEBT

We have senior notes consisting of $300 million of 2.07 percent senior notes due 2019 , $300 million of 3.61 percent senior notes due 2024 and $600 million of 4.658 percent senior notes due 2044 . The indenture governing our Senior Notes includes an event of default upon the acceleration of other indebtedness of $100 million or more. Such events of default would entitle the trustee or the holders of 25 percent in the aggregate principal amount of the outstanding Senior Notes to declare those senior notes immediately due and payable in full.

We may redeem our Senior Notes at par, plus accrued and unpaid interest to the redemption date, starting one month, three months, and six months, respectively, before their maturity dates. Prior to these dates, we may redeem these Senior Notes, in whole or in part, at a redemption price equal to the principal amount, plus accrued and unpaid interest and a make-whole premium. The redemption price will never be less than 100 percent of the principal amount of the respective note plus accrued and unpaid interest to the redemption date. Our Senior Notes are senior unsecured obligations, ranking equally in right of payment with all of our existing and future unsecured senior indebtedness.

4. EQUITY

Preferred Stock - At December 31, 2017 , we had 50 million , $0.01 par value, authorized shares of preferred stock available. We have not issued or established any classes or series of shares of preferred stock.

Common Stock - At December 31, 2017 , we had approximately 197.7 million shares of authorized common stock available for issuance.

Treasury Shares - We purchase treasury shares to be used to offset shares issued under our equity compensation plan and the ESPP. Our Board of Directors established an annual limit of $20 million of treasury stock purchases, exclusive of funds received through the dividend reinvestment and the ESPP. Stock purchases may be made in the open market or in private transactions at times, and in amounts that we deem appropriate. There is no guarantee as to the exact number of shares that we purchase, and we can terminate or limit the program at any time.

Dividends Declared - In January 2018, we declared a dividend of $0.46 per share ($1.84 per share on an annualized basis) for shareholders of record on February 23, 2018, payable March 9, 2018.

5. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

The following table sets forth the balance in accumulated other comprehensive income (loss) for the period indicated:

	Accumulated Other Comprehensive Income (Loss)
	(Thousands of dollars)
January 1, 2016	$ (4,401)
Pension and other postemployment benefit plans obligations	
Other comprehensive income (loss) before reclassification, net of tax of $486	(776)
Amounts reclassified from accumulated other comprehensive income (loss), net of tax of $(289)	462
Other comprehensive income (loss)	(314)
December 31, 2016	(4,715)
Pension and other postemployment benefit plans obligations	
Other comprehensive income (loss) before reclassification, net of tax of $808	**(1,293)**
Amounts reclassified from accumulated other comprehensive income (loss), net of tax of $(322)	**515**
Other comprehensive income (loss)	**(778)**
December 31, 2017	**$ (5,493)**

The following table sets forth the effect of reclassifications from accumulated other comprehensive income (loss) on our Consolidated Statements of Income for the period indicated:

Details about Accumulated Other Comprehensive Income (Loss) Components	**Year Ended December 31, 2017**	**2016**	**2015**	**Affected Line Item in the Consolidated Statements of Income**
		(*Thousands of dollars*)		
Pension and other postemployment benefit plan obligations (a)				
Amortization of net loss	**$ 42,591**	$ 40,912	$ 47,494	
Amortization of unrecognized prior service cost	**(4,597)**	(3,316)	(1,962)	
	37,994	37,596	45,532	
Regulatory adjustments (b)	**(37,157)**	(36,845)	(44,615)	
	837	751	917	Income before income taxes
	(322)	(289)	(353)	Income tax expense
Total reclassifications for the period	**$ 515**	$ 462	$ 564	Net income

(a) These components of accumulated other comprehensive income (loss) are included in the computation of net periodic benefit cost. See Note 11 for additional information regarding our net periodic benefit cost.
(b) Regulatory adjustments represent pension and other postemployment benefit costs expected to be recovered through rates and are deferred as part of our regulatory assets. See Note 8 for additional information regarding our regulatory assets and liabilities.

6. EARNINGS PER SHARE

The following tables set forth the computation of basic and diluted EPS from continuing operations for the periods indicated:

	Year Ended December 31, 2017		
	Income	**Shares**	**Per Share Amount**
	(*Thousands, except per share amounts*)		
Basic EPS Calculation			
Net income available for common stock	**$ 162,995**	**52,527**	**$ 3.10**
Diluted EPS Calculation			
Effect of dilutive securities	—	**452**	
Net income available for common stock and common stock equivalents	**$ 162,995**	**52,979**	**$ 3.08**

	Year Ended December 31, 2016		
	Income	Shares	Per Share Amount
	(*Thousands, except per share amounts*)		
Basic EPS Calculation			
Net income available for common stock	$ 140,095	52,453	$ 2.67
Diluted EPS Calculation			
Effect of dilutive securities	—	510	
Net income available for common stock and common stock equivalents	$ 140,095	52,963	$ 2.65

	Year Ended December 31, 2015		
	Income	Shares	Per Share Amount
	(*Thousands, except per share amounts*)		
Basic EPS Calculation			
Net income available for common stock	$ 119,030	52,578	$ 2.26
Diluted EPS Calculation			
Effect of dilutive securities	—	676	
Net income available for common stock and common stock equivalents	$ 119,030	53,254	$ 2.24

7. DERIVATIVE FINANCIAL INSTRUMENTS AND FAIR VALUE MEASUREMENTS

Derivative Instruments - At December 31, 2017 , we held purchased natural gas call options for the heating season ending March 2018, with total notional amounts of 14.1 Bcf, for which we paid premiums of $5.5 million , and which had a fair value of $1.1 million . At December 31, 2016 , we held purchased natural gas call options for the heating season ended March 2017 , with total notional amounts of 14.3 Bcf, for which we paid premiums of $5.4 million , and which had a fair value of $6.5 million . The premiums paid and any cash settlements received are recorded as part of our unrecovered purchased-gas costs in current regulatory assets as these contracts are included in, and recoverable through, the purchased-gas cost adjustment mechanisms. Additionally, changes in fair value associated with these contracts are deferred as part of our unrecovered purchased-gas costs in our Consolidated Balance Sheets. Our natural gas call options are classified as Level 1 as fair value amounts are based on unadjusted quoted prices in active markets including NYMEX-settled prices. There were no transfers between levels for the periods presented.

Other Financial Instruments - The approximate fair value of cash and cash equivalents, accounts receivable and accounts payable is equal to book value, due to the short-term nature of these items. Our cash and cash equivalents are comprised of bank and money market accounts, and are classified as Level 1.

Short-term notes payable and commercial paper are due upon demand and, therefore, the carrying amounts approximate fair value and are classified as Level 1. The book value of our long-term debt, including current maturities, was $1.2 billion at both December 31, 2017 and 2016 . The estimated fair value of our long-term debt, including current maturities, was $1.3 billion and $1.2 billion at December 31, 2017 and 2016 , respectively. The estimated fair value of our Senior Notes was determined using quoted market prices, and are considered Level 2.

8. REGULATORY ASSETS AND LIABILITIES

The table below presents a summary of regulatory assets, net of amortization, and liabilities for the periods indicated:

		December 31, 2017		
	Remaining Recovery Period	Current	Noncurrent	Total
		(*Thousands of dollars*)		
Under-recovered purchased-gas costs	1 year	**$ 41,238**	**$ —**	**$ 41,238**
Pension and other postemployment benefit costs	See Note 11	**25,156**	**387,582**	**412,738**
Weather normalization	1 year	**17,461**	**—**	**17,461**
Reacquired debt costs	10 years	**812**	**7,298**	**8,110**
MGP remediation costs	15 years	**—**	**6,104**	**6,104**
Other	1 to 21 years	**3,513**	**4,205**	**7,718**
Total regulatory assets, net of amortization		**88,180**	**405,189**	**493,369**
Federal income tax rate changes (a)	See Note 12	**—**	**(519,421)**	**(519,421)**
Over-recovered purchased-gas costs	1 year	**(9,434)**	**—**	**(9,434)**
Ad-valorem tax	1 year	**(4)**	**—**	**(4)**
Total regulatory liabilities		**(9,438)**	**(519,421)**	**(528,859)**
Net regulatory assets and liabilities		**$ 78,742**	**$ (114,232)**	**$ (35,490)**

(a) See Note 12 for additional information regarding our federal income tax rate changes regulatory liabilities.

		December 31, 2016		
	Remaining Recovery Period	Current	Noncurrent	Total
		(*Thousands of dollars*)		
Under-recovered purchased-gas costs	1 year	$ 29,901	$ —	$ 29,901
Pension and other postemployment benefit costs	See Note 11	31,498	427,448	458,946
Weather normalization	1 year	17,661	—	17,661
Reacquired debt costs	11 years	812	8,108	8,920
Other	1 to 22 years	3,274	4,966	8,240
Total regulatory assets, net of amortization		83,146	440,522	523,668
Over-recovered purchased-gas costs	1 year	(10,154)	—	(10,154)
Ad-valorem tax	1 year	(1,768)	—	(1,768)
Total regulatory liabilities		(11,922)	—	(11,922)
Net regulatory assets and liabilities		$ 71,224	$ 440,522	$ 511,746

Regulatory assets on our Consolidated Balance Sheets, as authorized by the various regulatory authorities, are probable of recovery. Base rates are designed to provide a recovery of cost during the period rates are in effect but do not generally provide for a return on investment for amounts we have deferred as regulatory assets. All of our regulatory assets recoverable through base rates are subject to review by the respective regulatory authorities during future rate proceedings. We are not aware of any evidence that these costs will not be recoverable through either rate riders or base rates, and we believe that we will be able to recover such costs, consistent with our historical recoveries.

Purchased-gas costs represent the natural gas costs that have been over- or under-recovered from customers through the purchased-gas cost adjustment mechanisms, and includes natural gas utilized in our operations and premiums paid and any cash settlements received from our purchased natural gas call options.

We amortize reacquired debt costs in accordance with the accounting guidelines prescribed by the OCC and KCC.

Weather normalization represents revenue over- or under-recovered through the WNA rider in Kansas. This amount is deferred as a regulatory asset or liability for a 12-month period. Kansas Gas Service then applies an adjustment to the customers' bills for 12 months to refund the over-collected revenue or bill the under-collected revenue.

Ad-valorem tax represents an increase or decrease in Kansas Gas Service's taxes above or below the amount approved in a rate case. This amount is deferred as a regulatory asset or liability for a 12-month period. Kansas Gas Service then applies an adjustment to the customers' bills for 12 months to refund the over-collected revenue or bill the under-collected revenue.

Recovery through rates resulted in amortization of regulatory assets of approximately $1.0 million , $3.8 million and $1.6 million for the years ended December 31, 2017, 2016 and 2015 , respectively.

We collect, through our rates, the estimated costs of removal on certain regulated properties through depreciation expense, with a corresponding credit to accumulated depreciation and amortization. These removal costs are nonlegal obligations; however, the amounts collected that are in excess of these nonlegal asset-removal costs incurred are accounted for as a regulatory liability. We have made an estimate of our regulatory liability using current rates since the last general rate order in each of our jurisdictions if the removal costs collected have exceeded our removal costs incurred. We record the estimated nonlegal asset-removal obligation in noncurrent liabilities in other deferred credits on our Consolidated Balance Sheets.

In 2017, we recorded a regulatory asset of approximately $5.9 million for estimated costs expected to be incurred at, and nearby, our 12 former MGP sites which we own or retain responsibility for certain environmental conditions.

In January 2016, as a result of our rate case in Oklahoma, we recorded a regulatory asset of $2.4 million to recover certain information technology costs incurred as a result of our separation from ONEOK in 2014, which will be recovered over four years.

9. PROPERTY, PLANT AND EQUIPMENT

The following table sets forth our property, plant and equipment by property type, for the periods indicated:

	December 31, 2017	December 31, 2016
	(*Thousands of dollars*)	
Natural gas distribution pipelines and related equipment	**$ 4,572,343**	$ 4,321,429
Natural gas transmission pipelines and related equipment	**497,791**	481,953
General plant and other	**513,445**	530,459
Construction work in process	**130,333**	70,327
Property, plant and equipment	**5,713,912**	5,404,168
Accumulated depreciation and amortization	**(1,706,327)**	(1,672,548)
Net property, plant and equipment	**$ 4,007,585**	$ 3,731,620

We compute depreciation expense by applying composite, straight-line rates of 2.0 percent to 3.0 percent that were approved by various regulatory authorities.

We recorded capitalized interest of $3.0 million , $3.6 million and $2.6 million for the years ended December 31, 2017, 2016 and 2015 , respectively. We incurred liabilities for construction work in process and asset removal costs that had not been paid at December 31, 2017, 2016 and 2015 of $21.7 million , $11.9 million and $15.0 million , respectively. Such amounts are not included in capital expenditures on our Consolidated Statements of Cash Flows.

10. SHARE-BASED PAYMENTS

The ECP provides for the granting of stock-based compensation, including incentive stock options, nonstatutory stock options, stock bonus awards, restricted stock awards, restricted stock unit awards, performance stock awards and performance unit awards to eligible employees and the granting of stock awards to nonemployee directors. We have reserved 2.8 million shares of common stock for issuance under the ECP. At December 31, 2017 , we had approximately 0.5 million shares available for issuance under the ECP, which reflect shares issued and estimated shares expected to be issued upon vesting of outstanding awards granted under the plan, less forfeitures. The plan allows for the deferral of awards granted in stock or cash, in accordance with Internal Revenue Code section 409A requirements.

Compensation cost expensed for our share-based payment plans was $4.9 million , net of tax benefits of $3.0 million , for 2017 , $7.0 million , net of tax benefits of $4.3 million , for 2016 , and $5.7 million , net of tax benefits of $3.5 million , for 2015 .

Restricted Stock Unit Awards - We have granted restricted stock unit awards to key employees that vest over a service period of generally three years and entitle the grantee to receive shares of our common stock. Restricted stock unit awards granted accrue dividend equivalents in the form of additional restricted stock units prior to vesting. Restricted stock unit awards are measured at fair value as if they were vested and issued on the grant date, reduced by expected dividend payments for awards that do not accrue dividends and adjusted for estimated forfeitures. Compensation expense is recognized on a straight-line basis over the vesting period of the award. A forfeiture rate of 3 percent per year based on historical forfeitures under our share-based payment plans is used.

Performance Stock Unit Awards - We have granted performance stock unit awards to key employees. The shares of common stock underlying the performance stock units vest at the expiration of a service period of generally three years if certain performance criteria are met by us as determined by the Executive Compensation Committee of the Board of Directors. Upon vesting, a holder of performance stock units is entitled to receive a number of shares of common stock equal to a percentage (0 percent to 200 percent) of the performance stock units granted, based on our total shareholder return over the vesting period, compared with the total shareholder return of a peer group of other utilities over the same period.

If paid, the outstanding performance stock unit awards entitle the grantee to receive shares of our common stock. The outstanding performance stock unit awards are equity awards with a market-based condition, which results in the compensation expense for these awards being recognized on a straight-line basis over the requisite service period, provided that the requisite service period is fulfilled, regardless of when, if ever, the market condition is satisfied. The performance stock unit awards granted accrue dividend equivalents in the form of additional performance stock units prior to vesting. The fair value of these performance stock units was estimated on the grant date based on a Monte Carlo model. The compensation expense on these awards will only be adjusted for changes in forfeitures. A forfeiture rate of 3 percent per year based on historical forfeitures under our share-based payment plans was used.

Restricted Stock Unit Award Activity

As of December 31, 2017 , there was $2.6 million of total unrecognized compensation costs related to the nonvested restricted stock unit awards, which is expected to be recognized over a weighted-average period of 1.7 years. The following tables set forth activity and various statistics for restricted stock unit awards outstanding under the respective plans for the period indicated:

	Number of Units	Weighted-Average Price
Nonvested at December 31, 2016	194,900	$ 41.68
Granted	**37,825**	**$ 63.97**
Vested	**(85,490)**	**$ 33.76**
Forfeited	**(6,570)**	**$ 52.65**
Nonvested at December 31, 2017	**140,665**	**$ 51.97**

	2017	2016	2015
Weighted-average grant date fair value (per share)	**$ 63.97**	$ 58.30	$ 41.40
Fair value of shares granted (thousands of dollars)	**$ 2,420**	$ 2,503	$ 3,141

The fair value of restricted stock vested was $5.5 million and $4.5 million in 2017 and 2016 , respectively.

Performance Stock Unit Award Activity

As of December 31, 2017 , there was $5.1 million of total unrecognized compensation cost related to the nonvested performance stock unit awards, which is expected to be recognized over a weighted-average period of 1.7 years. The following tables set forth activity and various statistics related to our performance stock unit awards and the assumptions used by us in the valuations of the 2017, 2016 and 2015 grants at the grant date:

	Number of Units	Weighted-Average Price
Nonvested at December 31, 2016	288,811	$ 46.06
Granted	**74,120**	**$ 68.94**
Vested	**(117,626)**	**$ 35.98**
Forfeited	**(7,981)**	**$ 58.58**
Nonvested at December 31, 2017	**237,324**	**$ 57.78**

	2017	2016	2015
Volatility (a)	**20.70%**	18.20%	15.90%
Dividend yield	**2.63%**	2.40%	2.90%
Risk-free interest rate	**1.48%**	0.91%	1.10%

(a) - Volatility based on historical volatility over three years using daily stock price observations of our peer utilities.

	2017	2016	2015
Weighted-average grant date fair value (per share)	**$ 68.94**	$ 64.06	$ 44.48
Fair value of shares granted (thousands of dollars)	**$ 5,110**	$ 4,766	$ 4,486

The fair value of performance stock vested was $15.6 million and $19.5 million in 2017 and 2016 , respectively.

Employee Stock Purchase Plan

We have reserved a total of 700 thousand shares of common stock for issuance under our ESPP. Subject to certain exclusions, all employees who work more than 20 hours per week are eligible to participate in the ESPP. Employees can choose to have up to 10 percent of their annual base pay withheld to purchase our common stock, subject to terms and limitations of the plan. The purchase price of the stock is 85 percent of the lower of the average market price of our common stock on the grant date or exercise date. Approximately 43 percent , 41 percent and 40 percent of employees participated in the plan in 2017, 2016 and 2015 , respectively, and purchased 78,472 shares at $56.80 in 2017 , 83,431 shares at $54.51 in 2016 , and 51,092 shares at $36.15 in 2015 . Compensation expense, before taxes, was $1.2 million , $1.4 million and $1.3 million in 2017, 2016 and 2015 , respectively.

Employee Stock Award Program

Under the Employee Stock Award Program, we issued, for no monetary consideration, one share of our common stock to all eligible employees when the per-share closing price of our common stock on the NYSE closed for the first time at or above each $1.00 increment above $34. The total number of shares of our common stock authorized for issuance under this program was 125,000 . Shares issued to employees under this program during 2017, 2016 and 2015 totaled 13,791 , 50,573 and 23,506 , respectively, leaving 1,812 shares remaining. Compensation expense, before taxes, related to the Employee Stock Award Program was $0.9 million , $3.0 million and $1.1 million for 2017, 2016 and 2015 , respectively. The Employee Stock Award Program will not be renewed.

11. EMPLOYEE BENEFIT PLANS

Retirement and Other Postemployment Benefit Plans

Retirement Plans - We have a defined benefit pension plan covering nonbargaining-unit employees hired before January 1, 2005, and certain bargaining-unit employees hired before December 15, 2011. Nonbargaining-unit employees hired after December 31, 2004; employees represented by Local No. 304 of the International Brotherhood of Electrical Workers (“IBEW”) hired on or after July 1, 2010; employees represented by the United Steelworkers hired on or after December 15, 2011; and employees who accepted a one-time opportunity to opt out of the defined benefit pension plan are covered by a profit-sharing

plan. Certain employees of the Texas Gas Service division are entitled to benefits under a frozen cash-balance pension plan. In addition, we have a supplemental executive retirement plan for the benefit of certain officers. No new participants in the supplemental executive retirement plan have been approved since 2005, and it was formally closed to new participants as of January 1, 2014. We fund our defined benefit pension costs at a level needed to maintain or exceed the minimum funding levels required by the Employee Retirement Income Security Act of 1974, as amended, and the Pension Protection Act of 2006. Pension expense was $30.2 million , $32.0 million and $38.0 million in 2017, 2016 and 2015 , respectively.

Other Postemployment Benefit Plans - We sponsor health and welfare plans that provide postemployment medical and life insurance benefits to certain employees who retire with at least five years of service. The postemployment medical plan is contributory based on hire date, age and years of service, with retiree contributions adjusted periodically, and contains other cost-sharing features such as deductibles and coinsurance. Other postemployment benefit expense was $1.7 million , $2.6 million and $5.0 million in 2017, 2016 and 2015 , respectively, prior to regulatory deferrals.

Plan Amendments - In September 2016, due to uncertain market conditions with health insurance exchange providers, we elected not to move the eligible pre-65 participants in our postemployment medical plans to a healthcare exchange. As a result, we remeasured the respective plan assets and benefit obligations, effective September 30, 2016. In the fourth quarter of 2016, we further amended our other postemployment medical plan to allow certain participants access to reimbursable retirement accounts. The net impact of these plan amendments in 2016 was a $483 thousand increase in our other postemployment benefit plan obligation.

Actuarial Assumptions - The following table sets forth the weighted-average assumptions used to determine benefit obligations for pension and postemployment benefits for the periods indicated:

	December 31,	
	2017	**2016**
Discount rate - pension plans	**3.80%**	4.30%
Discount rate - other postemployment plans	**3.70%**	4.20%
Compensation increase rate	**3.25% - 3.35%**	3.25% - 3.40%

The following table sets forth the weighted-average assumptions used by us to determine the periodic benefit costs for the periods indicated:

	Years Ended December 31,				
	2017	**2016**		**2015**	
Discount rate - pension plans	**4.30%**	4.75%		4.25%/4.75%	(c)
Discount rate - other postemployment plans	**4.20%**	4.75%/3.75%	(a)	4.25%/4.75%	(c)
Expected long-term return on plan assets - pension plans	**7.75%**	7.75%		7.75%	
Expected long-term return on plan assets - other postemployment plans	**7.60%**	8.00%/7.75%	(b)	7.75%	
Compensation increase rate	**3.25% - 3.40%**	3.35% - 3.40%		3.30% - 3.50%	

(a) Discount rate for the nine months ended September 30, 2016, and three months ended December 31, 2016, respectively.
(b) Expected long-term return on plan assets for the nine months ended September 30, 2016, and three months ended December 31, 2016, respectively.
(c) Discount rate for the nine months ended September 30, 2015, and three months ended December 31, 2015, respectively.

We determine our overall expected long-term rate of return on plan assets, based on our review of historical returns and economic growth models. At December 31, 2017, we updated our assumed mortality rates to incorporate the new set of mortality tables issued by the Society of Actuaries in October 2017.

We determine our discount rates annually. We estimate our discount rate based upon a comparison of the expected cash flows associated with our future payments under our defined benefit pension and other postemployment obligations to a hypothetical bond portfolio created using high-quality bonds that closely match expected cash flows. Bond portfolios are developed by selecting a bond for each of the next 60 years based on the maturity dates of the bonds. Bonds selected to be included in the portfolios are only those rated by Moody's as AA- or better and exclude callable bonds, bonds with less than a minimum issue size, yield outliers and other filtering criteria to remove unsuitable bonds.

Regulatory Treatment - The OCC, KCC and regulatory authorities in Texas have approved the recovery of pension costs and other postemployment benefits costs through rates for Oklahoma Natural Gas, Kansas Gas Service and Texas Gas Service,

respectively. The costs recovered through rates are based on current funding requirements and the net periodic benefit cost for defined benefit pension and other postemployment costs. Differences, if any, between the expense and the amount recovered through rates would be reflected in earnings, net of authorized deferrals.

We historically have recovered defined benefit pension and other postemployment benefit costs through rates. We believe it is probable that regulators will continue to include the net periodic pension and other postemployment benefit costs in our cost of service.

Obligations and Funded Status - The following table sets forth our defined benefit pension and other postemployment benefit plans, benefit obligations and fair value of plan assets for the periods indicated:

	Pension Benefits		Other Postemployment Benefits	
	December 31,		December 31,	
	2017	**2016**	**2017**	**2016**
Changes in Benefit Obligation		*(Thousands of dollars)*		
Benefit obligation, beginning of period	**$ 966,531**	$ 985,624	**$ 243,548**	$ 228,253
Service cost	**12,176**	12,055	**2,509**	2,675
Interest cost	**40,453**	45,550	**9,890**	10,235
Plan participants' contributions	**—**	—	**3,483**	3,043
Actuarial loss (gain)	**76,325**	25,886	**12,129**	14,309
Benefits paid	**(55,107)**	(71,066)	**(16,690)**	(15,450)
Plan amendment	**—**	—	**171**	483
Settlements	**(46,487)**	(31,518)	**—**	—
Benefit obligation, end of period	**993,891**	966,531	**255,040**	243,548
Change in Plan Assets				
Fair value of plan assets, beginning of period	**739,586**	785,161	**166,046**	155,495
Actual return on plan assets	**135,056**	48,768	**31,228**	9,733
Employer contributions	**111,936**	12,441	**6,159**	13,225
Plan participants' contributions	**—**	—	**3,483**	3,043
Benefits paid	**(55,107)**	(71,066)	**(16,690)**	(15,450)
Settlements	**(46,667)**	(35,718)	**—**	—
Fair value of assets, end of period	**884,804**	739,586	**190,226**	166,046
Balance at December 31	**$ (109,087)**	$ (226,945)	**$ (64,814)**	$ (77,502)
Current liabilities	**$ (963)**	$ (941)	**$ —**	$ —
Noncurrent liabilities	**(108,124)**	(226,004)	**(64,814)**	(77,502)
Balance at December 31	**$ (109,087)**	$ (226,945)	**$ (64,814)**	$ (77,502)

We made contributions to our pension plan of $111.9 million and $12.4 million during 2017 and 2016, respectively. During 2017 and 2016, we purchased group annuity contracts for approximately $46.7 million and $35.7 million , respectively, and transferred to a third-party insurance company liabilities of approximately $46.5 million and $31.5 million , respectively, related to certain participants in our defined benefit pension plan. Benefits paid includes $18.1 million of lump sum payments to certain terminated vested participants during 2016.

The accumulated benefit obligation for our defined benefit pension plans was $936.7 million and $912.4 million at December 31, 2017 and 2016 , respectively.

There are no plan assets expected to be withdrawn and returned to us in 2018 .

Components of Net Periodic Benefit Cost - The following tables set forth the components of net periodic benefit cost for our defined benefit pension and other postemployment benefit plans for the period indicated:

	Pension Benefits		
	Year Ended December 31,		
	2017	**2016**	**2015**
	(Thousands of dollars)		
Components of net periodic benefit cost			
Service cost	**$ 12,176**	$ 12,055	$ 13,660
Interest cost	**40,453**	45,550	43,542
Expected return on assets	**(58,496)**	(61,183)	(61,769)
Amortization of unrecognized prior service cost	**—**	—	266
Amortization of net loss	**36,107**	35,543	42,226
Settlements	**—**	—	27
Net periodic benefit cost	**$ 30,240**	$ 31,965	$ 37,952

	Other Postemployment Benefits		
	Year Ended December 31,		
	2017	**2016**	**2015**
	(Thousands of dollars)		
Components of net periodic benefit cost			
Service cost	**$ 2,509**	$ 2,675	$ 3,257
Interest cost	**9,890**	10,235	10,628
Expected return on assets	**(12,590)**	(12,370)	(11,892)
Amortization of unrecognized prior service cost	**(4,597)**	(3,316)	(2,228)
Amortization of net loss	**6,484**	5,369	5,268
Net periodic benefit cost	**$ 1,696**	$ 2,593	$ 5,033

Other Comprehensive Income (Loss) - The following table sets forth the amounts recognized in other comprehensive income (loss) related to our defined benefit pension benefits for the period indicated:

	Pension Benefits		
	Year Ended December 31,		
	2017	**2016**	**2015**
	(Thousands of dollars)		
Net gain (loss) arising during the period	**$ (2,101)**	$ (1,262)	$ 339
Amortization of loss	**837**	751	917
Deferred income taxes	**486**	197	(483)
Total recognized in other comprehensive income (loss)	**$ (778)**	$ (314)	$ 773

There were no amounts recognized in other comprehensive income (loss) related to our other postemployment benefits for the periods presented.

The tables below set forth the amounts in accumulated other comprehensive income (loss) that had not yet been recognized as components of net periodic benefit expense for the periods indicated:

	Pension Benefits	
	December 31,	
	2017	**2016**
	(Thousands of dollars)	
Prior service credit (cost)	**$ —**	$ —
Accumulated loss	**(378,595)**	(414,757)
Accumulated other comprehensive loss before regulatory assets	**(378,595)**	(414,757)
Regulatory asset for regulated entities	**369,647**	407,073
Accumulated other comprehensive loss after regulatory assets	**(8,948)**	(7,684)
Deferred income taxes	**3,455**	2,969
Accumulated other comprehensive loss, net of tax	**$ (5,493)**	$ (4,715)

	Other Postemployment Benefits	
	December 31,	
	2017	**2016**
	(Thousands of dollars)	
Prior service credit (cost)	**$ 5,442**	$ 10,211
Accumulated loss	**(49,030)**	(62,084)
Accumulated other comprehensive loss before regulatory assets	**(43,588)**	(51,873)
Regulatory asset for regulated entities	**43,588**	51,873
Accumulated other comprehensive loss after regulatory assets	**—**	—
Deferred income taxes	**—**	—
Accumulated other comprehensive loss, net of tax	**$ —**	$ —

The following table sets forth the amounts recognized in either accumulated comprehensive income (loss) or regulatory assets expected to be recognized as components of net periodic benefit expense in the next fiscal year:

	Pension Benefits	Other Postemployment Benefits
Amounts to be recognized in 2018	*(Thousands of dollars)*	
Prior service credit (cost)	$ —	$ (4,567)
Actuarial net loss	$ 39,913	$ 3,887

Health Care Cost Trend Rates - The following table sets forth the assumed health care cost-trend rates for the periods indicated:

	2017	**2016**
Health care cost-trend rate assumed for next year	**7.00%**	7.25%
Rate to which the cost-trend rate is assumed to decline (the ultimate trend rate)	**5.00%**	5.00%
Year that the rate reaches the ultimate trend rate	**2023**	2022

Assumed health care cost-trend rates have a significant effect on the amounts reported for our health care plans. A one percentage point change in assumed health care cost-trend rates would have the following effects:

	One Percentage Point Increase	One Percentage Point Decrease
	(Thousands of dollars)	
Effect on total of service and interest cost	**$ 239**	**$ (238)**
Effect on other postemployment benefit obligation	**$ 2,906**	**$ (3,006)**

Plan Assets - Our investment strategy is to invest plan assets in accordance with sound investment practices that emphasize long-term fundamentals. The goal of this strategy is to maximize investment returns while managing risk in order to meet the plan's current and projected financial obligations. To achieve this strategy, we have established a liability-driven investment strategy to change the allocations as the plan reaches certain funded status. The plan's investments include a diverse blend of various domestic and international equities, investment-grade debt securities which mirror the cash flows of our liability, insurance contracts and alternative investments. The current target allocation for the assets of our defined benefit pension plan is as follows:

Investment-grade bonds	40.0%
U.S. large-cap equities	18.0%
Alternative investments	14.0%
Developed foreign large-cap equities	10.0%
Mid-cap equities	7.0%
Emerging markets equities	6.0%
Small-cap equities	5.0%
Total	100%

As part of our risk management for the plans, minimums and maximums have been set for each of the asset classes listed above. All investment managers for the plan are subject to certain restrictions on the securities they purchase and, with the exception of indexing purposes, are prohibited from owning our stock.

The current target allocation for the assets of our other postemployment benefits plan is 30 percent fixed income securities and 70 percent equity securities.

The following tables set forth our pension benefits and other postemployment benefits plan assets by fair value category as of the measurement date:

	Pension Benefits			
	December 31, 2017			
Asset Category	**Level 1**	**Level 2**	**Level 3**	**Total**
	(Thousands of dollars)			
Investments:				
Equity securities (a)	**$ 301,911**	**$ 91,014**	**$ —**	**$ 392,925**
Government obligations	**—**	**74,596**	**—**	**74,596**
Corporate obligations (b)	**—**	**260,907**	**—**	**260,907**
Cash and money market funds (c)	**21,139**	**20,787**	**—**	**41,926**
Insurance contracts and group annuity contracts	**—**	**—**	**35,158**	**35,158**
Other investments (d)	**—**	**585**	**78,707**	**79,292**
Total assets	**$ 323,050**	**$ 447,889**	**$ 113,865**	**$ 884,804**

(a) - This category represents securities of the various market sectors from diverse industries.
(b) - This category represents bonds from diverse industries.
(c) - This category is primarily money market funds.
(d) - This category represents alternative investments such as hedge funds and other financial instruments.

	Pension Benefits			
	December 31, 2016			
Asset Category	**Level 1**	**Level 2**	**Level 3**	**Total**
	(Thousands of dollars)			
Investments:				
Equity securities (a)	$ 371,655	$ 58,987	$ —	$ 430,642
Government obligations	—	47,445	—	47,445
Corporate obligations (b)	—	129,036	—	129,036
Cash and money market funds (c)	13,786	16,114	—	29,900
Insurance contracts and group annuity contracts	—	—	45,140	45,140
Other investments (d)	—	71	57,352	57,423
Total assets	$ 385,441	$ 251,653	$ 102,492	$ 739,586

(a) - This category represents securities of the various market sectors from diverse industries.
(b) - This category represents bonds from diverse industries.
(c) - This category is primarily money market funds.
(d) - This category represents alternative investments such as hedge funds and other financial instruments.

Asset Category	Other Postemployment Benefits December 31, 2017 Level 1	Level 2	Level 3	Total
		(Thousands of dollars)		
Investments:				
Equity securities (a)	**$ 63,180**	**$ 123**	**$ —**	**$ 63,303**
Government obligations	**—**	**101**	**—**	**101**
Corporate obligations (b)	**—**	**25,905**	**—**	**25,905**
Cash and money market funds (c)	**4,512**	**28**	**—**	**4,540**
Insurance contracts and group annuity contracts	**—**	**96,377**	**—**	**96,377**
Total assets	**$ 67,692**	**$ 122,534**	**$ —**	**$ 190,226**

(a) - This category represents securities of the various market sectors from diverse industries.
(b) - This category represents bonds from diverse industries.
(c) - This category is primarily money market funds.

Asset Category	Other Postemployment Benefits December 31, 2016 Level 1	Level 2	Level 3	Total
		(Thousands of dollars)		
Investments:				
Equity securities (a)	$ 39,817	$ 7,323	$ —	$ 47,140
Government obligations	—	75	—	75
Corporate obligations (b)	—	19,948	—	19,948
Cash and money market funds (c)	74	16,989	—	17,063
Insurance contracts and group annuity contracts	—	81,820	—	81,820
Total assets	$ 39,891	$ 126,155	$ —	$ 166,046

(a) - This category represents securities of the various market sectors from diverse industries.
(b) - This category represents bonds from diverse industries.
(c) - This category is primarily money market funds.

The following table sets forth the reconciliation of Level 3 fair value measurements of our pension plans for the periods indicated:

	Pension Benefits Insurance Contracts	Other Investments	Total
		(Thousands of dollars)	
January 1, 2016	$ 56,465	$ 57,972	$ 114,437
Net realized and unrealized gains (losses)	4,518	(620)	3,898
Settlements	(15,843)	—	(15,843)
December 31, 2016	$ 45,140	$ 57,352	$ 102,492
Net realized and unrealized gains (losses)	**2,569**	**5,055**	**7,624**
Purchases	**—**	**16,300**	**16,300**
Sales and settlements	**(12,551)**	**—**	**(12,551)**
December 31, 2017	**$ 35,158**	**$ 78,707**	**$ 113,865**

Contributions - During 2017 , we contributed $111.9 million to our defined benefit pension plans and we contributed $6.2 million to our other postemployment benefit plans. In 2018, we expect to contribute $1.0 million to our defined benefit pension plans and expect to contribute $3.0 million to our other postemployment benefit plans.

Pension and Other Postemployment Benefit Payments - Benefit payments for our defined benefit pension and other postemployment benefit plans for the period ended December 31, 2017 were $55.1 million and $16.7 million , respectively. The following table sets forth the pension benefits and other postemployment benefits payments expected to be paid in 2018-2027:

	Pension Benefits	Other Postemployment Benefits
Benefits to be paid in:	*(Thousands of dollars)*	
2018	$ 50,875	$ 17,293
2019	$ 51,635	$ 17,383
2020	$ 52,518	$ 17,538
2021	$ 53,516	$ 17,485
2022	$ 54,289	$ 17,558
2023 through 2027	$ 286,188	$ 85,543

The expected benefits to be paid are based on the same assumptions used to measure our benefit obligation at December 31, 2017 , and include estimated future employee service.

Other Employee Benefit Plans

401(k) Plan - We have a 401(k) Plan which covers all full-time employees, and employee contributions are discretionary. We match 100 percent of each participant's eligible contribution up to 6 percent of eligible compensation, subject to certain limits. Our contributions made to the plan were $11.7 million , $10.8 million and $10.2 million in 2017, 2016 and 2015 , respectively.

Profit Sharing Plan - We have a profit sharing plan for all employees who do not participate in our defined benefit pension plan. We plan to make a contribution to the profit sharing plan each quarter equal to 1 percent of each participant's eligible compensation during the quarter. Additional discretionary employer contributions may be made at the end of each year. Employee contributions are not allowed under the plan. Our contributions made to the plan were $8.1 million , $6.0 million and $6.5 million in 2017, 2016 and 2015 , respectively.

Employee Deferred Compensation Plan - Our Nonqualified Deferred Compensation Plan provides certain employees with the option to defer portions of their compensation and provides nonqualified deferred compensation benefits that are not available due to limitations on employer and employee contributions to qualified defined contribution plans under the federal tax laws. Contributions made to the plan were not material in 2017, 2016 and 2015 .

12. INCOME TAXES

In December 2017, the Tax Cuts and Jobs Act of 2017 was signed into law. Substantially all of the provisions of the new law are effective for taxable years beginning after December 31, 2017. The new law includes significant changes to the Code, including amendments which significantly change the taxation of business entities and includes specific provisions related to regulated public utilities. The more significant changes that impact us include reductions in the corporate federal statutory income tax rate to 21 percent from 35 percent , and several technical provisions including, among others, the elimination of full expensing for tax purposes of certain property acquired after September 27, 2017, the continuation of certain rate normalization requirements for accelerated depreciation benefits and the general allowance for the continued deductibility of interest expense. Additionally, the new law limits the utilization of NOLs arising after December 31, 2017, to 80 percent of taxable income with an indefinite carryforward.

The staff of the SEC has recognized the complexity of reflecting the impacts of the Tax Cuts and Jobs Act of 2017 and issued guidance in Staff Accounting Bulletin 118 ("SAB 118") which clarifies accounting for income taxes under ASC 740 if information is not yet available or complete and provides for up to a one-year period in which to complete the required analyses and accounting. We have completed or made a reasonable estimate for the measurement and accounting of the effects of the Tax Cuts and Jobs Act of 2017, which have been reflected in our December 31, 2017, consolidated financial statements. We

are still analyzing certain aspects of the Tax Cuts and Jobs Act of 2017, refining our calculations and expect additional guidance from the U.S. Department of the Treasury and the Internal Revenue Service. Any additional issued guidance or future actions of our regulators could potentially affect the final determination of the accounting effects arising from the implementation of the Tax Cuts and Jobs Act of 2017.

The following table sets forth our provision for income taxes for the periods indicated:

	Years Ended December 31,		
	2017	**2016**	**2015**
	(*Thousands of dollars*)		
Current income tax provision			
Federal	**$ —**	$ (2,016)	$ 7,135
State	**750**	471	2,055
Total current income tax provision	**750**	(1,545)	9,190
Deferred income tax provision			
Federal	**83,138**	76,247	56,440
State	**9,255**	10,541	7,349
Total deferred income tax provision	**92,393**	86,788	63,789
Total provision for income taxes	**$ 93,143**	$ 85,243	$ 72,979

The following table is a reconciliation of our income tax provision for the periods indicated:

	Years Ended December 31,		
	2017	**2016**	**2015**
	(*Thousands of dollars*)		
Income before income taxes	**$ 256,138**	$ 225,338	$ 192,009
Federal statutory income tax rate	**35%**	35%	35%
Provision for federal income taxes	**89,648**	78,868	67,203
State income taxes, net of federal tax benefit	**6,503**	7,158	6,114
Nonregulated deferred tax rate decrease	**2,162**	—	—
Tax benefit of employee share based compensation	**(5,162)**	—	—
Other, net	**(8)**	(783)	(338)
Total provision for income taxes	**$ 93,143**	$ 85,243	$ 72,979

The following table sets forth the tax effects of temporary differences that gave rise to significant portions of the deferred tax assets and liabilities for the periods indicated:

	December 31,	
	2017	**2016**
	(*Thousands of dollars*)	
Deferred tax assets		
Employee benefits and other accrued liabilities	**$ 40,277**	$ 123,333
Regulatory adjustments for enacted tax rate changes	**129,421**	—
Net operating loss	**24,712**	23,094
Other	**2,984**	5,716
Total deferred tax assets	**197,394**	152,143
Deferred tax liabilities		
Excess of tax over book depreciation	**677,249**	990,682
Purchased-gas cost adjustment	**13,805**	13,822
Other regulatory assets and liabilities, net	**106,285**	186,207
Total deferred tax liabilities	**797,339**	1,190,711
Net deferred tax liabilities	**$ 599,945**	$ 1,038,568

As a result of the enactment of the Tax Cuts and Jobs Act of 2017, we remeasured our deferred income taxes based upon the new tax rate enacted in 2017. As a regulated entity, the change in deferred income taxes applicable to amounts previously

recovered through rates is deferred as a regulatory liability. The effect on the net deferred income tax liability for the enacted decrease in the federal tax rate was $517.2 million , of which $519.4 million was recorded as a reduction to the deferred income tax liabilities and deferred as a regulatory liability for ratemaking purposes and offset by $2.2 million recorded as an increase in deferred income tax expense attributable to the remeasured deferred income taxes associated with certain expenses not currently recovered in our rates. These adjustments had no impact on our 2017 cash flows.

Reductions in our ADIT balances to reflect the reduced corporate income tax rate of 21 percent will result in amounts previously collected from utility customers for these deferred income taxes to be refundable to such customers. The Tax Cuts and Jobs Act of 2017 retains the provisions of the Code that stipulate how these excess deferred income taxes are to be passed back to customers for certain accelerated tax depreciation benefits. Potential refunds of these and other deferred income taxes will be determined by our regulators.

We are working with our regulators in each of the states that we operate to address the impact of the Tax Cuts and Jobs Act of 2017 on our rates. In each state, we have received or expect to receive accounting orders requiring us to establish a separate regulatory liability for the difference in taxes included in our rates that have been calculated based on a 35 percent statutory income tax rate and the new 21 percent statutory income tax rate beginning in January 2018. The establishment of this regulatory liability will result in a reduction to our revenues beginning in the first quarter of fiscal 2018. The amount, period and timing of the return of these liabilities to utility customers will be determined by our regulators in each of our jurisdictions.

As of December 31, 2017, we have federal and state income tax NOL carryforwards of $96.9 million and $96.6 million , respectively, which will expire at various dates from 2025 through 2037. We believe that it is more likely than not that the tax benefits of the NOL carryforwards will be utilized prior to their expirations; therefore, no valuation allowance is necessary.

We have filed our consolidated federal and state tax returns for years 2014, 2015 and 2016.

13. COMMITMENTS AND CONTINGENCIES

Commitments - Operating leases represent future minimum lease payments under noncancelable leases covering office space, facilities and information technology hardware and software. Rental expense was $8.7 million , $8.6 million and $5.0 million in 2017, 2016 and 2015 , respectively. The following table sets forth our operating lease payments for the periods indicated:

	Operating Leases	
	(*Millions of dollars*)	
2018	$	4.7
2019		3.9
2020		3.7
2021		3.3
2022		3.3
Thereafter		3.2
Total	$	22.1

Environmental Matters - We are subject to multiple historical, wildlife preservation and environmental laws and/or regulations, which affect many aspects of our present and future operations. Regulated activities include, but are not limited to, those involving air emissions, storm water and wastewater discharges, handling and disposal of solid and hazardous wastes, wetland preservation, hazardous materials transportation, and pipeline and facility construction. These laws and regulations require us to obtain and/or comply with a wide variety of environmental clearances, registrations, licenses, permits and other approvals. Failure to comply with these laws, regulations, licenses and permits may expose us to fines, penalties and/or interruptions in our operations that could be material to our results of operations. In addition, emission controls and/or other regulatory or permitting mandates under the Clean Air Act and other similar federal and state laws could require unexpected capital expenditures. We cannot assure that existing environmental statutes and regulations will not be revised or that new regulations will not be adopted or become applicable to us. Revised or additional statutes or regulations that result in increased compliance costs or additional operating restrictions could have a material adverse effect on our business, financial condition and results of operations. Our expenditures for environmental investigation and remediation compliance to-date have not been significant in relation to our financial position, results of operations or cash flows, and our expenditures related to environmental matters had no material effects on earnings or cash flows during 2017, 2016 or 2015 .

We own or retain legal responsibility for certain environmental conditions at 12 former MGP sites in Kansas. These sites contain contaminants generally associated with MGP sites and are subject to control or remediation under various

environmental laws and regulations. A consent agreement with the KDHE governs all environmental investigation and remediation work at these sites. The terms of the consent agreement require us to investigate these sites and set remediation activities based upon the results of the investigations and risk analysis. Remediation typically involves the management of contaminated soils and may involve removal of structures and monitoring and/or remediation of groundwater.

We have completed or addressed removal of the source of soil contamination at 11 of the 12 sites, and continue to monitor groundwater at eight of the 12 sites according to plans approved by the KDHE. Regulatory closure has been achieved at three of the 12 sites, but these sites remain subject to potential future requirements that may result in additional costs. During 2016, we completed a site assessment at the twelfth site where no active soil remediation has occurred. We have submitted a work plan to the KDHE for approval to address a source of contamination and associated contaminated soil on a portion of this site. We are also conducting a study of the feasibility of various options to address the remainder of the site. Costs associated with the remediation at this site are not expected to be material to our results of operations or financial position.

With regard to one of our former MGP sites, periodic monitoring and a 2016 interim site investigation indicated elevated levels of contaminants generally associated with MGP sites. Additional testing and work plan development continued in 2017 to determine a remediation work plan to present to the KDHE for approval, which could impact our estimates of the cost of remediation at this site. In the fourth quarter of 2016, we estimated the potential costs associated with additional investigation and remediation to be in the range of $4.0 million to $7.0 million . A single reliable estimate of the remediation costs was not feasible due to the amount of uncertainty in the ultimate remediation approach that will be utilized. Accordingly, we recorded a reserve of $4.0 million for this site in the fourth quarter of 2016.

In April 2017, Kansas Gas Service filed an application with the KCC seeking approval of an AAO associated with the costs incurred at, and nearby, the 12 former MGP sites which we own or retain responsibility for certain environmental conditions. In October 2017, Kansas Gas Service, the KCC staff and the Citizens' Utility Ratepayer Board filed a unanimous settlement agreement with the KCC. The agreement allows Kansas Gas Service to defer and seek recovery of costs that are necessary for 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. Costs approved in a future rate proceeding would then be amortized over a 15-year period. The unamortized amounts will not be included in rate base or accumulate carrying charges. 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. The KCC issued an order approving the settlement agreement in November 2017. A regulatory asset of approximately $5.9 million was recorded for estimated costs that have been accrued at January 1, 2017.

Our expenditures for environmental evaluation, mitigation, remediation and compliance to date have not been significant in relation to our financial position, results of operations or cash flows, and our expenditures related to environmental matters had no material effects on earnings or cash flows during 2017, 2016 or 2015 . A number of environmental issues may exist with respect to MGP sites that are unknown to us. Accordingly, future costs are dependent on the final determination and regulatory approval of any remedial actions, the complexity of the site, level of remediation required, changing technology and governmental regulations, and to the extent not recovered by insurance or recoverable in rates from our customers, could be material to our financial condition, results of operations or cash flows.

We are subject to environmental regulation by federal, state and local authorities. Due to the inherent uncertainties surrounding the development of federal and state environmental laws and regulations, we cannot determine with specificity the impact such laws may have on its existing and future facilities. With the trend toward stricter standards, greater regulation and more extensive permit requirements for the types of assets operated by us, our environmental expenditures could increase in the future, and such expenditures may not be fully recovered by insurance or recoverable in rates from our customers, and those costs may adversely affect our financial condition, results of operations and cash flows. We do not expect expenditures for these matters to have a material adverse effect on our financial condition, results of operations or cash flows.

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

- an evaluation of whether natural gas pipeline integrity-management requirements should be expanded beyond current high-consequence areas;

- a verification of records for pipelines in class 3 and 4 locations and high-consequence areas to confirm maximum allowable operating pressures; and
- a requirement to test previously untested pipelines operating above 30 percent yield strength in high-consequence areas.

In April 2016, PHMSA published a NPRM, the Safety of Gas Transmission & Gathering Lines Rule, in the Federal Register to revise pipeline safety regulations applicable to the safety of onshore natural gas transmission and gathering pipelines. Proposals include changes to pipeline integrity management requirements and other safety-related requirements. The NPRM comment period ended July 7, 2016, and comments are under review by PHMSA. As part of the comment review process, PHMSA is being advised by the Technical Pipeline Safety Standards Committee, informally known by PHMSA as the GPAC, a statutorily mandated advisory committee that advises PHMSA on proposed safety policies for natural gas pipelines. The GPAC reviews PHMSA's proposed regulatory initiatives to assure the technical feasibility, reasonableness, cost-effectiveness and practicality of each proposal. The potential capital and operating expenditures associated with compliance with the proposed rule are currently being evaluated and could be significant depending on the final regulations.

Legal Proceedings - We are a party to various litigation matters and claims that have arisen in the normal course of our operations. While the results of litigation and claims cannot be predicted with certainty, we believe the reasonably possible losses from such matters, individually and in the aggregate, are not material. Additionally, we believe the probable final outcome of such matters will not have a material adverse effect on our results of operations, financial position or cash flows.

14. QUARTERLY FINANCIAL DATA (UNAUDITED)

Year Ended December 31, 2017	**First Quarter**	**Second Quarter**	**Third Quarter**	**Fourth Quarter**
		(*Thousands of dollars*)		
Revenues	**$ 550,408**	**$ 279,689**	**$ 247,142**	**$ 462,394**
Operating income	**$ 125,132**	**$ 44,052**	**$ 40,780**	**$ 89,512**
Net income	**$ 76,456**	**$ 20,623**	**$ 18,797**	**$ 47,119**
Earnings per share				
Basic	**$ 1.45**	**$ 0.39**	**$ 0.36**	**$ 0.90**
Diluted	**$ 1.44**	**$ 0.39**	**$ 0.36**	**$ 0.89**

Year Ended December 31, 2016	**First Quarter**	**Second Quarter**	**Third Quarter**	**Fourth Quarter**
		(*Thousands of dollars*)		
Revenues	$ 508,364	$ 245,923	$ 232,191	$ 440,754
Operating income	$ 116,073	$ 43,621	$ 30,892	$ 78,534
Net income	$ 64,743	$ 20,300	$ 12,737	$ 42,315
Earnings per share				
Basic	$ 1.23	$ 0.39	$ 0.24	$ 0.81
Diluted	$ 1.22	$ 0.38	$ 0.24	$ 0.80

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Our Chief Executive Officer (Principal Executive Officer) and Chief Financial Officer (Principal Financial Officer) have concluded that our disclosure controls and procedures were effective as of the end of the period covered by this report based on the evaluation of the controls and procedures required by Rule 13a-15(b) of the Exchange Act.

Management's Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). Under the supervision and with the participation of our management, including our Principal Executive Officer and Principal Financial Officer, we evaluated the effectiveness of our internal control over financial reporting based on the framework in *Internal Control-Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Because of inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. Based on our evaluation under that framework and applicable SEC rules, our management concluded that our internal control over financial reporting was effective as of December 31, 2017 .

The effectiveness of our internal control over financial reporting as of December 31, 2017 , has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their reports which are included herein (Item 8).

Changes in Internal Control Over Financial Reporting

There have been no changes in our internal control over financial reporting during the quarter ended December 31, 2017 , that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

Not applicable.

PART III.

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Directors of the Registrant

Information concerning our directors is set forth in our 2018 definitive Proxy Statement and is incorporated herein by this reference.

Executive Officers of the Registrant

Information concerning our executive officers is included in Part I, Item 1, Business, of this Annual Report.

Compliance with Section 16(a) of the Exchange Act

Information on compliance with Section 16(a) of the Exchange Act is set forth in our 2018 definitive Proxy Statement and is incorporated herein by this reference.

Code of Ethics

Information concerning the code of ethics, or code of business conduct, is set forth in our 2018 definitive Proxy Statement and is incorporated herein by this reference.

Nominating Procedures

Information concerning the nominating procedures is set forth in our 2018 definitive Proxy Statement and is incorporated herein by this reference.

The Audit Committee

Information concerning the Audit Committee is set forth in our 2018 definitive Proxy Statement and is incorporated herein by this reference.

The Audit Committee Financial Experts

Information concerning the Audit Committee Financial Experts is set forth in our 2018 definitive Proxy Statement and is incorporated herein by this reference.

The Executive Compensation Committee

Information concerning the Executive Compensation Committee is set forth in our 2018 definitive Proxy Statement and is incorporated herein by this reference.

The Corporate Governance Committee

Information concerning the Corporate Governance Committee is set forth in our 2018 definitive Proxy Statement and is incorporated herein by this reference.

The Executive Committee

Information concerning the Executive Committee is set forth in our 2018 definitive Proxy Statement and is incorporated herein by this reference.

Committee Charters

The full text of our Audit Committee charter, Executive Compensation Committee charter, Corporate Governance Committee charter and Executive Committee charter are published on and may be printed from our website at www.onegas.com and are also available from our corporate secretary upon request.

ITEM 11. EXECUTIVE COMPENSATION

Information on executive compensation is set forth in our 2018 definitive Proxy Statement and is incorporated herein by this reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Security Ownership of Certain Beneficial Owners

Information concerning the ownership of certain beneficial owners is set forth in our 2018 definitive Proxy Statement and is incorporated herein by this reference.

Security Ownership of Management

Information on security ownership of directors and officers is set forth in our 2018 definitive Proxy Statement and is incorporated herein by this reference.

Equity Compensation Plan Information

The following table sets forth certain information concerning our equity compensation plans as of December 31, 2017 :

Plan Category	Number of Securities Issued Upon Exercise of Outstanding Options, Warrants and Rights (a)	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights (b)	Number of Securities Remaining Available For Future Issuance Under Equity Compensation Plans (Excluding Securities in Column (a)) (c)
Equity compensation plans approved by security holders (1)	—	$ —	(3) 1,700,287
Equity compensation plans not approved by security holders (2)	—	$ —	386,153
Total	—	$ —	2,086,440

(1) Includes restricted stock incentive units and performance-unit awards granted under our ECP and our Nonqualified Deferred Compensation Plan for Nonemployee Directors. For a brief description of the material features of this plan, see Note 10 of the Notes to Consolidated Financial Statements in this Annual Report.
(2) Includes shares granted under our ESPP and Employee Stock Award Program. For a brief description of the material features of these plans, see Note 10 of the Notes to Consolidated Financial Statements in this Annual Report. Column (c) includes 384,341 and 1,812 shares available for future issuance under our ESPP and Employee Stock Award Program, respectively.
(3) Compensation deferred into our common stock under our Non-Qualified Deferred Compensation Plan and Deferred Compensation Plan for Nonemployee Directors is distributed to participants at fair market value on the date of distribution. The price used for these plans to calculate the weighted-average exercise price in the table is $73.26, which represents the year-end closing price of our common stock on the NYSE.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Information on certain relationships and related transactions and director independence is set forth in our 2018 definitive Proxy Statement and is incorporated herein by this reference.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

Information on the principal accountant’s fees and services is set forth in our 2018 definitive Proxy Statement and is incorporated herein by this reference.

PART IV.

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(2) Consolidated Financial Statements Schedules

All schedules have been omitted because of the absence of conditions under which they are required.

(3) Exhibits

2.1	Separation and Distribution Agreement, dated as of January 14, 2014, by and between ONE Gas, Inc. and ONEOK, Inc. (incorporated by reference to Exhibit 2.1 to ONE Gas, Inc.'s Current Report on Form 8-K filed on January 15, 2014 (File No. 1-36108)).
3.1	Amended and Restated Certificate of Incorporation of ONE Gas, Inc., dated January 31, 2014 (incorporated by reference to Exhibit 4.5 to ONE Gas, Inc.'s Registration Statement on Form S-8 filed on January 31, 2014 (File No. 333-193690)).
3.2	Amended and Restated By-Laws of ONE Gas, Inc. (incorporated by reference to Exhibit 3.1 to ONE Gas, Inc.'s Current Report on Form 8-K/A, Amendment No. 1 filed on July 26, 2016 (File No. 1-36108)).
4.1	Form of Common Stock Certificate (incorporated by reference to Exhibit 4.2 to ONE Gas, Inc.'s Registration Statement on Form 10, Amendment No. 2 filed on December 23, 2013 (File No. 1-36108)).
4.2	Indenture, dated January 27, 2014, between ONE Gas, Inc. and U.S. Bank National Association, as trustee (incorporated by reference to Exhibit 10.1 to ONE Gas, Inc.'s Current Report on Form 8-K filed on January 30, 2014 (File No. 1-36108)).
4.3	Supplemental Indenture No. 1, dated January 27, 2014, between ONE Gas, Inc. and U.S. Bank National Association, as trustee (incorporated by reference to Exhibit 10.2 to ONE Gas, Inc.'s Current Report on Form 8-K filed on January 30, 2014 (File No. 1-36108)).
10.1	Tax Matters Agreement, dated January 14, 2014, by and between ONE Gas, Inc. and ONEOK, Inc.(incorporated by reference to Exhibit 10.1 to ONE Gas, Inc.'s Current Report on Form 8-K filed on January15, 2014 (File No. 1-36108)).

10.2	Employee Matters Agreement, dated January 14, 2014, by and between ONE Gas, Inc. and ONEOK, Inc. (incorporated by reference to Exhibit 10.3 to ONE Gas, Inc.'s Current Report on Form 8-K filed on January 15, 2014 (File No. 1-36108)).
10.3	Form of ONE Gas, Inc. Indemnification Agreement between ONE Gas, Inc. and ONE Gas, Inc. officers and directors (incorporated by reference to Exhibit 10.5 to ONE Gas, Inc.'s Registration Statement on Form 10 filed on October 1, 2013 (File No. 1-36108)).
10.4	ONE Gas, Inc. Annual Officer Incentive Plan (incorporated by reference to Appendix A to ONE Gas, Inc.'s Definitive Proxy Statement on Schedule 14A filed on April 5, 2017 (File No. 1-36108)).
10.5	ONE Gas, Inc. Pre-2005 Nonqualified Deferred Compensation Plan (incorporated by reference to Exhibit 10.7 to ONE Gas, Inc.'s Registration Statement on Form 10, Amendment No. 2 filed on December 23, 2013 (File No. 1-36108)).
10.6	ONE Gas, Inc. Nonqualified Deferred Compensation Plan (incorporated by reference to Exhibit 10.8 to ONE Gas, Inc.'s Registration Statement on Form 10, Amendment No. 2 filed on December 23, 2013 (File No. 1-36108)).
10.7	ONE Gas, Inc. Pre-2005 Supplemental Executive Retirement Plan (incorporated by reference to Exhibit 10.9 to ONE Gas, Inc.'s Registration Statement on Form 10, Amendment No. 2 filed on December 23, 2013 (File No. 1-36108)).
10.8	ONE Gas, Inc. Supplemental Executive Retirement Plan, as amended and restated effective December 1, 2017.
10.9	Credit Agreement, dated as of December 20, 2013, among ONE Gas, Inc., Bank of America, N.A., as administrative agent, swingline lender and a letter of credit issuer, and the other lenders and letter of credit issuers parties thereto (incorporated by reference to Exhibit 10.2 to ONEOK, Inc.'s Current Report on Form 8-K filed on December 23, 2013 (File No. 1-13643)).
10.10	ONE Gas, Inc. Officer Change in Control Severance Plan (incorporated by reference to Exhibit 10.12 to ONE Gas, Inc.'s Registration Statement filed on Form 10, Amendment No. 2 filed on December 23, 2013 (File No. 1-36108)).
10.11	ONE Gas, Inc. Equity Compensation Plan, as amended and restated effective December 1, 2017.
10.12	Form of 2014 Restricted Unit Award Agreement (incorporated by reference to Exhibit 10.13 to ONE Gas, Inc.'s Annual Report on Form 10-K filed on February 25, 2014 (File No. 1-36108)).
10.13	Form of 2014 Performance Unit Award Agreement (incorporated by reference to Exhibit 10.14 to ONE Gas, Inc.'s Annual Report on Form 10-K filed on February 25, 2014 (File No. 1-36108)).
10.14	Form of 2018 Restricted Unit Award Agreement.
10.15	Form of 2018 Performance Unit Award Agreement.
10.16	Not used.
10.17	ONE Gas, Inc. Employee Stock Purchase Plan (incorporated by reference to Exhibit 10.16 to ONE Gas, Inc.'s Registration Statement on Form 10, Amendment No. 2 filed on December 23, 2013 (File No. 1-36108)).
10.18	ONE Gas, Inc. Deferred Compensation Plan for Non-Employee Directors (incorporated by reference to Exhibit 10.19 to ONE Gas, Inc.'s Annual Report on Form 10-K filed on February 23, 2017 (File No. 1-36108)).

10.19	ONE Gas, Inc. 401(k) Plan of ONE Gas Employees and Former ONE Gas Employees effective as of January 1, 2014 (incorporated by reference to Exhibit 4.4 to ONE Gas, Inc.'s Registration Statement on Form S-8 filed on January 31, 2014 (File No. 333-193690)).
10.20	Form of Commercial Paper Dealer Agreement (incorporated by reference to Exhibit 10.1 to ONE Gas, Inc.'s Current Report on Form 8-K filed on September 10, 2014 (File No. 1-36108)).
10.21	Form of 2015 Performance Unit Award Agreement (incorporated by reference to Exhibit 10.2 to ONE Gas, Inc.'s Quarterly Report on Form 10-Q filed on April 30, 2015 (File 1-36108)).
10.22	Form of 2015 Restricted Unit Award Agreement (incorporated by reference to Exhibit 10.3 to ONE Gas, Inc.'s Quarterly Report on Form 10-Q filed on April 30, 2015 (File 1-36108)).
10.23	Form of 2016 Performance Unit Award Agreement (incorporated by reference to Exhibit 10.24 to ONE Gas, Inc.'s Annual Report on Form 10-K filed on February 18, 2016 (File No. 1-36108)).
10.24	Form of 2016 Restricted Unit Award Agreement (incorporated by reference to Exhibit 10.25 to ONE Gas, Inc.'s Annual Report on Form 10-K filed on February 18, 2016 (File No. 1-36108)).
10.25	Form of 2017 Restricted Unit Award Agreement (incorporated by reference to Exhibit 10.15 to ONE Gas, Inc.'s Annual Report on Form 10-K filed on February 23, 2017 (File No. 1-36108)).
10.26	Form of 2017 Performance Unit Award Agreement (incorporated by reference to Exhibit 10.16 to ONE Gas, Inc.'s Annual Report on Form 10-K filed on February 23, 2017 (File No. 1-36108)).
10.27	Amended and Restated Credit Agreement, dated as of October 5, 2017, among ONE Gas, Inc., Bank of America, N.A., as administrative agent, swingline lender and a letter of credit issuer, and the other lenders and letter of credit issuers parties thereto (incorporated by reference to Exhibit 10.1 to ONE Gas, Inc.'s Current Report on Form8-K filed on October 6, 2017 (File No. 1-36108)).
10.28	ONE Gas, Inc. Nonqualified Deferred Compensation Plan, as amended and restated effective January 1, 2018.
12.1	Computation of Ratio of Earnings to Fixed Charges for the years ended December 31, 2017, 2016, 2015, 2014 and 2013.
21.1	Subsidiaries of ONE Gas, Inc.
23.1	Consent of Independent Registered Public Accounting Firm - PricewaterhouseCoopers LLP.
31.1	Certification of Pierce H. Norton II pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Curtis L. Dinan pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Pierce H. Norton II pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906of the Sarbanes-Oxley Act of 2002 (furnished only pursuant to Rule 13a-14(b)).
32.2	Certification of Curtis L. Dinan pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906of the Sarbanes-Oxley Act of 2002 (furnished only pursuant to Rule 13a-14(b)).

101.INS	XBRL Instance Document.
101.SCH	XBRL Schema Document.
101.CAL	XBRL Calculation Linkbase Document.
101.LAB	XBRL Label Linkbase Document.
101. PRE	XBRL Presentation Linkbase Document.
101.DEF	XBRL Extension Definition Linkbase Document.

Attached as Exhibit 101 to this Annual Report are the following XBRL-related documents: (i) Document and Entity Information; (ii) Consolidated Statements of Income for the years ended December 31, 2017, 2016 and 2015; (iii) Consolidated Statements of Comprehensive Income for the years ended December 31, 2017, 2016 and 2015; (iv) Consolidated Balance Sheets as of December 31, 2017 and 2016; (v) Consolidated Statements of Cash Flows for the years ended December 31, 2017, 2016 and 2015; (vi) Consolidated Statements of Equity for the years ended December 31, 2017, 2016 and 2015; and (vii) Notes to Consolidated Financial Statements.

We also make available on our website the Interactive Data Files submitted as Exhibit 101 to this Annual Report.

ITEM 16. FORM 10-K SUMMARY

None.

Signatures

Pursuant to the requirements of Section 13 or 15(d) of the Exchange Act, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: February 22, 2018

ONE Gas, Inc.
Registrant

By: /s/ Curtis L. Dinan
Curtis L. Dinan
Senior Vice President,
Chief Financial Officer and Treasurer

Pursuant to the requirements of the Exchange Act, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated on this 22nd day of February 2018.

/s/ John W. Gibson	/s/ Pierce H. Norton II
John W. Gibson Chairman of the Board	Pierce H. Norton II President, Chief Executive Officer and Director
/s/ Curtis L. Dinan	/s/ Robert B. Evans
Curtis L. Dinan Senior Vice President, Chief Financial Officer and Treasurer (Principal Accounting Officer)	Robert B. Evans Director
/s/ Michael G. Hutchinson	/s/ Pattye L. Moore
Michael G. Hutchinson Director	Pattye L. Moore Director
/s/ Eduardo A. Rodriguez	/s/ Douglas H. Yaeger
Eduardo A. Rodriguez Director	Douglas H. Yaeger Director

ONE GAS, INC.
SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN
Amended and Restated
Effective December 1, 2017

ESTABLISHMENT AND PURPOSE

The Board of Directors of ONE Gas approved the adoption of this Plan, effective January 1, 2014, for the benefit of a select group of management or highly compensated employees. The Plan was established to receive liabilities transferred from the ONEOK 2005 SERP. The purpose of the Plan is to provide the specified benefits to ONE Gas Employees and Former ONE Gas Employees who were participants in the ONEOK 2005 SERP. This Plan is amended and restated effective December 1, 2017.

Effective January 1, 2014, all liabilities attributable to ONE Gas Employees and Former ONE Gas Employees under the ONEOK 2005 SERP were transferred and accepted by this Plan. For periods after December 31, 2013, (1) ONE Gas Employees and Former One Gas Employees shall not be eligible to participate in the ONEOK 2005 SERP; (2) the ONEOK 2005 SERP and any successors thereto shall have no further obligation or liability to any ONE Gas Employee or Former ONE Gas Employee with respect to any benefit, amount or right accrued under the ONEOK 2005 SERP; and (3) this Plan is liable for the payment of any benefits accrued by ONE Gas Employees and Former ONE Gas Employees under the ONEOK 2005 SERP. No individual is entitled to a benefit under both this Plan and the ONEOK 2005 SERP.

The terms and conditions of this Plan are substantially the same as the terms and conditions of the ONEOK 2005 SERP. Exhibit A to the Plan sets forth additional rules applicable to Transferred Participants. Notwithstanding anything to the contrary in the Plan, no person other than Transferred Participants shall be eligible to participate in the Plan.

This Plan is separate from the ONE Gas Pre-2005 SERP, which ONE Gas established to receive liabilities transferred from the ONEOK Frozen SERP in connection with the Separation. No individual is entitled to a benefit under both this Plan and the ONE Gas Pre-2005 SERP.

This Plan and the particular benefits provided to individuals hereunder shall be administered as an unfunded nonqualified deferred compensation and excess benefit plans established and maintained for a select group of management or highly compensated employees. The Plan is intended to meet all requirements of Section 409A of the Code for compensation deferred under the Plan to not be includible in gross income of the Participant until actually paid or distributed pursuant to the Plan.

The capitalized words and terms in this Plan document shall have the meaning given in the definitions stated in Part C, Article II of the Plan, unless otherwise expressly indicated.

PART A. EXCESS RETIREMENT BENEFITS

ARTICLE 1.
PURPOSE AND SCOPE OF PART A

1.1 **Part A; Excess Retirement Benefits** . The provisions of Part A of the Plan shall establish and provide excess retirement benefits to Part A Participants.

1.2 **Separate Benefits** . The Excess Retirement Benefits provided to participants under Part A of the Plan are separate and independent from Supplemental Retirement Benefits provided under Part B of the Plan.

1.3 **Deferral of Compensation** . The Excess Retirement Benefits provided to Participants under Part A of the Plan shall be considered and treated as deferral of compensation to the extent and in the manner provided for in Section 409A of the Code and Treasury Regulations thereunder.

ARTICLE II.
ELIGIBILITY AND PARTICIPATION

2.1 **Eligibility.** No person other than a Part A Participant shall participate in Part A of the Plan. In no event shall any employee of the ONEOK Group be eligible to participate in the Plan.

2.2 **Scope of Part A Participation** . A Part A Participant shall not be entitled to participate in Part B of the Plan or to receive benefits thereunder unless the Part A Participant is also a Part B Participant.

2.3 **Election to Defer Compensation** .

A. Except as provided in Section 2.3.B., of this Article, the Company, pursuant to the Plan, elects, determines and provides for the time and form of payment of an Excess Retirement Benefit to any eligible Employee who is a Part A Participant. The time and form of payment of an Excess Retirement Benefit is stated and provided in Article III of this Part A of the Plan.

B. All Elections made by a Part A Participant under the ONEOK 2005 SERP shall apply to the same effect under this Plan as if made under the terms of this Plan. Any Election of the time and form of payment of an Excess Retirement Benefit of a Part A Participant shall apply with respect to all compensation deferred under the Plan for the Part A Participant.

C. A Part A Participant shall be allowed to change the form of an annuity benefit to the extent provided in Section 3.5 of Article III of this Part A of the Plan. A Part A Participant shall be allowed to make a Subsequent Election as to time of payment of an Excess Retirement Benefit as provided in Section 3.2 of Article III of this Part A of the Plan.

ARTICLE III.
EXCESS RETIREMENT BENEFIT

3.1 **Excess Retirement Benefit** .

A. The Company shall pay each Part A Participant the vested Excess Retirement Benefit attributable to a Part A Participant's annual eligible compensation under the Retirement Plan that is in excess of the limitations on such Part A Participant's Retirement Plan Benefits contained in Code Sections 401(a)(17) and 415(b).

B. The Excess Retirement Benefit will be calculated by applying the same benefit formula, vesting provisions, and early retirement provisions as are in and apply to the Part A Participant's Retirement Plan Benefit under the Retirement Plan.

C. The Excess Retirement Benefit shall be calculated for the time of the commencement of payment of it to a Part A Participant (hereinafter referred to as "Excess Retirement Benefit Commencement Date") pursuant to the terms and provisions of the Plan governing the time and form of payment thereof, irrespective of whether or not a corresponding Retirement Plan Benefit is then being paid or is to commence payment to such Part A Participant at that time, and irrespective of the time and form of payment of the Retirement Plan Benefit that has been elected, is being paid or may be paid to the Part A Participant.

D. The Excess Retirement Benefit shall be calculated and determined for the Excess Retirement Benefit Commencement Date of a Part A Participant as follows:

(1) Calculate as a single (straight) life annuity payable at age sixty-five (65);

(2) Apply early retirement provisions based upon the age of the Part A Participant at the Excess Retirement Benefit Commencement Date;

(3) Apply the factors for the form of payment that has been elected by the Part A Participant in accordance with the terms and provisions of this Plan as an actuarial equivalent of a single (straight) life annuity, if such elected form of payment is other than a single (straight) life annuity in accordance with the Plan and reasonable actuarial assumptions and methods, as determined by the Committee; and

(4) Deduct the Retirement Plan Benefit calculated at the same time and form of payment as the Excess Retirement Benefit, irrespective of the time and form of payment of the Retirement Plan Benefit elected by the Participant for the Retirement Plan.

E. The Committee shall be authorized to take such other actions and apply procedures that it determines, in its discretion, to calculate, determine and commence the payment of an Excess Retirement Benefit to a Part A Participant at the Excess Retirement Benefit Commencement Date.

3.2 **Payment of Excess Retirement Benefit** .

A. Subject to the requirements of Section 3.3 below (six-month required delay of payment for Specified Employee), a vested Excess Retirement Benefit shall be paid to a Part A Participant entitled thereto or his/her Beneficiary, commencing on his/her Normal Specified Distribution Date.

B. A Part A Participant shall be allowed to make a Subsequent Election to change the time of distribution and payment of his/her Excess Retirement Benefit from his/her Normal Specified Distribution Date to a Subsequent Election Distribution Date resulting from such election, if:

(i) he/she delivers a written notification of such Subsequent Election to the Committee, or its designee, in the form it prescribes, not less than twelve (12) months prior to his/her Normal Specified Distribution Date, and

(ii) he/she makes a corresponding Subsequent Election with respect to any Supplemental Retirement Benefit he/she is entitled to under Part B of the Plan in such written notification.

C. A Part A Participant shall be allowed to make a Subsequent Election as to any Subsequent Election Distribution Date established for the payment of his/her Excess Retirement Benefit if:

(i) he/she delivers a written notification of such Subsequent Election to the Committee, or its designee, in the form it prescribes, not less than twelve (12) months prior to such Subsequent Election Distribution Date, and

(ii) he/she makes a corresponding Subsequent Election with respect to any Supplemental Retirement Benefit he/she is entitled to under Part B of the Plan in such written notification.

D. Notwithstanding anything otherwise provided in the Plan or in any Election or Subsequent Election of a Part A Participant, any Subsequent Election made by a Part A Participant under the Plan shall result in a Subsequent Election Distribution Date of his/her Excess Retirement Benefit being established for it, and the first distribution and payment with respect to which such Subsequent Election is made being deferred to a Subsequent Election Distribution Date that is not less than five (5) years from the date such distribution and payment would otherwise have been made.

E. Except as otherwise expressly specified in the Plan, a distribution or payment shall be treated as made upon the date specified under the Plan if the payment is made at such date or a later date within the same taxable year of the Participant or, if later, by the 15th day of the third calendar month following the date specified under the Plan and the Participant is not permitted, directly or indirectly, to designate the taxable year of the payment. In addition, a distribution or payment shall be treated as made upon the date specified under the Plan and shall not be treated as an accelerated payment if the payment is made no earlier than thirty (30) days before the designated payment date and the

Participant is not permitted, directly or indirectly, to designate the taxable year of the payment. For purposes of this paragraph, if the date specified is only a designated taxable year of the Participant, or a period of time during such a taxable year, the date specified under the Plan is treated as the first day of such taxable year or the first day of the period of time during such taxable year, as applicable. If calculation of the amount of the distribution or payment is not administratively practicable due to events beyond the control of the Participant (or Participant's beneficiary), the distribution or payment will be treated as made upon the date specified under the Plan if the distribution or payment is made during the first taxable year of the Participant in which the calculation of the amount of the distribution or payment is administratively practicable. For purposes of this section, the inability of a Corporation to calculate the amount or timing of a distribution or payment due to a failure of a Participant (or Participant's beneficiary) to provide reasonably available information necessary to make such calculation does not constitute an event beyond the control of the Participant.

3.3 **Specified Employee; Six (6) Month Required Delay in Payment** . If a Part A Participant is a Specified Employee, his/her vested Excess Retirement Benefit shall not commence being paid until after the end of the Specified Employee Required Deferral Period.

In the case of any Participant who is a Specified Employee as of the date of a Separation from Service, distribution and payments of any Deferred Compensation may not be made before the date that is six (6) months after the date of Separation from Service (or, if earlier than the end of the six-month period, the date of death of the Specified Employee). For this purpose, a Participant who is not a Specified Employee as of the date of a Separation from Service will not be treated as subject to this requirement even if the Participant would have become a Specified Employee if the Participant had continued to provide services through the next Specified Employee Effective Date; and a Participant who is treated as a Specified Employee as of the date of a Separation from Service will be subject to this requirement even if the Participant would not have been treated as a Specified Employee after the next Specified Employee Effective Date had the Specified Employee continued in employment with the Corporation through the next Specified Employee Effective Date. The required delay in payment is met if payments to which a Specified Employee would otherwise be entitled during the first six (6) months following the date of Separation from Service are accumulated and paid on the first day of the seventh month following the date of Separation from Service, or if each payment to which a Specified Employee is otherwise entitled upon a Separation from Service is delayed by six (6) months. The Committee shall have and retain discretion to choose which method will be implemented, provided that no direct or indirect election as to the method may be provided to the Participant. For an affected Specified Employee, a date upon which the Committee or the Corporation designates that the payment will be made after the six-month delay is treated as a fixed payment date for purposes of the other requirements of the Plan once the Separation from Service has occurred.

In such a case, the Part A Participant shall, to the extent permissible under Code Section 409A, receive a Specified Employee Catch-Up Payment at the end of the Specified Employee Required Deferral Period and thereafter receive vested Excess Retirement Benefit monthly payments in accordance with the Plan. If such a Specified Employee Catch-Up Payment is not permissible under Code Section 409A, the Excess Retirement Benefit shall be paid and distributed to the Specified Employee in accordance with the requirements of Code Section 409A and the

regulations thereunder, and the time and form of payment elected shall not otherwise be changed or accelerated.

3.4 **Vesting of Excess Retirement Benefit** . A Part A Participant's Excess Retirement Benefit shall unconditionally vest in such Participant and become nonforfeitable upon such Part A Participant's completion of five (5) Years of Service; provided, that the Excess Retirement Benefit shall not be vested and nonforfeitable upon Retirement if the Part A Participant has not completed five (5) Years of Service.

3.5 **Form of Payment.**

A. The vested Excess Retirement Benefit shall be paid to a Part A Participant in the form of payment elected by the Part A Participant, subject to the provisions of paragraph B. of this Section 3.5, below, as to a Part A Participant who is Married on or after his/her Initial Participation Date as a Part A Participant in the Plan.

B. The vested Excess Retirement Benefit shall be paid to a Part A Participant who is Married on or after his/her Initial Participation Date as a Part A Participant in the Plan in the form of a 50% qualified joint and survivor annuity (as defined in the Retirement Plan), unless such Part A Participant in writing elects a different form of payment of his/her vested Excess Retirement Benefit which election is delivered to the Committee or its designee, and such Part A Participant's Spouse consents in writing to such election of a different form of payment, and the Spouse's consent acknowledges the effect of such election and is witnessed by a Plan representative or notary public, or it is established to the satisfaction of the Committee that the Spouse consent as herein required may not be obtained because there is not a Spouse, because the Spouse cannot be located, or because of a similar circumstances recognized by the Committee in its sole discretion.

C. A Part A Participant who is not Married may elect a form of payment of his/her vested Excess Retirement Benefit and designate a Beneficiary, and change his/her designation of a Beneficiary, without requiring consent by any other person, irrespective of another person having any other particular relationship to the Part A Participant (including a Domestic Partner relationship), or another person previously having been designated as a Beneficiary by the Part A Participant, subject, however, to the authority, powers and discretion of the Committee provided for under the Plan.

D. The forms of payment of the vested Excess Retirement Benefit under the Plan which may be elected by and paid to a Part A Participant shall be the same forms of payment and benefit as are provided for a vested retirement benefit of a Group C Participant under the Retirement Plan.

E. Subject to the foregoing provisions of this Section 3.5, the forms of payment of a vested Excess Retirement Benefit to a Part A Participant and another individual as a survivor beneficiary, including a Spouse, Domestic Partner, child or other individual, shall be payable to the Part A Participant and the survivor beneficiary who is designated in writing as the survivor beneficiary by the Part A Participant in a written instrument signed

by the Part A Participant and delivered to the Committee or its designee in accordance with procedures prescribed by the Committee.

F. In the event a Part A Participant does not effectively make an election of the form of payment of a vested Excess Retirement Benefit or does not effectively designate a survivor beneficiary, if applicable, such vested Excess Retirement Benefit shall be paid in the same form of payment and benefit and to the Part A Participant and to his/her beneficiary as applicable under the Retirement Plan with respect to the Retirement Plan benefit of the Part A Participant. Provided, the time of payment of the Excess Retirement Benefit to a Part A Participant shall be determined pursuant to the terms of this Plan and not pursuant to or under the Retirement Plan.

G. A Part A Participant shall be allowed to change the form of payment of an Excess Retirement Benefit that is initially elected and designated, or any permissible form previously elected by the Part A Participant hereunder, to the extent provided in this Section 3.5. Any such change in the form of payment pursuant to this Section 3.5 shall be allowed only if (1) it is made in writing by the Participant in an instrument prescribed by the Committee prior to the first payment and distribution of an Excess Retirement Benefit, (2) the Committee determines that the previously elected form of payment and the changed form of payment are actuarially equivalent applying reasonable actuarial methods and assumptions, and (3) the Part A Participant complies with such other requirements as the Committee may prescribe.

H. A change in form of payment of an Excess Retirement Benefit shall not change, delay or accelerate the scheduled date for the first annuity payment of an Excess Retirement Benefit under the Plan.

I. Each change in form of payment of an Excess Retirement Benefit pursuant to the foregoing provisions shall be deemed to make a similar change in the form of payment with respect to any Supplemental Retirement Benefit payable to the Participant under the Plan.

J. The Committee may liquidate the Participant's interest under the Plan in a lump sum payment if the amount payable is not greater than the applicable dollar amount under Code Section 402(g)(1)(B) (determined by the Committee utilizing reasonable actuarial assumptions and methods), provided the payment represents the complete liquidation of the Participant's interest in the Plan including all agreements, methods, programs or other arrangements with respect to which deferrals of compensation are treated as having been deferred under a single nonqualified deferred compensation plan under the Treasury Regulations issued under Code Section 409A.

3.6 **Disability** . If a Part A Participant shall become Disabled prior to Retirement and such total disability continues for more than six (6) months, such Participant shall be entitled to receive an Excess Retirement Benefit. The vested Excess Retirement Benefit of such Part A Participant shall be distributed on the first day of the month next following the time he/she becomes Disabled if he/she has attained age fifty (50) at the time he/she becomes Disabled. The vested Excess Retirement Benefit of such Part A Participant shall be distributed on the first day of the

month next following such Part A Participant attaining the age of fifty (50) if he/she becomes Disabled prior to attaining that age. The vested Excess Retirement Benefit shall be paid in the form of payment elected by the Part A Participant in accordance with Section 3.5 (subject to the provisions of paragraph B. and J. of section 3.5). A Part A Participant shall be entitled to make a Subsequent Election with respect to the distribution of a vested Excess Retirement Benefit in accordance with and subject to the provisions of Section 3.2, above.

3.7 **Death** . In event of the death of a Part A Participant prior to commencing payment of his/her Excess Retirement Benefit under this Plan, an amount equal to fifty-five percent (55%) of the vested Excess Retirement Benefit of such Part A Participant shall be paid and distributed to the Beneficiary of such Part A Participant under Article IV of this Part A of the Plan, below, in the form of an annuity for the life of the Beneficiary, payable in monthly payments, commencing on the first day of the month next following the date of death of such Part A Participant (subject to the provisions of paragraph J of Section 3.5).

3.8 **Nonqualified Deferred Compensation Plan Requirements** . Notwithstanding anything to the contrary expressed or implied herein, the deferral of all compensation under this Plan shall be subject to the requirements set forth in Article XI, Section 11.1 of Part C of the Plan.

ARTICLE IV.
BENEFICIARY

The Beneficiary of a Part A Participant's Excess Retirement Benefit shall be the person or persons who is or are the beneficiary or beneficiaries entitled to receive the vested Excess Retirement Benefit of the Part A Participant pursuant to the designation of the form of payment thereof and such Beneficiary made by the Part A Participant pursuant to the Plan.

ARTICLE V.
LEAVE OF ABSENCE

If a Part A Participant is authorized by the Company for any reason, including military, medical, or other, to take a leave of absence from employment, such Part A Participant's participation in Part A of the Plan shall remain in effect.

ARTICLE VI.
ADMINISTRATION OF PLAN

Except as otherwise expressly provided herein, this Part A of the Plan shall be administered pursuant to the provisions of Part C of the Plan.

PART B. SUPPLEMENTAL RETIREMENT BENEFITS

ARTICLE I.

PURPOSE AND SCOPE OF PART B

1.1 **Part B, Supplemental Retirement Benefits** . The provisions of Part B of the Plan shall establish and provide supplemental retirement benefits to Part B Participants.

1.2 **Separate Benefits** . The Supplemental Retirement Benefits provided to participants under Part B of the Plan are separate and independent from Excess Retirement Benefits provided under Part A of the Plan.

1.3 **Deferral of Compensation** . The Supplemental Retirement Benefits provided to Participants under Part B of the Plan shall be considered and treated as deferral of compensation to the extent and in the manner provided for in Section 409A of the Code and Treasury Regulations thereunder.

ARTICLE II.

2.1 **Eligibility** . No person other than a Part B Participant who is an Officer shall participate in Part B of the Plan. In no event shall any employee of the ONEOK Group be eligible to participate in the Plan.

2.2 **Scope of Part B Participation** . A Part B Participant shall not be entitled to participate in Part A of the Plan or to receive benefits thereunder unless the Part B Participant is also a Part A Participant.

2.3 **Election to Defer Compensation** .

A. Except as provided in Section 2.3.B., of this Article, the Company, pursuant to the Plan, elects, determines and provides for the time and form of payment of a Supplemental Retirement Benefit to any Part B Participant. The time and form of payment of a Supplemental Retirement Benefit is stated and provided in Article III of this Part B of the Plan.

B. All Elections made by a Part B Participant under the ONEOK 2005 SERP shall apply to the same effect under this Plan as if made under the terms of this Plan. Any Election of the time and form of payment of a Supplemental Retirement Benefit of a Part B Participant shall apply with respect to all compensation deferred under the Plan for the Part B Participant.

C. A Part B Participant shall be allowed to change the form of an annuity benefit to the extent provided in Section 3.5 of Article III of this Part B of the Plan. A Part B Participant shall be allowed to make a Subsequent Election as to time of payment of a Supplemental Retirement Benefit as provided in Section 3.2 of Article III of this Part B of the Plan.

ARTICLE III.
SUPPLEMENTAL RETIREMENT BENEFIT

3.1 **Supplemental Retirement Benefit** .

A. The Company shall pay a monthly Supplemental Retirement Benefit to each Part B Participant which shall be an amount calculated as follows:

(1) Calculate a single (straight) life annuity payable at age sixty-five (65) equal to the product of the Part B Participant's Final Average Earnings, multiplied by the Part B Participant's Benefit Factor Percentage at his/her Retirement under the Table in Section 3.1.D. of this Article III, below, and then multiplied by the Part B Participant's Service Factor Percentage at his/her Retirement under the Table in Section 3.1.E. of this Article III, below;

(2) Apply early commencement of payment provisions based upon the age of the Part B Participant when Supplemental Retirement Benefit payments to the Part B Participant commence pursuant to Section 3.1.F. of this Article III, below;

(3) Apply the factors for the form of payment that has been elected by the Part B Participant in accordance with the terms and provisions of this Plan as an actuarial equivalent of a single (straight) life annuity, if such elected form of payment is other than a single (straight) life annuity, in accordance with the Plan and reasonable actuarial assumptions and methods, as determined by the Committee; and

(4) Deduct the Retirement Plan Benefit pursuant to Section 3.1.G. of this Article III, below, and the Excess Retirement Benefit pursuant to Section 3.1.H. of this Article III, below, calculated at the same time and the form of the Supplemental Retirement Benefit elected under this Plan, irrespective of the time and form of payment of the Retirement Plan Benefit elected by the Participant for the Retirement Plan.

B. The Supplemental Retirement Benefit shall be calculated for the time of the commencement of payment of it to the Part B Participant (hereinafter referred to as the "Supplemental Retirement Benefit Commencement Date") pursuant to the terms and provisions of this Plan governing the time and form of payment thereof, irrespective of whether or not a corresponding Retirement Plan Benefit is then being paid or is to commence payment to such Part B Participant at that time, and irrespective of the time and form of payment of the Retirement Plan Benefit that has been elected, is being paid or may be paid to the Part B Participant.

C. The Committee shall be authorized to take such other actions and apply procedures that it determines, in its discretion, to calculate, determine and commence the payment of a Supplemental Retirement Benefit to a Part B Participant at the Supplemental Retirement Benefit Commencement Date.

D. Benefit Factor Percentage . A Part B Participant's Benefit Factor Percentage shall be based upon his/her age at his/her Retirement, as follows:

Retirement Age	Benefit Factor Percentage
50 & under	50%
51	51%
52	52%
53	53%
54	54%
55	55%
56	56%
57	57%
58	58%
59	58.5%
60	59%
61	59.5%
62	60%
63	60%
64	60%
65 & over	60%

E. Service Factor Percentage . A Part B Participant's Service Factor Percentage shall be based upon his/her completed Years of Service at his/her Retirement, as follows:

Years of Service	Service Factor Percentage
1	5%
2	10%
3	15%
4	20%
5	25%
6	30%
7	35%
8	40%
9	45%
10	50%
11	55%
12	60%
13	65%
14	70%
15	75%
16	80%
17	85%
18	90%
19	95%
20 & over	100%

F. Adjustment of Retirement Benefit Payments; Early Commencement . The amount of a Part B Participant's Supplemental Retirement Benefit payments will be reduced by reason of early commencement of payment thereof, based on the following table depending upon the Part B Participant's age when Supplemental Retirement Benefit payments to the Part B Participant commence:

Part B Participant Age At Commencement	Early Commencement Reduced Payout Percentage Factor
Under 50	0
50	50%
51	55%
52	60%
53	65%
54	70%
55	75%
56	80%
57	85%
58	90%
59	95%
60	97%
61	99%
62 & over	100%

G. Retirement Plan Benefit Offset. The Supplemental Retirement Benefit of a Part B Participant shall be offset and reduced by an amount equal to the Retirement Plan Benefit payable to such Part B Participant to be calculated in the same form of payment and as if it is to be paid at the time payment of the Supplemental Retirement Benefit is calculated and made under this Plan.

H. Excess Retirement Benefit Offset . If a Part B Participant is also a Part A Participant under the Plan and entitled to receive an Excess Retirement Benefit under Part A of the Plan, the Supplemental Retirement Benefit of such Part B Participant shall be offset and reduced by an amount equal to such Excess Retirement Benefit payable to such Part B Participant pursuant to Part A of the Plan.

3.2 **Payment of Supplemental Retirement Benefit** .

A. Subject to the requirements of Section 3.3 below (six-month required delay of payment for a Specified Employee), a vested Supplemental Retirement Benefit shall be paid to a Part B Participant entitled thereto or his/her Beneficiary, commencing on his/her Normal Specified Distribution Date.

B. A Part B Participant shall be allowed to make a Subsequent Election to change the time of distribution and payment of his/her Supplemental Retirement Benefit from his/her Normal Specified Distribution Date to a Subsequent Election Distribution Date resulting from such election, if:

(i) he/she delivers a written notification of such Subsequent Election to the Committee, or its designee, in the form it prescribes, not less than twelve (12) months prior to his/her Normal Specified Distribution Date, and

(ii) he/she makes a corresponding Subsequent Election with respect to any Excess Retirement Benefit he/she is entitled to under Part A of the Plan in such written notification.

C. A Part B Participant shall be allowed to make a Subsequent Election as to any Subsequent Election Distribution Date established for payment of his/her Supplemental Retirement Benefit if:.

(i) he/she delivers a written notification of such Subsequent Election to the Committee, or its designee, in the form it prescribes, not less than twelve (12) months prior to such Subsequent Election Distribution Date, and

(ii) he/she makes a corresponding Subsequent Election with respect to any Excess Retirement Benefit he/she is entitled to under Part A of the Plan in such written notification.

D. Notwithstanding anything to the contrary otherwise provided in the Plan or in any Election or Subsequent Election of a Part B Participant, any Subsequent Election made under the Plan shall result in a Subsequent Election Distribution Date of his/her Supplemental Retirement Benefit being established for it, and the first distribution and payment with respect to which such Subsequent Election is made being deferred to a Subsequent Election Distribution Date that is for not less than five (5) years from the date such distribution and payment would otherwise have been made.

E. Except as otherwise expressly specified in the Plan, a distribution or payment shall be treated as made upon the date specified under the Plan if the payment is made at such date or a later date within the same taxable year of the Participant or, if later, by the 15th day of the third calendar month following the date specified under the Plan and the Participant is not permitted, directly or indirectly, to designate the taxable year of the payment. In addition, a distribution or payment shall be treated as made upon the date specified under the Plan and shall not be treated as an accelerated payment if the payment is made no earlier than thirty (30) days before the designated payment date and the Participant is not permitted, directly or indirectly to designate the taxable year of the payment. For purposes of this paragraph, if the date specified is only a designated taxable year of the Participant, or a period of time during such a taxable year, the date specified under the Plan is treated as the first day of such taxable year or the first day of the period of time during such taxable year, as applicable. If calculation of the amount of the distribution or payment is not administratively practicable due to events beyond the control of the Participant (or Participant's beneficiary), the distribution or payment will be treated as made upon the date specified under the Plan if the distribution or payment is made during the first taxable year of the Participant in which the calculation of the amount of the distribution or payment is administratively practicable. For purposes of this section, the inability of a Corporation to calculate the amount or timing of a distribution or payment

due to a failure of a Participant (or Participant's beneficiary) to provide reasonably available information necessary to make such calculation does not constitute an event beyond the control of the Participant.

3.3 **Specified Employee; Six (6) Month Required Delay in Payment** . If a Part B Participant is a Specified Employee his/her Supplemental Retirement Benefit shall not commence being paid until after the end of the Specified Employee Required Deferral Period.

In the case of any Participant who is a Specified Employee as of the date of a Separation from Service, distribution and payments of any Deferred Compensation may not be made before the date that is six (6) months after the date of Separation from Service (or, if earlier than the end of the six-month period, the date of death of the Specified Employee). For this purpose, a Participant who is not a Specified Employee as of the date of a Separation from Service will not be treated as subject to this requirement even if the Participant would have become a Specified Employee if the Participant had continued to provide services through the next Specified Employee Effective Date; and a Participant who is treated as a Specified Employee as of the date of a Separation from Service will be subject to this requirement even if the Participant would not have been treated as a Specified Employee after the next Specified Employee Effective Date had the Specified Employee continued in employment with the Corporation through the next Specified Employee Effective Date. The required delay in payment is met if payments to which a Specified Employee would otherwise be entitled during the first six (6) months following the date of Separation from Service are accumulated and paid on the first day of the seventh month following the date of Separation from Service, or if each payment to which a Specified Employee is otherwise entitled upon a Separation from Service is delayed by six (6) months. The Committee shall have and retain discretion to choose which method will be implemented, provided that no direct or indirect election as to the method may be provided to the Participant. For an affected Specified Employee, a date upon which the Committee or the Corporation designates that the payment will be made after the six-month delay is treated as a fixed payment date for purposes of the other requirements of the Plan once the Separation from Service has occurred.

In such a case the Part B Participant shall, to the extent permissible under Code Section 409A, receive a Specified Employee Catch-Up Payment at the end of the Specified Employee Required Deferral Period and thereafter receive vested Supplemental Retirement Benefit monthly payments in accordance with the Plan. If such a Specified Employee Catch-Up Payment is not permissible under Code Section 409A, the Supplemental Retirement Benefit shall be paid and distributed to the Specified Employee in accordance with the requirements of Code Section 409A and the regulations thereunder, and the time and form of payment elected shall not otherwise be changed or accelerated.

3.4 **Vesting of Supplemental Retirement Benefit** . Subject to Sections 3.5 and 3.6 of this Article III, below, a Part B Participant’s Supplemental Retirement Benefit shall unconditionally vest in such Part B Participant and become nonforfeitable upon the Part B Participant’s completion of five (5) Years of Service; provided that the Supplemental Retirement Benefit shall not vest in a Part B Participant at the time of, or by reason of his/her Retirement or under any other circumstance if he/she has not completed five (5) Years of Service.

3.5 **Form of Payment.**

A. The vested Supplemental Retirement Benefit shall be paid to a Part B Participant in the form of payment elected by the Part B Participant, subject to the provisions of paragraph B. of this Section 3.5, below, as to a Part B Participant who is Married on or after his/her Initial Participation Date as a Part B Participant in the Plan.

B. The vested Supplemental Retirement Benefit shall be paid to a Part B Participant who is Married on or after his/her Initial Participation Date as a Part B Participant in the Plan in the form of a 50% qualified joint and survivor annuity (as defined in the Retirement Plan), unless such Part B Participant in writing elects a different form of payment of his/her vested Supplemental Retirement Benefit which election is delivered to the Committee or its designee, and such Part B Participant's Spouse consents in writing to such election of a different form of payment, and the Spouse's consent acknowledges the effect of such election and is witnessed by a Plan representative or notary public, or it is established to the satisfaction of the Committee that the Spouse consent as herein required may not be obtained because there is not a Spouse, because the Spouse cannot be located, or because of a similar circumstances recognized by the Committee in its sole discretion.

C. A Part B Participant who is not Married may elect a form of payment of his/her vested Supplemental Retirement Benefit and designate a Beneficiary, and change his/her designation of a Beneficiary, without requiring consent by any other person, irrespective of another person having any other particular relationship to the Part B Participant (including a Domestic Partner relationship), or another person previously having been designated as a Beneficiary by the Part B Participant, subject, however, to the authority, powers and discretion of the Committee provided for under the Plan.

D. The forms of payment of the vested Supplemental Retirement Benefit under the Plan which may be elected by and paid to a Part B Participant shall be the same forms of payment and benefit as are provided for a vested retirement benefit of a Group C Participant under the Retirement Plan.

E. Subject to the foregoing provisions of this Section 3.5, the forms of payment of a vested Supplemental Retirement Benefit to a Part B Participant and another individual as a survivor beneficiary, including a Spouse, Domestic Partner, child or other individual, shall be payable to the Part B Participant and the survivor beneficiary who is designated in writing as the survivor beneficiary by the Part B Participant in a written instrument signed by the Part B Participant and delivered to the Committee or its designee in accordance with procedures prescribed by the Committee.

F. In the event a Part B Participant does not effectively make an election of the form of payment of a vested Supplemental Retirement Benefit or does not effectively designate a survivor beneficiary, if applicable, such vested Supplemental Retirement Benefit shall be paid in the same form of payment and benefit and to the Part B Participant and to his/her beneficiary as applicable under the Retirement Plan with respect to the Retirement Plan benefit of the Part B Participant. Provided, the time of payment of the Supplemental Retirement Benefit to a Part B Participant shall be determined pursuant to the terms of this Plan and not pursuant to or under the Retirement Plan.

G. A Part B Participant shall be allowed to change the form of payment of a Supplemental Retirement Benefit that is initially elected and designated, or any permissible form previously elected by the Part B Participant hereunder, to the extent provided in this Section 3.5. Any such change in the form of payment pursuant to this Section 3.5 shall be allowed only if (1) it is made in writing by the Part B Participant in an instrument prescribed by the Committee prior to the first payment and distribution of a Supplemental Retirement Benefit, (2) the Committee determines that the previously elected form of payment and the changed form of payment are actuarially equivalent applying reasonable actuarial methods and assumptions, and (3) the Part B Participant complies with such other requirements as the Committee may prescribe.

H. A change in form of payment pursuant to the foregoing provisions shall not change, delay or accelerate the scheduled date for the first annuity payment of a Supplemental Retirement Benefit under the Plan.

I. Each change in form of payment of a Supplemental Retirement Benefit pursuant to the foregoing provisions shall be deemed to make a similar change in form of payment with respect to any Excess Retirement Benefit payable to the Participant under the Plan.

J. The Committee may liquidate the Participant's interest under the Plan in a lump sum payment if the amount payable is not greater than the applicable dollar amount under Code Section 402(g)(1)(B) (determined by the Committee utilizing reasonable actuarial assumptions and methods), provided the payment represents the complete liquidation of the Participant's interest in the Plan including all agreements, methods, programs or other arrangements with respect to which deferrals of compensation are treated as having been deferred under a single nonqualified deferred compensation plan under the Treasury Regulations issued under Code Section 409A.

3.6 **Disability.** If a Part B Participant becomes Disabled prior to his/her Separation from Service, the vested Supplemental Retirement Benefit of such Part B Participant shall be distributed on the first day of the month next following the time he/she becomes Disabled if he/she has attained age fifty (50) at the time he/she becomes Disabled. The vested Supplemental Retirement Benefit of such Part B Participant shall be distributed on the first day of the month next following such Part B Participant attaining the age of fifty (50) if he/she becomes Disabled prior to attaining that age. The vested Supplemental Retirement Benefit shall be paid in the form of payment elected by the Part B Participant in accordance with Section 3.5 (subject to the provisions of Section B. and J. of section 3.5). A Part B Participant shall be entitled to make a Subsequent Election with respect to the distribution of a vested Supplemental Retirement Benefit in accordance with and subject to the provisions of Section 3.2, above.

3.7 **Death** . In the event of the death of a Part B Participant prior to commencing payment of his/her Supplemental Retirement Benefit an amount equal to fifty-five percent (55%) of the vested Supplemental Retirement Benefit shall be paid and distributed to the Beneficiary of such Part B Participant under Article IV of this Part B of the Plan, below, in the form of an annuity for the life of the Beneficiary, payable in monthly payments, commencing on the first day of the

month next following the date of death of such Part B Participant (subject to the provisions of Section J of Section 3.5).

3.8 **Nonqualified Deferred Compensation Plan Requirements** . Notwithstanding anything to the contrary expressed or implied herein, the deferral of all compensation under this Plan shall be subject to the requirements set forth in Article XI, Section 11.1 of Part C of the Plan.

ARTICLE IV.
BENEFICIARY

The Beneficiary of a Part B Participant's Supplemental Retirement Benefit shall be the person or persons who is or are the beneficiary or beneficiaries entitled to receive the vested Supplemental Retirement Benefit of the Part B Participant pursuant to the designation of the form of payment and of such Beneficiary made by the Part B Participant pursuant to the Plan.

ARTICLE V.
SUPPLEMENTAL RETIREMENT BENEFIT ADJUSTMENTS

The Committee shall be authorized to make and apply special adjustments in determining the amount of a Part B Participant's Supplemental Retirement Benefit. Such adjustments may be made from time to time by the Committee for any Part B Participant, and may include, without limitation, the granting or deemed accrual of additional Years of Service, the waiver of an offset of retirement benefits provided by a prior employer, or such other adjustments as the Committee determines, in its sole discretion; provided, however, that no such adjustment shall be effective until it is made and expressly acknowledged in writing by the Committee.

ARTICLE VI.
LEAVE OF ABSENCE

If a Part B Participant is authorized by the Company for any reason, including military, medical, or other, to take a leave of absence from employment, such Part B Participant's Plan Agreement shall remain in effect.

ARTICLE VII.
ADMINISTRATION OF PART B OF THE PLAN

Except as otherwise expressly provided herein, this Part B of the Plan shall be administered pursuant to the provisions of Part C of the Plan.

PART C.
PLAN ADMINISTRATION AND MISCELLANEOUS PROVISIONS

ARTICLE I.
PURPOSE AND SCOPE OF PART C

The purpose of Part C of the Plan is to establish and provide certain provisions governing the administration, and interpretation and application of all the provisions of the Plan. Unless otherwise expressly indicated, the terms and provisions of Part C of the Plan shall be applicable to Part A, Part B and Part C of the Plan.

ARTICLE II.
DEFINITIONS AND CONSTRUCTION

2.1 **Definitions** . For purposes of Parts A, B and C of the Plan, the following phrases or terms shall have the indicated meanings unless otherwise clearly apparent from the context:

"Base Cash Compensation" shall mean the regular monthly salary paid to a Participant by the Company before any deductions or exclusions for taxes or other purposes, and excluding any vehicle allowance, incentives, commissions and any other special pay.

"Beneficiary" shall mean the individual or individuals designated as entitled to survivor benefits as a beneficiary of a Participant in accordance with the Plan.

"Board of Directors" shall mean the Board of Directors of ONE Gas, Inc., unless otherwise indicated or the context otherwise requires.

"Change in Ownership or Control" shall mean (i) prior to the effective date of the Separation, a change in the ownership or effective control of ONEOK or in the ownership of a substantial portion of ONEOK's assets within the meaning of Code Section 409A and the Treasury Regulations thereunder; and (ii) on or after the effective date of the Separation, a change in the ownership or effective control of ONE Gas or in the ownership of a substantial portion of ONE Gas's assets within the meaning of Code Section 409A and the Treasury Regulations thereunder. For avoidance of doubt, the Separation will not constitute a Change in Ownership or Control for purposes of the Plan.

"Code" shall mean the Internal Revenue Code of 1986, as amended.

"Committee" shall mean the Executive Compensation Committee of the Board of Directors or such other Committee appointed to manage and administer the Plan and individual Plan Agreements in accordance with the provisions of Article III of this Part C of the Plan.

"Company" shall mean ONE Gas, Inc., an Oklahoma corporation, or any division or subsidiary thereof.

"Compensation" shall mean the Base and Short-Term Incentive Cash Compensation from the Company paid to or deferred by a Participant during a calendar year.

"Declaration of Domestic Partnership" shall mean a written declaration, certificate, affidavit or other instrument prescribed by the Committee that is signed by a Participant and/or a Domestic Partner to describe and confirm a Participant's domestic partner relationship with the Domestic Partner.

"Deferred Compensation" shall mean any Excess Retirement Benefit or Supplemental Retirement Benefit to be paid to a Participant pursuant to the Plan.

"Disabled" shall mean that a Participant is unable to engage in substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than twelve (12) months, or is, by reason of any medically determinable physical or mental impairment which can be expected to last for a continuous period of not less than twelve (12) months, receiving income replacement benefits for a period of not less than three (3) months under an accident or health plan covering Employees of the Company.

"Domestic Partner" shall mean an individual other than a Participant with whom the Participant has a domestic partner relationship which meets the following requirements:

A. A relationship between partners of the same or opposite sex who:

1. Are registered with state or local government as domestic partners (as applicable by state), or have jointly signed a written Declaration of Domestic Partnership as provided for herein, or have a marriage license for persons who reside in states that recognize civil unions;

2. Are in a committed relationship and are not married to or legally separated from any other individual under either statutory or common law;

3. Are financially interdependent and have furnished proof of joint ownership and have furnished documents to include two (2) of the conditions of joint ownership; and

B. Conditions of a Declaration of Domestic Partnership are the following:

1. The individual who signs the Declaration of Domestic Partnership with the Participant must be an adult individual with whom a Participant declares he/she has chosen to share one another's lives in an intimate and committed relationship of mutual caring, the establishment of which domestic partnership is confirmed when both persons sign and deliver a Declaration of Domestic Partnership to the Committee, or its designee, in the form prescribed by it, and at the time of delivery (a) neither person is married to someone else or is a member of another domestic partnership with someone else that has not been terminated, dissolved, or adjudged a nullity, (b) the two (2) persons are not related by blood in a way that would prevent them from being married to each other in the state of their residence,

(c) both persons are at least eighteen (18) years of age, (d) either (i) both persons are members of the same sex, or (ii) the two (2) persons are members of the opposite sex, and (e) both persons are capable of consenting to the domestic partnership.

2. The Participant and the other individual furnish satisfactory proof of at least two (2) of the following:

a. Joint checking, bank, or investment account.

b. Joint credit account, mortgage or lease for residence identifying both partners as tenants.

c. Joint ownership of an automobile or home.

d. A Will or revocable living trust and/or life insurance policy which designates the other as a primary beneficiary.

e. Beneficiary Designation form for a retirement plan which designates the other as primary beneficiary.

"Effective Date" shall mean the effective date of the Plan, December 1, 2017.

"Election" shall mean the Election of a Participant or by the Company to defer payment and distribution of Deferred Compensation to a Participant made pursuant to the terms and provisions of the ONEOK 2005 SERP, that shall include the Participant's Election of the time of payment and the Company's Election of the form of payment.

"Employee" shall mean any person who is in the regular full-time employment of the Company or is on authorized leave of absence therefrom, as determined by the personnel rules and practices of the Company. The term does not include persons who are retained by the Company solely as consultants or under contract.

"ERISA" shall mean the Employee Retirement Income Security Act of 1974, as amended.

"Excess Retirement Benefit" shall mean an amount equal to the difference between (i) the Retirement Plan Benefit to which the Part A Participant would be entitled under the Retirement Plan if such Retirement Plan Benefit was computed without the restrictions or limitations imposed by Sections 401(a)(17) and 415(b) of the Code as now or hereafter in effect, less (ii) the amount of Retirement Plan Benefit payable to the Part A Participant under the Retirement Plan.

"Final Average Earnings" shall mean the average of the highest thirty-six (36) consecutive months Compensation during the last sixty (60) month period of an Employee's employment with the Company.

"Fixed Schedule" shall mean the distribution or payment of compensation deferred under the Plan in a fixed schedule of distributions or payments in accordance with the Participant's Election.

"Former ONE Gas Employee" means any individual (or any beneficiary, dependent, or alternate payee of such individual, as the context requires) whose employment with any member of the ONEOK Group was terminated prior to January 1, 2014, if such individual was allocated in connection with the Separation to any member of the ONE Gas Group as of January 1, 2014 by ONEOK in its sole discretion.

"Initial Participation Date" shall mean the date an Employee first became a Part A Participant and/or Part B Participant in the ONEOK 2005 SERP.

"Married" (or "Marriage") shall mean a legal union between Spouses.

"Normal Specified Distribution Date" shall mean as to a Part A Participant or Part B Participant, the first day of the calendar month next following or coincident with the later of the date the Participant has elected in his/her Election the Specified Time of payment and distribution of compensation deferred under the Plan which shall be either (1) the later of (a) a Specified Date, or (b) the date such Part A Participant (i) attains age fifty (50), (ii) completes five (5) years of service with the Company, and (iii) has a Separation from Service with the Company; or (2) the date such Part A Participant (a) attains age fifty (50), (b) completes five (5) years of service with the Company, and (c) has a Separation from Service with the Company.

"Officer" shall mean a person who is an elected officer of the Company.

"ONE Gas" shall mean ONE Gas, Inc., an Oklahoma corporation, or any division or subsidiary thereof.

"ONE Gas Employee" means an active employee or an employee on vacation or on approved leave of absence (including sick leave, qualified military service under the Uniformed Services Employment and Reemployment Rights Act of 1994, as amended, and leave under the Family Medical Leave Act, as amended), in either case, of any member of the ONE Gas Group on or after January 1, 2014, and shall include any beneficiary, dependent, or alternate payee of such employee, as the context requires.

"ONE Gas Group" means ONE Gas and each subsidiary of ONE Gas as of January 1, 2014 and any ONE Gas subsidiary that is established or acquired after January 1, 2014.

"ONE Gas Pre-2005 SERP" shall mean the separate ONE Gas, Inc. Supplemental Executive Retirement Plan, which ONE Gas established effective January 1, 2014 to receive liabilities transferred from the ONEOK Frozen SERP in connection with the Separation.

"ONEOK" shall mean ONEOK, Inc., an Oklahoma corporation.

"ONEOK 2005 SERP" shall mean the ONEOK, Inc. 2005 Supplemental Executive Retirement Plan.

"ONEOK Frozen SERP" shall mean the ONEOK, Inc. Supplemental Executive Retirement Plan, which was frozen pursuant to the terms thereof effective December 31, 2004.

"ONEOK Group" means (i) prior to January 1, 2014, ONEOK and any of its direct or indirect subsidiaries, and (ii) on and after January 1, 2014, ONEOK and its subsidiaries as of January 1, 2014 (other than any member of the ONE Gas Group) and any ONEOK subsidiary (other than any member of the ONE Gas Group) that is established or acquired after January 1, 2014.

"Part A Participant" shall mean a ONE Gas Employee or Former ONE Gas Employee who was a Part A Participant in the ONEOK 2005 SERP immediately before January 1, 2014. Exhibit B sets forth the Part A Participants in the Plan.

"Part B Participant" shall mean shall mean a ONE Gas Employee or Former ONE Gas Employee who is an Officer and was a Part B Participant in the ONEOK 2005 SERP immediately before January 1, 2014. Exhibit C sets forth the Part B Participants in the Plan.

"Participant" shall mean a Part A Participant, Part B Participant or both Part A Participant and Part B Participant, as applicable.

"Performance-Based Compensation" shall mean Compensation that is conditioned upon or subject to meeting certain requirements similar to those under Code Section 162(m), as more particularly provided for in Treasury Regulations issued under Code Section 409A.

"Plan Agreement" shall mean a written agreement which was entered into by and between ONEOK and a Participant pursuant to the terms of the ONEOK 2005 SERP, which shall apply to the same effect under this Plan as if entered into by and between the Company and the Participant.

"Plan" shall mean this ONE Gas, Inc. Supplemental Executive Retirement Plan as embodied herein and as amended from time to time.

"Rabbi Trust" shall mean the trust created to hold assets which will be used to pay the benefits provided hereunder, as provided in Section 5.4 of Article V of this Part C of the Plan.

"Retirement" and "Retire" shall mean when Participant attains age fifty (50), completes five (5) years of service with the Company, and has a Separation from Service other than Separation from Service as a result of death of the Employee, irrespective of whether or not the Employee is considered to have retired under the Retirement Plan or for any other purpose at the time of his/her termination of employment.

“Retirement Plan” shall mean the ONE Gas, Inc. Retirement Plan.

“Retirement Plan Benefit” shall mean the benefit or benefits to which a Part A and/or Part B Participant is entitled under the Retirement Plan.

“Retirement Plan Benefit Commencement Date” means the date a Participant commences receiving payments of his/her Retirement Benefits under the Retirement Plan.

“Separation” means the separation of ONEOK’s local natural gas distribution business into an independent, publicly traded entity to be known as ONE Gas.

“Separation from Service” means (i) prior to the effective date of the Separation, the termination of a Participant's employment within the meaning of Treasury Regulations section 1.409A-1(h) with all members of the ONEOK Group and all members of the ONE Gas Group; and (ii) on or after the effective date of the Separation, the termination of a Participant's employment within the meaning of Treasury Regulations section 1.409A-1(h) with the Company and all members of the ONE Gas Group.

“Service” shall mean employment of a Participant by the Company as a regular full-time employee.

“Short-Term Incentive Cash Compensation” shall mean any payment by the Company under the ONE Gas, Inc. Annual Employee Incentive Plan or the ONE Gas, Inc. Annual Officer Incentive Plan.

“Specified Date” means a specific future date in a calendar year.

“Specified Employee” shall mean an Employee who, as of the date of the Employee's Separation from Service, is a key employee of the Company if any stock of the Company is then publicly traded on an established securities market or otherwise; and for purposes of this definition, an Employee is a key employee if the Employee meets the requirements of Code Section 416(i)(1)(A)(i), (ii), or (iii) (applied in accordance with the regulations thereunder and disregarding section 416(i)(5)) at any time during the 12-month period ending on a Specified Employee Identification Date. If an Employee is a key employee as of a Specified Employee Identification Date, the Employee shall be treated as a key employee for purposes of the Plan for the entire 12-month period beginning on the Specified Employee Effective Date. For purposes of identifying a Specified Employee by applying the requirements of section 416(i)(1)(A)(i), (ii), and (iii), the definition of compensation under §1.415(c)-2(a) shall be used, applied as if the Company were not using any safe harbor provided in §1.415(c)-2(d), were not using any of the elective special timing rules provided in §1.415(c)-2(e), and were not using any of the elective special rules provided in §1.415(c)-2(g).

“Specified Employee Catch-Up Payment” shall mean a lump sum payment equal to all regularly scheduled Excess Retirement Benefit and/or Supplemental Retirement Benefit monthly payments to which a Part A Participant or Part B Participant is entitled to under the Plan but which are not paid on and after the commencement of payment of his/her Retirement Plan Benefit because of a Specified Employee Required Deferral Period.

“Specified Employee Effective Date” means the first day of the fourth month following the Specified Employee Identification Date.

“Specified Employee Identification Date” means December 31.

“Specified Employee Required Deferral Period” shall mean the deferral of payment and distribution of an Excess Retirement Benefit or a Supplemental Retirement Benefit with respect to a Part A Participant or Part B Participant, respectively, until a date which is six (6) months after the date of the Separation from Service of such Participant.

“Specified Time” shall mean a specified date at which Deferred Compensation deferred by or for a Participant pursuant to the Plan is required to be distributed or paid and which is specified at the time the Election of deferral of such Deferred Compensation.

“Spouse” shall mean a person recognized as a legal spouse for purposes of federal income tax laws.

“Subsequent Election” shall mean an irrevocable written election made by a Participant to change the time of distribution or payment of Deferred Compensation deferred under the Plan that is made at any time after the initial Election with respect to such Deferred Compensation, or after a prior Subsequent Election. Provided, that a change in a form of payment before a life annuity payment has been made under the Plan, from one type of life annuity to another type of life annuity with the same scheduled date of the first annuity payment shall not be considered as a change in the time and form of payment constituting a Subsequent Election if the annuities are actuarially equivalent, and such change is allowed as contemplated in Treasury Regulations §1.409A-2(b)(ii).

“Subsequent Election Distribution Date” shall mean with respect to a Part A Participant or Part B Participant, the first day of the calendar month next following or coincident with the first date on or after Subsequent Election Specified Time on which the Participant (i) has a Separation from Service with the Company, (ii) has attained age fifty (50), and (iii) has completed five (5) years of service with the Company.

"Subsequent Election Specified Time" shall mean a specified fixed date in a calendar year that must be specified in writing by the Participant in a Subsequent Election that is not less than five (5) years from the date payment would otherwise have been made to the Participant. The written specification of the then applicable Specified Time or Subsequent Election Specified Time shall in all cases specify and fix a Subsequent Election Specified Time that is not less than five (5) years from the then applicable Specified Time or Subsequent Election Specified Time, as the case may be, that has been elected and is in effect under the Plan.

“Supplemental Retirement Benefit” shall mean the supplemental retirement benefit to be paid to a Part B Participant pursuant to Article III and other applicable provisions of Part B of the Plan.

"Transferred Participant" shall mean a ONE Gas Employee or Former ONE Gas Employee who was a Part A Participant or a Part B Participant in the ONEOK 2005 SERP immediately before January 1, 2014.

"Unforeseeable Emergency" shall mean a severe financial hardship to the Participant resulting from illness or accident of the Participant, the Participant's spouse, or a dependent (as defined in Code Section 152(a)) of the Participant, loss of the Participant's property due to casualty, or other similar extraordinary circumstances arising as a result of events beyond the control of the Participant, and it is intended and directed with respect to any such Unforeseeable Emergency that any amounts distributed under the Plan by reason thereof shall not exceed the amounts necessary to satisfy such emergency plus amounts necessary to pay taxes reasonably anticipated as a result of the distribution, after taking into account the extent to which such hardship is or may be relieved through reimbursement or compensation by insurance or otherwise or by liquidation of the Participant's assets (to the extent the liquidation of such assets would not itself cause severe financial hardship.

"Years of Service" shall include each full year, but not any portion of a year, during which the Participant has been employed by the Company or any division or subsidiary thereof.

2.2 **Construction** . The singular when used herein may include the plural unless the context clearly indicates to the contrary. The words "hereof", "herein", "hereunder", and other similar compounds of the word "here" shall mean and refer to the entire Plan and not to any particular provision or section. Whenever the words "Article" or "Section" are used in the Plan, or a cross reference to an "Article" or "Section" is made, the Article or Section referred to shall be an Article or Section of the same Part of the Plan unless otherwise specified.

2.3 **Plan Purpose** . The Plan is intended to be an unfunded deferred compensation, excess and supplemental retirement benefit plan established and maintained for a select group of management and highly compensated employees of the Company within the meaning of Sections 201(2) and (7), 301(a)(3), (9) and 401(a)(1) of ERISA, and the Company intends that any Participant or Beneficiary shall have the status of an unsecured creditor as to the Plan or any trust, fund or other arrangement established under or with respect to the Plan, and the Plan shall be construed, interpreted and administered in accordance with such intended purpose.

ARTICLE III.
COMMITTEE

3.1 **Appointment of Committee** . The general administration of the Plan, including all provisions of Part A and Part B of the Plan, and any Plan Agreements executed hereunder, as well as construction and interpretation thereof, shall be vested in the Committee, the number and members of which shall be designated and appointed from time to time by, and shall serve at the pleasure of, the Board of Directors. Any such member of the Committee may resign by notice in writing filed with the Board of Directors. Vacancies shall be filled promptly by the Board of Directors. The Committee may, at its discretion, delegate discretionary authority for day-to-day administration of the Plan to the Company's Benefit Plan Administration Committee or its authorized representatives pursuant to a duly adopted resolution or a memorandum of action signed

by all members of the Committee or approved via electronic transmission. All actions taken by the Company's Benefit Plan Administration Committee or its authorized representative shall have the same legal effect and shall be entitled to the same deference as if taken by the Committee itself.

3.2 **Committee Officials** . The Board of Directors may designate one of the members of the Committee as Chairman and may appoint a secretary who need not be a member of the Committee. The secretary shall keep minutes of the Committee's proceedings and all data, records, and documents relating to the Committee's administration of the Plan and any Plan Agreements executed hereunder. The Committee may appoint from its number such subcommittees with such powers as the Committee shall determine. The Committee may authorize one or more of its members, or any other person as agent of the Committee to execute or deliver any instrument, make any payment on behalf of the Committee, or otherwise act for and on behalf of the Committee with respect to the Plan.

3.3 **Committee Action** . All resolutions or other actions taken by the Committee shall be by the vote of a majority of those present at a meeting at which a majority of the members are present, or in writing by all the members at the time in office if they act without a meeting.

3.4 **Committee Rules and Powers** . Subject to the provisions of the Plan, the Committee may from time to time establish rules, forms, and procedures for the administration of the Plan, including Plan Agreements. Except as herein otherwise expressly provided, the Committee shall have the exclusive right to interpret the Plan and any Plan Agreements, and to decide any and all matters arising thereunder or in connection with the administration of the Plan and any Plan Agreements, and it shall endeavor to act, whether by general rules or by particular decisions, so as not to discriminate in favor of or against any person. The Committee shall have the exclusive right to determine if a Participant has become Disabled with respect to a Participant (consistent with the Plan's definition of the term), such determinations to be made on the basis of such medical and/or other evidence that the Committee, in its sole and absolute discretion, may require. Such decisions, actions, and records of the Committee shall be conclusive and binding upon the Company, the Participants, and all persons having or claiming to have rights or interests in or under the Plan.

3.5 **Reliance on Certificates, etc.** The members of the Committee and the officers and Directors of the Company shall be entitled to rely on all certificates and reports made by any duly appointed accountants, and on all opinions given by any duly appointed legal counsel. Such legal counsel may be counsel for the Company.

3.6 **Liability of Committee** . No member of the Committee shall be liable for any act or omission of any other member of the Committee, or for any act or omission on his part, excepting only his own willful misconduct. The Company shall indemnify and save harmless each member of the Committee against any and all expenses and liabilities arising out of membership on the Committee, excepting only expenses and liabilities arising out of a Committee member's own willful misconduct. Expenses against which a member of the Committee shall be indemnified hereunder shall include, without limitation, the amount of any settlement or judgment, costs, counsel fees, and related charges reasonably incurred in connection with a claim asserted, or a proceeding brought, or settlement thereof. The foregoing right of indemnification shall be in addition to any other rights to which any such member may be entitled.

3.7 **Determination of Benefits** . In addition to the powers hereinabove specified, the Committee shall have the power to compute and certify, under the Plan and/or any Plan Agreement, the amount and kind of benefits from time to time payable to Participants and their Beneficiaries, and to authorize all disbursements for such purposes.

3.8 **Information to Committee** . To enable the Committee to perform its functions, the Company shall supply full and timely information to the Committee on all matters relating to the compensation of all Participants, their retirement, death, or other cause for termination of employment, and such other pertinent facts as the Committee may require.

ARTICLE IV.
ADOPTION OF PLAN BY SUBSIDIARY, AFFILIATED OR ASSOCIATED COMPANIES

Any corporation which is a subsidiary of the Company may, with the approval of the Board of Directors, adopt the Plan and thereby come within the definition of Company in Article I of Part C of the Plan.

ARTICLE V.
SOURCE OF BENEFITS

5.1 **Benefits Payable** . Excess Retirement Benefits and Supplemental Retirement Benefits payable hereunder shall be paid exclusively from the general assets of the Company or the Rabbi Trust to be established pursuant to Section 5.4 of this Article V; provided, that no person entitled to payment hereunder shall have any claim, right, security interest, or other interest in any fund, trust, account, insurance contract, or asset of the Company which may be looked to for such payment. The Company's liability for the payment of benefits hereunder shall be evidenced only by the Plan and each Plan Agreement entered into between the Company and a Participant.

5.2 **Investments to Facilitate Payment of Benefits** . Although the Company is not obligated to invest in any specific asset or fund, or purchase any insurance contract, in order to provide the means for the payment of any Excess Retirement Benefits and Supplemental Retirement Benefits under the Plan, the Company may elect to do so, and, in such event, no Participant shall have any interest whatever in such asset, fund, or insurance contract. In the event the Company elects to purchase or causes to be purchased insurance contracts on the life of a Participant as a means for making, offsetting, or contributing to any payment, in full or in part, which may become due and payable by the Company under the Plan or a Participant's Plan Agreement, such Participant agrees to cooperate in the securing of life insurance on his/her life by furnishing such information as the Company and the insurance carrier may require, including the results and reports of previous Company and other insurance carrier physical examinations as may be requested, and taking any other action which may be requested by the Company and the insurance carrier to obtain such insurance coverage. If a Participant does not cooperate in the securing of such life insurance, the Company shall have no further obligation to such Participant under the Plan.

5.3 **Ownership of Insurance Contracts** . The Company shall be the sole owner of any insurance contracts acquired on the life of a Participant with all incidents of ownership therein,

including, but not limited to, the right to cash and loan values, dividends, if any, death benefits, and the right to termination thereof, and a Participant shall have no interest whatsoever in such contracts, if any, and shall exercise none of the incidents of ownership thereof. Provided, however, the Company may assign any such insurance contracts to the trustee of the Rabbi Trust.

5.4 **Trust for Payment of Benefits** . The Company shall create or utilize a Rabbi Trust for the purpose of facilitating any retirement benefits payable hereunder. Such trust will be funded to provide the applicable vested Excess Retirement Benefits and Supplemental Retirement Benefits payable under the Plan upon the occurrence of any of the following events:

a) At the Retirement of, and commencement of payment of an Excess Retirement Benefit or a Supplemental Retirement Benefit to a Plan Participant;

b) Upon a decision by the Committee, or by the Board of Directors; or

c) Upon a Change in Ownership or Control.

Such funding may be in the form of single premium annuities, or an amount sufficient for the trustee to purchase single premium annuities, or life insurance policies or contracts insuring the lives of Participants, as the case may be, from qualified and financially sound insurance companies, and such other forms or types of investments the Company may select from time to time to provide the applicable vested Excess Retirement Benefits and Supplemental Retirement Benefits payable under the Plan and Plan Agreements. Such funding and the purchase of insurance, if any, will not relieve the Company of its obligations to pay or cause to be paid the benefits hereunder.

The Rabbi Trust may be maintained and administered to also provide for the funding of payment of amounts payable to participants in other deferred compensation and benefit plans of the Company. The funding, investments and administration of the Rabbi Trust in connection with such other separate plan or plans shall be separately administered and accounted for as determined to be necessary and appropriate by the Company and trustee pursuant to the terms of the Rabbi Trust. It shall be permissible for the trustee to invest funds of the Rabbi Trust in one or more forms of investment that is common to plans being funded thereunder.

The Rabbi Trust shall be a grantor trust of which the Company is the grantor within the meaning of the Code. The principal of the Rabbi Trust held and administered for providing payments under this Plan, or any share thereof so held and administered, and any earnings thereon, shall be held separate and apart from other funds of the Company and shall be used exclusively for the uses and purposes of Part A Participants and/or Part B Participants in the Plan and general creditors of the Company as specified herein below and in the trust instrument. Part A Participants and Part B Participants in the Plan and their Beneficiaries shall have no preferred claim on, or any beneficial ownership in any assets of the Rabbi Trust; and any rights created under the Plan or any Plan Agreements, and the Rabbi Trust are to be made unsecured contractual rights of Part A Participants and Part B Participants (and their Beneficiaries, if applicable) against the Company; and assets held by the Rabbi Trust will be subject to the claims of the Company's general creditors under federal and state law in the event of insolvency of the Company.

ARTICLE VI.
TERMINATION OF EMPLOYMENT

Neither the Plan nor any Plan Agreement with a Participant hereunder, either singly or collectively, in any way obligate the Company, or any subsidiary of the Company, to continue the employment of a Part A Participant or a Part B Participant with the Company, or any subsidiary of the Company, nor does either limit the right of the Company or any subsidiary of the Company at any time and for any reason to terminate such Part A Participant's or Part B Participant's employment. Termination of a Part A Participant's or Part B Participant's employment with the Company, or any subsidiary of the Company, for any reason, whether by action of the Company, subsidiary, or such a Part A Participant or Part B Participant, shall immediately terminate such Participant's participation in the Plan and any such Participant's Plan Agreement, and all further obligations of either party thereunder, except as may be provided in Article VIII of this Part C, and the Participant's Plan Agreement. In no event shall the Plan or a Plan Agreement, either singly or collectively, by their terms or implications constitute an employment contract of any nature whatsoever between the Company, or any subsidiary, and a Part A Participant or Part B Participant.

ARTICLE VII.
TERMINATION OF PARTICIPATION

A Part A Participant and a Part B Participant reserves the right to terminate participation in the Plan and any such Participant's Plan Agreement at any time by giving the Company written notice of such termination not less than 30 days (i) prior to the anniversary date of any contract or contracts of insurance on the life of such Part A Participant or Part B Participant which may be in force and utilized by the Company in connection with the Plan, or (ii) prior to the date a Part A Participant or Part B Participant selects for termination if no insurance contract is in effect.

ARTICLE VIII.
TERMINATION, AMENDMENT, MODIFICATION, OR SUPPLEMENT OF THE PLAN

8.1 **Amendment or Termination** . Subject to Section 8.2, below, the Company reserves the right to amend, modify, supplement, or terminate the Plan, wholly or partially, from time to time, and at any time. The Company likewise reserves the right to amend, modify, or supplement any written instrument made or delivered with respect to the administration of the Plan, or any Plan Agreement, wholly or partially, from time to time. Such right to amend, modify, supplement, or terminate the Plan or any Plan Agreement, as the case may be, shall be exercised for the Company by the Board of Directors; *provided* , that the Committee shall also be authorized to amend or modify the terms and provisions of the Plan, or such a written instrument or Plan Agreement, except that any amendment or modification of the Plan or Plan Agreement that changes the form or amount of any payment or benefit provided for under the Plan shall be made only by action of the Board of Directors; *provided, further* , in the event of a Change in Ownership or Control of the Company, for a period of two (2) years after the date of such Change of Ownership or Control the surviving corporation may terminate or amend the Plan only by substitution by such corporation of another plan or program, or by amendments to the Plan, which provide benefits no less favorable to the Part A Participants or Part B Participants of this Plan; and

upon the expiration of such two (2) year period such surviving corporation may thereafter terminate or amend the Plan or any such substituted plan subject in any case to Section 8.2, below.

8.2 **Rights and Obligations Upon Amendment, Termination** . The following terms and conditions shall govern the rights and obligations of a Part A Participant or Part B Participant and the Company (including any surviving corporation in event of a Change of Ownership or Control), respectively, with respect to the amendment or termination of the Plan.

A. Notwithstanding anything to the contrary expressed or provided in the Plan or any Plan Agreement of a Part A Participant or Part B Participant, no amendment, modification or termination of the Plan, shall decrease a Part A Participant's or Part B Participant's accrued Excess Retirement Benefit or Supplemental Retirement Benefit, as applicable. For purposes of this Paragraph A., a Plan amendment which has the effect of decreasing a Part A Participant's or Part B Participant's accrued Excess Retirement Benefit or Supplemental Retirement Benefit, as the case may be, or eliminating any optional form of payment of a Participant's accrued Excess Retirement Benefit or Supplemental Retirement Benefit, with respect to benefits attributable to service before the amendment shall be treated as reducing an accrued Excess Retirement Benefit or Supplemental Retirement Benefit. If a vesting schedule under the Plan or any Plan Agreement is amended, a Part A Participant's and Part B Participant's non-forfeitable percentage, determined as of the later of the date such amendment is adopted or the date it becomes effective, will not be less than the percentage computed under Part A and Part B of the Plan and Plan Agreements, as applicable, without regard to such amendment.

B. Except as provided in paragraph A of this Section 8.2, upon the termination of the Plan by the Board of Directors, or a termination of the Plan Agreement of a Participant, in accordance with the provisions for such termination, neither the Plan nor the Plan Agreement shall be of any further force or effect, and no party shall have any further obligation under either the Plan or any Plan Agreement so terminated, except as provided in the Plan or Plan Agreement with respect to accrued benefits at the time of such termination or as elsewhere provided in the Plan.

C. For purposes of paragraphs A and B of this Section 8.2, the term "Plan" shall also mean and include any substituted plan that may be established in event of a Change of Ownership or Control as described in Section 8.1, above, and the terms "Excess Retirement Benefit" and "Supplemental Retirement Benefit" shall also mean and include any benefit provided for under such a substituted plan.

ARTICLE IX.
TREATMENT OF BENEFITS

The Excess Retirement Benefit provided for a Part A Participant and the Supplemental Retirement Benefit provided for a Part B Participant under the Plan and/or under any Plan Agreement are in addition to any other benefits available to such Participant under any other Plan, plan or agreement of the Company for its Employees and the Participants, and, except as may be otherwise expressly provided for, the Plan and Plan Agreements entered into hereunder shall supplement and shall not supersede, modify, or amend any other Plan, plan or agreement of the

Company. The Excess Retirement Benefits and Supplemental Retirement Benefits under the Plan and/or Plan Agreements entered into hereunder shall not be considered compensation for the purpose of computing contributions or benefits under any plan maintained by the Company, or any of its subsidiaries, which is qualified under Section 401(a) of the Code.

ARTICLE X.
RESTRICTIONS ON ALIENATION OF BENEFITS

No Excess Retirement Benefit or Supplemental Retirement Benefit under the Plan or a Plan Agreement shall be subject to anticipation, alienation, sale, assignment, pledge, encumbrance, or charge, and any attempt to anticipate, alienate, sell, assign, pledge, encumber, or charge the same shall be void. No Excess Retirement Benefit and Supplemental Retirement Benefit under the Plan or under any Plan Agreement shall in any manner be liable for or subject to the debts, contracts, liabilities, or torts of the person entitled to such thereto. If any Part A Participant or Part B Participant under the Plan or a Plan Agreement should become bankrupt or attempt to anticipate, alienate, sell, assign, pledge, encumber, or charge any right to a benefit under the Plan or under any Plan Agreement, then such right or benefit shall, in the discretion of the Committee, cease, and in such event, the Committee may, but shall have no duty to hold or apply the same or any part thereof for the benefit of such Part A Participant or Part B Participant, or his/her Beneficiary, in such portion as the Committee, in its sole and absolute discretion, may deem proper.

ARTICLE XI.
MISCELLANEOUS

11.1 **Deferral of Compensation Requirements** . The following requirements stated in this Section 11.1 shall apply to the Plan, to all Elections or Subsequent Elections made by Participants under the Plan, and to all distributions and payments made pursuant to the Plan.

A. Any compensation deferred under the Plan shall not be distributed earlier than:

(i) Separation from Service of the Participant,

(ii) the date the Participant becomes Disabled,

(iii) death of the Participant,

(iv) a Specified Time (or pursuant to a Fixed Schedule) specified under the Plan at the date of deferral of such compensation,

(v) a Change in Ownership or Control, or

(vi) the occurrence of an Unforeseeable Emergency.

B. Notwithstanding the foregoing, if a Participant becomes entitled to a distribution on account of the Participant’s Separation from Service and is a Specified Employee on the date of the Separation from Service, no distribution shall be made before

the date which is six (6) months after the date of the Participant's Separation from Service, or, if earlier, the date of death of such Participant.

C. No acceleration of the time or schedule of any distribution or payment under the Plan shall be permitted or allowed, except to the extent provided in Treasury Regulations issued under Code Section 409A.

If the Plan, or the Committee acting pursuant to the Plan, permits under any Subsequent Election by a Participant a delay in a payment or a change in the form of payment of compensation deferred under the Plan, such Subsequent Election shall not take effect until at least twelve (12) months after the date on which it is made. In the case of a Subsequent Election related to a payment to be made upon Separation from Service of a Participant, at a Specified Time or pursuant to a Fixed Schedule, or upon a Change in Ownership or Control, the first payment with respect to which such Subsequent Election is made shall be deferred for a period of not less than five (5) years from the date such payment would otherwise have been made; and any such Subsequent Election related to a payment at a Specified Time or pursuant to a Fixed Schedule may not be made less than twelve (12) months prior to the date of the first scheduled payment to which it relates.

11.2 **Execution of Receipts and Releases** . Any payment to a Participant, a Participant's legal representative, or Beneficiary in accordance with the provisions of the Plan or any Plan Agreement executed hereunder shall, to the extent thereof, be in full satisfaction of all claims hereunder against the Company. The Company may require such Participant, legal representative, or Beneficiary, as a condition precedent to such payment, to execute a receipt and release therefore in such form as it may determine. Notwithstanding any provision of this Plan to the contrary, in no event shall the timing of the Participant's execution of a release, directly or indirectly, result in the Participant designating the calendar year of payment, and if a payment that is subject to execution of a release could be made in more than one taxable year, payment shall be made in the later taxable year.

11.3 **No Guarantee of Interests** . Neither the Committee nor any of its members guarantees the payment of any amounts which may be or becomes due to any person or entity under the Plan or any Plan Agreement executed hereunder. The liability of the Company to make any payment under the Plan or any Plan Agreement executed hereunder is limited to the then available assets of the Company and the Rabbi Trust established under Section 5.4 of this Part C.

11.4 **Company Records** . Records of the Company as to a Participant's employment, termination of employment and the reason therefore, reemployment, authorized leaves of absence, and compensation shall be conclusive on all persons and entities, unless determined to be incorrect.

11.5 **Evidence** . Evidence required of anyone under the Plan and any Plan Agreement executed hereunder may be by certificate, affidavit, document, or other information which the person or entity acting on it considers pertinent and reliable, and signed, made, or presented by the proper party or parties.

11.6 **Notice** . Any notice which shall be or may be given under the Plan or a Plan Agreement executed hereunder shall be in writing and shall be mailed by United States mail,

postage prepaid. If notice is to be given to the Company, such notice shall be addressed to the Company at:

15 East 5 th Street
Tulsa, OK 74103

and marked to the attention of the Secretary, Executive Compensation Committee; or, if notice to a Participant, addressed to the address shown on such Participant's most recent employment file with the Company.

11.7 **Change of Address** . Any party may, from time to time, change the address to which notices shall be mailed by giving written notice of such new address.

11.8 **Effect of Provisions** . The provisions of the Plan and of any Plan Agreement executed hereunder shall be binding upon the Company and its successors and assigns, and upon a Participant, the Participant's Beneficiary, assigns, heirs, executors, and administrators.

11.9 **Headings** . The titles and headings of Articles and Sections are included for convenience of reference only and are not to be considered in the construction of the provisions hereof or any Plan Agreement executed hereunder.

11.10 **Governing Law** . All questions arising with respect to the Plan and any Plan Agreement executed hereunder shall be determined by reference to the laws of the State of Oklahoma in effect at the time of their adopting and execution, respectively.

11.11 **Effective Date** . The terms of this Plan shall be effective December 1, 2017.

EXHIBIT A

TRANSFER OF LIABILITIES FROM THE
ONEOK, INC. 2005 SUPPLEMENTAL UNEMPLOYMENT RETIREMENT PLAN

A-1. Purpose and Effect . This Exhibit A provides for the transfer of liabilities from the ONEOK 2005 SERP to this Plan. The rules in this Exhibit shall apply to the Transferred Participants and certain other Plan terms notwithstanding any Plan provisions to the contrary.

A-2. Eligibility, Service and Compensation . Effective for periods after December 31, 2013, Transferred Participants shall (a) be eligible to participate in this Plan and (b) receive credit for vesting and eligibility for all service credited for those purposes under the ONEOK 2005 SERP as if that service had been rendered to the Company. The compensation paid by ONEOK and its subsidiaries to a Transferred Participant that was recognized under the ONEOK 2005 SERP shall be credited and recognized for all applicable purposes under this Plan as though it were compensation from the Company.

A-3. Transfer of Liabilities from ONEOK 2005 SERP . Effective January 1, 2014, all liabilities attributable to Transferred Participants are hereby transferred from the ONEOK 2005 SERP and accepted by this Plan. The Plan shall credit each such Transferred Participant with any benefits accrued by the Transferred Participant under the ONEOK 2005 SERP prior to January 1, 2014, whether vested or unvested.

A-4 Distributions . The terms of this Plan shall govern the distribution of all benefits payable to a Transferred Participant or any other person with a right to receive such benefits, including benefits accrued under the ONEOK 2005 SERP and then transferred to this Plan. Notwithstanding anything in this Plan to the contrary, all distributions from this Plan shall be at a time and in a form permitted by Section 409A of the Code and Treasury Regulations thereunder.

A-5. Participant Elections; Plan Agreement . All elections made by Transferred Participants under the ONEOK 2005 SERP, including any payment elections or beneficiary designations, shall apply to the same effect under this Plan as if made under the terms of this Plan. All Plan Agreements entered into by and between ONEOK and a Transferred Participant pursuant to the terms of the ONEOK 2005 SERP shall apply to the same effect under this Plan as if entered into by and between the Company and the Transferred Participant.

A-6. Change in Control; Termination and Specified Employees . For avoidance of doubt, the Separation will not constitute a Change in Ownership or Control for purposes of the Plan and no Transferred Participant shall be treated as incurring a Separation from Service for purposes of determining the right to a distribution, vesting, benefits, or any other purpose under the Plan as a result of the transfer or the Separation. Also, the Company's Specified Employees shall be determined in accordance with the special rules for spin-offs under Treas. Reg. §1.409A-1(i)(6)(iii), or any successor thereto, for the period indicated in such regulation.

A-7. Participation and Right to Benefits . Effective for periods after December 31, 2013, Transferred Participants shall cease to participate in the ONEOK 2005 SERP and shall thereafter look exclusively to this Plan for the payment of any benefits accrued under the ONEOK 2005

SERP. After December 31, 2013, ONEOK, the ONEOK 2005 SERP and any successors thereto shall have no further obligation or liability to Transferred Participants with respect to any benefit, amount or right due under the ONEOK 2005 SERP. In all cases, no Transferred Participant shall be entitled to benefit under both the ONEOK 2005 SERP and this Plan. If any Transferred Participant receives a distribution from the ONEOK 2005 SERP, the value of such distribution shall be offset against future benefits under this Plan to the extent necessary to prevent a duplication of benefits.

A-8. Use of Terms . Terms used in this Exhibit A have the meanings of those terms as set forth in the Plan, unless they are defined in this Exhibit A. All of the terms and provisions of the Plan shall apply to this Exhibit A except that where the terms of the Plan and this Exhibit A conflict, the terms of this Exhibit A shall govern.

EXHIBIT B

PART A PARTICIPANTS

[On file with the Company]

EXHIBIT C

PART B PARTICIPANTS

[On file with the Company]

ONE GAS, INC.

AMENDED AND RESTATED
EQUITY COMPENSATION PLAN

1. **General**

1.1 *Establishment; Amendment and Restatement* . By unanimous consent, the Board of Directors of the Company originally approved the adoption of this Plan, effective as of the Effective Date, subject to approval by ONEOK, the Company's sole shareholder, prior to the Effective Date. The Board of Directors of the Company have approved the amendment and restatement of this Plan effective December 1, 2017. The purpose of this amendment and restatement is to revise Section 16 to clarify duties under the Plan, revise Section 17.6 to update withholding provisions, and incorporate non-material amendments that have previously been approved by the Board of Directors into an amended and restated document.

1.2 *Purposes* . The purposes of this Plan are (a) to provide competitive incentives that will enable the Company to attract, retain, motivate, and reward eligible Employees and Non-Employee Directors of the Company and its Subsidiaries, and (b) to give eligible Employees and Non-Employee Directors an interest parallel to the interests of the Company's shareholders generally.

1.3 *Duration of Plan* .

(a) The Plan shall continue in effect for a term of ten years after the date on which the Board of Directors approved the adoption of the Plan, unless sooner terminated by the Board of Directors.

(b) The termination of the Plan will not affect the validity of any Stock Incentive outstanding on the termination date or the Committee's ability to exercise the powers granted to it hereunder with respect to such Stock Incentives.

(c) In no event shall a Stock Incentive be granted under the Plan more than ten (10) years from the date on which the Board of Directors approved the adoption of this Plan.

1.4 *Section 409A* . The Company intends that Stock Incentives and Awards granted pursuant to the Plan be exempt from or comply with Section 409A and Treasury Regulations thereunder and the Plan shall be so construed.

2. **Definitions**

Unless otherwise required by the context, the following terms, when and wherever used in this Plan, shall have the meanings set forth in this Section 2.

2.1 "Award" means an award of a Stock Incentive that is made under the Plan.

2.2 "Award Agreement" means a written instrument that is an agreement that evidences an Award and terms and provisions of a Stock Incentive granted under the Plan, pursuant to Section 17.4 or other provisions of the Plan.

2.3 "Beneficiary" means a person or entity (including a trust or estate), designated in writing by a Participant on such forms and in accordance with such terms and conditions as the Committee may prescribe, to whom the Participant's rights under the Plan shall pass in the event of the death of the Participant.

2.4 "Board" or "Board of Directors" means the Board of Directors of the Company, as constituted from time to time.

2.5 A "Change in Control" shall mean the occurrence of any of the following:

(a) An acquisition (other than directly from the Company) of any voting securities of the Company (the "Voting Securities") by any "Person" (as the term person is used for purposes of Section 13(d) or 14(d) of the Exchange Act), immediately after which such Person has "Beneficial Ownership" (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of twenty percent (20%) or more of the then outstanding Shares or the combined voting power of the Company's then outstanding Voting Securities; *provided, however* , in determining whether a Change in Control has occurred pursuant to this Section 2(c), Shares or Voting Securities which are acquired in a "Non-Control Acquisition" (as hereinafter defined) shall not constitute an acquisition which would cause a Change in Control. A "Non-Control Acquisition" shall mean an acquisition by (i) an employee benefit plan (or a trust forming a part thereof) maintained by (A) the Company or (B) any company or other Person of which a majority of its voting power or its voting equity securities or equity interest is owned or controlled, directly or indirectly, by the Company (for purposes of this definition, a "Related Entity"), (ii) the Company or any Related Entity, or (iii) any Person in connection with a "Non-Control Transaction" (as hereinafter defined);

(b) The individuals who, as of the Effective Date, are members of the Board of Directors (the "Incumbent Board"), cease for any reason to constitute at least a majority of the members of the Board of Directors; or, following a Merger which results in a Parent Company, the board of directors of the ultimate Parent Company; provided, however, that if the election, or nomination for election by the Company's common stockholders, of any new director was approved by a vote of at least two-thirds of the Incumbent Board, such new director shall, for purposes of this Plan, be considered as a member of the Incumbent Board; provided further, however, that no individual shall be considered a member of the Incumbent Board if such individual initially assumed office as a result of either an actual or threatened "Election Contest" (as described in Rule 14a-11 promulgated under the Exchange Act) or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board of Directors (a "Proxy Contest"), including by reason of any agreement intended to avoid or settle any Election Contest or Proxy Contest; or

(c) The consummation of:

(1) A merger, consolidation or reorganization with or into the Company or in which securities of the Company are issued (a "Merger"), unless such Merger is a "Non-Control Transaction." A "Non-Control Transaction" shall mean a Merger where:

(A) the stockholders of the Company, immediately before such Merger, own directly or indirectly immediately following such Merger at least fifty percent (50%) of the combined voting power of the outstanding voting securities of (x) the company resulting from such Merger (the "Surviving Company") if fifty percent (50%) or more of the combined voting power of the then outstanding voting securities of the Surviving Company is not Beneficially Owned, directly or indirectly by another Person (a "Parent Company"), or (y) if there is one or more Parent Companies, the ultimate Parent Company;

(B) the individuals who were members of the Incumbent Board immediately prior to the execution of the agreement providing for such Merger

constitute at least a majority of the members of the board of directors of (i) the Surviving Company, if there is no Parent Company, or (ii) if there is one or more Parent Companies, the ultimate Parent Company; and

(C) no Person other than (1) the Company, (2) any Related Entity, (3) any employee benefit plan (or any trust forming a part thereof) that, immediately prior to such Merger was maintained by the Company or any Related Entity, or (4) any Person who, immediately prior to such Merger had Beneficial Ownership of thirty percent (30%) or more of the then outstanding Voting Securities or Shares, has Beneficial Ownership of thirty percent (30%) or more of the combined voting power of the outstanding voting securities or common stock of (i) the Surviving Company if there is no Parent Company, or (ii) if there is one or more Parent Companies, the ultimate Parent Company.

(2) A complete liquidation or dissolution of the Company; or

(3) The sale or other disposition of all or substantially all of the assets of the Company to any Person (other than a transfer to a Related Entity or under conditions that would constitute a Non-Control Transaction with the disposition of assets being regarded as a Merger for this purpose or the distribution to the Company's stockholders of the stock of a Related Entity or any other assets).

Notwithstanding the foregoing, a Change in Control shall not be deemed to occur solely because any Person (the "Subject Person") acquired Beneficial Ownership of more than the permitted amount of the then outstanding Shares or Voting Securities if: (1) such acquisition occurs as a result of the acquisition of Shares or Voting Securities by the Company which, by reducing the number of Shares or Voting Securities then outstanding, increases the proportional number of shares Beneficially Owned by the Subject Person, provided that if a Change in Control would occur (but for the operation of this subparagraph) as a result of the acquisition of Shares or Voting Securities by the Company, and after such share acquisition by the Company, the Subject Person becomes the Beneficial Owner of any additional Shares or Voting Securities which increases the percentage of the then outstanding Shares or Voting Securities Beneficially Owned by the Subject Person, then a Change in Control shall occur, or (2) (A) within five business days after a Change in Control would have occurred (but for the operation of this subparagraph), or if the Subject Person acquired Beneficial Ownership of twenty percent (20%) or more of the then outstanding Shares or the combined voting power of the Company's then outstanding Voting Securities inadvertently, then after the Subject Person discovers or is notified by the Company that such acquisition would have triggered a Change in Control (but for the operation of this subparagraph), the Subject Person notifies the Board of Directors that it did so inadvertently, and (B) within two business days after such notification, the Subject Person divests itself of a sufficient number of Shares or Voting Securities so that the Subject Person is the Beneficial Owner of less than twenty percent (20%) of the then outstanding Shares or the combined voting power of the Company's then outstanding Voting Securities.

Notwithstanding anything in this Plan to the contrary, if an eligible Employee's employment is terminated by the Company without Just Cause prior to the date of a Change in Control but the eligible Employee reasonably demonstrates that the termination (1) was at the request of a third party who has indicated an intention or taken steps reasonably calculated to effect a Change in Control or (2) otherwise arose in connection with, or in anticipation of, a Change in Control which has been threatened or proposed, such termination shall be deemed to have occurred after a Change in Control for purposes of this Plan, provided a Change in Control shall actually have occurred.

Notwithstanding anything in this Plan to the contrary, the Separation shall not constitute a Change in Control.

Notwithstanding the foregoing, the Committee may from time to time provide in the written terms and provisions of a Stock Incentive instrument, Award or Award Agreement that a different definition of the terms Change in Ownership or Control shall apply and determine the time of settlement, distribution and payment of an Award for purposes of Section 409A and any deferral of compensation subject to the requirements of Section 409A under the Plan.

2.6 "Code" means the Internal Revenue Code of 1986, as amended and in effect from time to time. References to a particular section of the Code shall include references to any related Treasury Regulations and to successor provisions.

2.7 "Committee" means the Committee appointed by the Board of Directors to administer the Plan pursuant to the provisions of section 16.1 below.

2.8 "Common Stock" means common stock, $0.01 par value, of the Company.

2.9 "Company" means ONE Gas, Inc., an Oklahoma corporation.

2.10 "Deferred Compensation Program" means a program established by the Committee providing for the deferral of compensation with respect to Awards pursuant to sections 10 and 11.

2.11 "Director Fees" means all compensation and fees paid to a Non-Employee Director by the Company for his or her services as a member of the Board of Directors.

2.12 "Director Stock Award" means an award of Common Stock granted to a Non-Employee Director.

2.13 "Distribution" means the distribution of all of the outstanding shares of Company Common Stock to the holders of shares of ONEOK common stock in connection with the Separation.

2.14 "Distribution Date" means the effective date of the Distribution.

2.15 "Effective Date" means the effective date of the Distribution.

2.16 "Employee" means an employee of the Company or its Subsidiaries, including an officer or director who is such an employee.

2.17 "Exchange Act" means the Securities Exchange Act of 1934, as amended from time to time.

2.18 "Fair Market Value" means (A) during such time as the Common Stock is listed upon the New York Stock Exchange or any other established stock exchange, the closing price of the Common Stock as reported by such stock exchange on the day for which such value is to be determined (or, if no sale of the Common Stock shall have been made on any such stock exchange that day, the closing price on the most recent prior day for which a sale was so reported) or (B) during any such time as the Common Stock is not listed upon an established stock exchange, the mean between high bid and low asked prices of the Common Stock in the over-the-counter market on the day for which such value is to be determined, as reported in *The Wall Street Journal* or another reputable source designated by the Committee, or (C) during any such time as the Common Stock cannot be valued pursuant to (A) or (B) above, the fair market value shall be as determined by the Committee considering all relevant information including, by example and not by

limitation, the services of an independent appraiser. In the case of an Incentive Stock Option, if the foregoing method of determining Fair Market Value should be inconsistent with section 422 of the Code, or in the case of any other type of Stock Incentive the foregoing method is determined by the Committee, in its discretion, to not be applicable, a "Fair Market Value" shall be determined by the Committee in a manner consistent with such section of the Code, or in such other manner as the Committee, in its discretion, determines to be appropriate, and shall mean the value as so determined.

Notwithstanding the foregoing, the Committee may, in its discretion, determine the Fair Market Value of a share of Stock on the basis of the opening, closing, or average of the high and low sale prices of a share of Stock on such date or the preceding trading day, the actual sale price of a share of Stock received by a Participant, any other reasonable basis using actual transactions in the Stock as reported on a national or regional securities exchange or market system and consistently applied, or on any other basis consistent with the requirements of Section 409A. The Committee may vary its method of determination of the Fair Market Value as provided in this Section for different purposes under the Plan to the extent consistent with the requirements of Section 409A.

2.19 "General Counsel" means the General Counsel of the Company serving from time to time.

2.20 "Incentive Stock Option" means an option, including an Option as the context may require, intended to qualify for the tax treatment applicable to incentive stock options under section 422 of the Code.

2.21 "Just Cause" shall mean the Employee's conviction in a court of law of a felony, or any crime or offense in a court of law of a felony, or any crime or offense involving misuse or misappropriation of money or property, the Employee's violation of any covenant, agreement or obligation not to disclose confidential information regarding the business of the Company (or a Subsidiary); any violation by the Employee of any covenant not to compete with the Company (or a Subsidiary); any act of dishonesty by the Employee which adversely affects the business of the Company (or a Subsidiary); any willful or intentional act of the Employee which adversely affects the business of, or reflects unfavorably on the reputation of the Company (or a Subsidiary); the Employee's use of alcohol or drugs which interferes with the Employee's performance of duties as an employee of the Company (or a Subsidiary); or the Employee's failure or refusal to perform the specific directives of the Company's Board of Directors, or its officers which directives are consistent with the scope and nature of the Employee's duties and responsibilities with the existence and occurrence of all of such causes to be determined by the Company in its sole discretion; provided, that nothing contained in the foregoing provisions of this paragraph shall be deemed to interfere in any way with the right of the Company (or a Subsidiary), which is hereby acknowledged, to terminate the Employee's employment at any time without cause.

2.22 "Non-Employee Director" means a member of the Board of Directors of the Company (or a Subsidiary) who is not an employee of the Company (or a Subsidiary), and who qualifies as a "Non-Employee Director" under the definition of that term in SEC Rule 16b-3.

2.23 "Non-Qualified Performance Stock Incentive" means a Performance Stock Incentive granted under the Plan that is not intended to qualify as qualified performance based compensation under Section 162(m) of the Code, as described in Section 17.9.

2.24 "Non-Statutory Stock Option" means an option, including an Option as the context may require, which is not intended to qualify for the tax treatment applicable to incentive stock options under section 422 of the Code.

2.25 "ONEOK Stock Programs" means the ONEOK, Inc. Equity Compensation Plan and the ONEOK, Inc. Long-Term Incentive Plan.

2.26 "Option" means an option granted under this Plan to purchase shares of Common Stock. Options may be Incentive Stock Options or Non-Statutory Stock Options.

2.27 "Former ONE Gas Employee" means any individual (or any beneficiary, dependent, or alternate payee of such individual, as the context requires) (i) whose employment with the Company or any of its Subsidiaries was terminated before the effective date of the Separation; or (ii) whose employment with any member of the ONEOK Group was terminated prior to January 1, 2014, if such individual was allocated in connection with the Separation to the Company or any of its Subsidiaries as of January 1, 2014 by ONEOK, Inc., in its sole discretion.

2.28 "ONEOK" means ONEOK, Inc., an Oklahoma corporation.

2.29 "ONEOK Group" means ONEOK and any of its direct or indirect subsidiaries.

2.30 "Participant" means an (i) individual who is granted a Replacement Award under the Plan or who receives an Award of Stock Units pursuant to Section 12, or (ii) an Employee who the Committee determines is in a position to contribute significantly to the growth and profitability of, or to perform services of major importance to the Company and/or Subsidiaries, or Non-Employee Director, who is selected by the Committee to be a Participant in the Plan and to be granted a Stock Incentive under the Plan.

2.31 "Performance Goal" means one or more criteria or standards established by the Committee to determine, in whole or in part, whether a Performance Stock Incentive shall be awarded or earned, which may include the criteria and standards established pursuant to Section 17.9.

2.32 "Performance Period" means the time period designated by the Committee during which Performance Goals must be met.

2.33 "Performance Stock Award" means a Stock Incentive providing for a grant of shares of Common Stock the award or delivery of which is subject to specified Performance Goals.

2.34 "Performance Stock Incentive" means a Stock Incentive, including without limitation, a Performance Stock Award, Performance Unit Award, Restricted Stock Award, or Restricted Unit Award providing for the award, delivery or payment of shares of Common Stock or cash, or a combination of each, that is subject to specified Performance Goals.

2.35 "Performance Unit Award" means a Stock Incentive providing for a grant of a unit or units representing an amount of cash or shares of Common Stock (including a Stock Unit), or a combination of each, that will be distributed in the future if continued employment and/or other specified Performance Goals or other performance criteria specified by the Committee are attained; and which Performance Goals or other performance criteria may include, without limitation, corporate, divisional or business unit financial or operating performance measures, as more particularly described in Section 17.9; and which other contingencies may include the Participant's depositing with the Company or a Subsidiary, acquiring or retaining for stipulated time periods specified amounts of Common Stock; and the amount of Stock Incentive may, but need not be determined by reference to the market value of Common Stock.

2.36 "Plan" means the ONE Gas, Inc. Equity Compensation Plan, as amended from time to time.

2.37 “Plan Year” means the calendar year beginning on January 1 and ending the next December 31.

2.38 “Qualified Performance Stock Incentive” means a Performance Stock Incentive granted under the Plan that is intended to qualify as qualified performance based compensation under Section 162(m) of the Code, as described in Section 17.9.

2.39 “Replacement Award” means an Award granted under the Plan to replace an award that is outstanding immediately prior to the Distribution Date that was granted under one of the ONEOK Stock Programs and that are held by an Employee or Former ONE Gas Employee.

2.40 “Restricted Stock Award” means shares of Common Stock which are issued or transferred to a Participant under Section 6, below, and which will become free of restrictions specified by the Committee if continued employment and/or Performance Goals or other performance criteria specified by the Committee are attained; and which Performance Goals or other criteria, circumstances or conditions arise, exist or are satisfied; and which may but need not include, without limitation, corporate, divisional or business unit financial or operating performance measures, as more particularly described in Section 17.9.

2.41 “Restricted Unit Award” means a Stock Incentive providing for a grant of a unit or units representing an amount of cash or shares of Common Stock or a combination of each, which become free of restrictions specified by the Committee if continued employment and/or Performance Goals or other criteria, circumstances or conditions arise, exist or are attained; and which may but need not include, without limitation, corporate, divisional or business unit financial or operating performance measures, as more particularly described in Section 17.9.

2.42 “SEC Rule 16b-3” means Rule 16b-3 of the Securities and Exchange Commission promulgated under the Exchange Act, as such rule or any successor rule may be in effect from time to time.

2.43 “Secretary” means the Secretary of the Company.

2.44 “Section 16 Person” means a person subject to Section 16(b) of the Exchange Act with respect to transactions involving equity securities of the Company.

2.45 “Section 409A” means Section 409A of the Code, and unless otherwise expressly indicated herein, all Treasury Regulations issued under Section 409A of the Code.

2.46 “Section 409A Deferred Compensation” means compensation provided pursuant to the Plan that constitutes deferred compensation subject to and not exempted from the requirements of Section 409A.

2.47 “Separation” means the separation of ONEOK’s local natural gas distribution business into an independent, publicly traded entity to be known as the Company.

2.48 “Share” or “Shares” means a share or shares of Common Stock.

2.49 “Stock” has the same meaning as Common Stock.

2.50 “Stock Appreciation Right” means a right granted to a Participant denominated in shares of Common Stock, to receive, upon exercise of the right (or both the right and a related Option, if applicable in the case of issuance in tandem with an Option), an amount, payable in shares of Common Stock, in cash, or a combination thereof that does not exceed the excess of the Fair Market Value of the share or shares of

Common Stock on the date such right is exercised over the base price of such share or shares provided in and for such right on the date such right is granted, as determined by the Committee.

2.51 "Stock Bonus Award" means an amount of cash or shares of Common Stock which is distributed to a Participant or which the Committee agrees to distribute in the future to a Participant in lieu of, or as a supplement to, any other compensation that may have been earned by services rendered prior to the date the distribution is made. Unless otherwise determined by the Committee, the amount of the award shall be determined by reference to the Fair Market Value of Common Stock. Performance Stock Awards, Performance Unit Awards, Restricted Stock Awards and Restricted Unit Awards are specific types of Stock Bonus Awards.

2.52 "Stock Incentive" means rights and incentive compensation granted under this Plan in one of the forms referred to and provided for in Section 3.

2.53 "Stock Unit" means a unit evidencing the right to receive under certain conditions or in specified circumstances one (1) share of Common Stock or equivalent value, as determined by the Committee.

2.54 "Subsidiary" means a corporation or other form of business association of which shares (or other ownership interest) having more than fifty percent (50%) of the voting power are or in the future become owned or controlled, directly or indirectly, by the Company; provided, however, that in the case of an Incentive Stock Option, the term "Subsidiary" shall mean a Subsidiary (as defined by the preceding clause) which is also a "subsidiary corporation" as defined in Section 424(f) of the Code.

2.55 "Time-Lapse Restricted Stock Incentive" means a Restricted Stock Award, Restricted Unit Award, or any other Stock Incentive the award of which is based solely on continued employment with the Company or any Subsidiary for a specified period of time.

3. Grants of Stock Incentives

3.1 *Stock Incentives to Employees/Participants* . Subject to the provisions of the Plan, the Committee may at any time, or from time to time, grant Stock Incentives to one or more Employees that the Committee selects to be a Participant in the Plan and to individuals who are eligible to receive a Replacement Award or Stock Units in connection with the Separation, which may be (i) Stock Bonus Awards, which may, but need not be Performance Stock Awards, Performance Unit Awards or Restricted Stock Awards, Restricted Unit Awards and/or (ii) Options, which may be Incentive Stock Options or Non-Statutory Stock Options, and/or (iii) Stock Appreciation Rights.

3.2 *Non-Employee Director Awards* . Subject to the provisions of the Plan, the Committee shall grant Director Stock Awards to Non-Employee Directors in accordance with Section 9 of the Plan. Notwithstanding anything else otherwise expressed or implied in the Plan, no other form of Stock Incentive shall be granted to Non-Employee Directors under the Plan, and in no event shall any grant of an Incentive Stock Option be made to a Non-Employee Director.

3.3 *Modifications* . After a Stock Incentive has been granted,

(a) the Committee may waive any term or condition thereof that could have been excluded from such Stock Incentive when it was granted, and

(b) with the written consent of the affected Participant, may amend any Stock Incentive after it has been granted to include (or exclude) any provision which could have been included in (or

excluded from) such Stock Incentive when it was granted, and no additional consideration need be received by the Company in exchange for such waiver or amendment;

(c) provided, that modification of any Option or Stock Appreciation Right granted under the Plan shall be subject to the prohibition of repricing stated in Section 7.9 and Section 8.6, as applicable; and

(d) the modification of any Option or other Stock Incentive that provides for, or in order to provide for, deferral of compensation subject to Section 409A must meet all requirements under Section 409A and Treasury Regulations, including requirements applicable to Subsequent Elections and the requirement that acceleration of payment of deferred compensation shall not be permissible.

3.4 *Forms of Stock Incentives* . A particular form of Stock Incentive may be granted to a Participant either alone or in addition to other Stock Incentives hereunder. The provisions of particular forms of Stock Incentives need not be the same for each Participant.

4. Stock Subject to the Plan

4.1 *Shares Authorized* . The maximum number of shares of Common Stock authorized to be issued or transferred pursuant to all Stock Incentives granted under the Plan shall be two million eight hundred thousand (2,800,000) shares, subject to the provisions governing restoration of shares stated below in Section 4.4 and adjustment in Section 15.

4.2 *Grant, Award Limitations* . Notwithstanding the foregoing, in addition to the overall maximum limitation in Section 4.1,

(a) The maximum number of shares of Common Stock with respect to which Options or Stock Appreciation Rights may be granted or issued to any one (1) Employee or Participant in any Plan Year is five hundred thousand (500,000);

(b) The maximum number of shares of Common Stock with respect to which Stock Incentives other than Options or Stock Appreciation Rights may be granted or issued to any one (1) Employee or Participant in any Plan Year is five hundred thousand (500,000);

(c) The maximum aggregate number of shares of Common Stock and the maximum dollar amount that may be issued or paid as Performance Stock Incentives to any one (1) Employee or Participant in any Plan Year are five hundred thousand (500,000) shares of Common Stock, and Ten Million Dollars ($10,000,000), respectively;

(d) The maximum aggregate number of shares of Common Stock that may be issued under the Plan through the granting of Time-Lapse Restricted Stock Incentives is two million eight hundred thousand (2,800,000);

(e) The maximum aggregate number of shares of Common Stock that may be issued under the Plan through the granting of Incentive Stock Options is two million three hundred eighty thousand (2,380,000); and

(f) The exercise of Incentive Stock Options is also subject to the calendar year dollar limitation provided in Section 422(d) of the Code and Section 7.6.

4.3 *Source of Shares* . Such shares may be authorized but unissued shares of Common Stock, shares of Common Stock held in treasury, whether acquired by the Company specifically for use under this Plan or otherwise, or shares issued or transferred to, or otherwise acquired by, a trust pursuant to Section 17.5, as the Committee may from time to time determine, provided, however, that any shares acquired or held by the Company for the purposes of this Plan shall, unless and until issued or transferred to a trust pursuant to Section 17.5, or to a Participant in accordance with the terms and conditions of a Stock Incentive, be and at all times remain authorized but unissued shares or treasury shares (as the case may be), irrespective of whether such shares are entered in a special account for purposes of this Plan, and shall be available for any corporate purpose.

4.4 *Restoration and Retention of Shares* . If any shares of Common Stock subject to a Stock Incentive shall not be issued or transferred to a Participant and shall cease to be issuable or transferable to a Participant because of the termination, expiration or cancellation, in whole or in part, of such Stock Incentive or for any other reason, or if any such shares shall, after issuance or transfer, be reacquired by the Company prior to the time a Stock Incentive vests because of the Participant's failure to comply with the terms and conditions of the Stock Incentive, the shares not so issued or transferred, or the shares so reacquired by the Company, as the case may be, shall no longer be charged against the limitation provided for in Section 4.1 and may be used thereafter for additional Stock Incentives under the Plan; to the extent a Stock Incentive under the Plan is settled or paid in cash, shares subject to such Stock Incentive will not be considered to have been issued and will not be applied against the maximum number of shares of Common Stock provided for in Section 4.1. If a Stock Incentive may be settled in shares of Common Stock or cash, such shares shall be deemed issued only when and to the extent that settlement or payment is actually made in shares of Common Stock; to the extent a Stock Incentive is settled or paid in cash, and not shares of Common Stock, any shares previously reserved for issuance or transfer pursuant to such Stock Incentive will again be deemed available for issuance or transfer under the Plan. Notwithstanding anything to the contrary contained herein, the following Shares shall not be added to the Shares authorized for grant under Section 4.1 and will not be available for future Stock Incentive grants: (i) Shares tendered by a holder or withheld by the Company in payment of the exercise price of an Option; (ii) Shares tendered by the holder or withheld by the Company to satisfy any tax withholding obligation with respect to a Stock Incentive; and (iii) Shares subject to a Stock Appreciation Right that are not issued in connection with the stock settlement of the Stock Appreciation Right on exercise thereof. For avoidance of doubt, Replacement Awards shall reduce the maximum number of shares of Common Stock available for issuance or transfer under the Plan and such shares may again be deemed available for issuance or transfer under the Plan only in accordance with this Section.

5. Eligibility

An Employee who the Committee determines is in a position to contribute significantly to the growth and profitability of, or to perform services of major importance to, the Company and its Subsidiaries shall be eligible and may be designated by the Committee to participate in the Plan and be granted Stock Incentives as determined by the Committee, in its sole discretion, under the Plan. Subject to the provisions of the Plan, the Committee shall from time to time, in its sole discretion, select from such eligible Employees those to whom Stock Incentives shall be granted and determine the number of Shares to be granted and the form and terms of the such Stock Incentives. Non-Employee Directors shall be eligible to be granted Stock Incentives and to become Participants in the Plan to the extent provided in Sections 3.2 and 9 of the Plan.

6. Stock Bonus Awards, Performance Stock Awards, Performance Unit Awards, Restricted Stock Awards and Restricted Unit Awards

Stock Bonus Awards, Performance Stock Awards, Performance Unit Awards, Restricted Stock Awards and Restricted Unit Awards shall be subject to the following provisions:

6.1 *Grants* . An eligible Employee may be granted a Stock Bonus Award, Performance Stock Award, Performance Unit Award, Restricted Stock Award, or Restricted Unit Award, and a Non-Employee Director may be granted a Director Stock Award, whether or not he or she is eligible to receive similar or dissimilar incentive compensation under any other plan or arrangement of the Company or its Subsidiaries.

6.2 *Issuance of Shares* . Shares of Common Stock subject to a Stock Bonus Award, Performance Stock Award, Performance Unit Award, Restricted Stock Award or Restricted Unit Award, may be issued or transferred to a Participant at the time such Award is granted, or at any time subsequent thereto, or in installments from time to time, and subject to such terms and conditions, as the Committee shall determine. In the event that any such issuance or transfer shall not be made to the Participant at the time such Award is granted, the Committee may but need not provide for payment to such Participant, either in cash or shares of Common Stock, from time to time or at the time or times such shares shall be issued or transferred to such Participant, of amounts not exceeding the dividends which would have been payable to such Participant in respect of such shares (as adjusted under Section 15) if such shares had been issued or transferred to such Participant at the time such Award was granted.

6.3 *Cash Settlement* . Any Stock Bonus Award, Performance Stock Award, Performance Unit Award, Restricted Stock Award, or Restricted Unit Award may, in the discretion of the Committee, be settled or paid in cash, or shares of Common Stock, or in either cash or shares of Common Stock. If a Stock Incentive is settled or paid in cash, such settlement and/or payment shall be made on each date on which shares would otherwise have been delivered or become unrestricted, in an amount equal to the Fair Market Value on such date of the shares which would otherwise have been delivered or become unrestricted and the number of shares for which such cash payment is made shall be added back to the maximum number of shares available for use under the Plan. Shares of Common Stock shall be deemed to be issued only when and to the extent that a Stock Bonus Award, Performance Stock Award, Performance Unit Award, Restricted Stock Award, Restricted Unit Award or other Stock Incentive under the Plan is actually settled or paid in shares of Common Stock; and to the extent a Stock Incentive is settled or paid in cash, and not shares of Common Stock, any shares previously reserved for issuance or transfer pursuant to such Stock Incentive will again be deemed available for issuance or transfer under the Plan.

6.4 *Terms of Awards* . Stock Bonus Awards, Performance Stock Awards, Performance Unit Awards, Restricted Stock Awards and Restricted Unit Awards, shall be subject to such terms and conditions, including, without limitation, restrictions on the sale or other disposition of the shares issued or transferred pursuant to such Award, and conditions calling for forfeiture of the Award or the shares issued or transferred pursuant thereto in designated circumstances, as the Committee shall determine; provided, however, that upon the issuance or transfer of shares to a Participant pursuant to any such Award, the recipient shall, with respect to such shares, be and become a shareholder of the Company fully entitled to receive dividends, to vote and to exercise all other rights of a shareholder except to the extent otherwise provided in the Award. All or any portion of a Stock Bonus Award may but need not be made in the form of a Performance Stock Award, a Performance Unit Award, a Restricted Stock Award or a Restricted Unit Award.

6.5 *Distribution, Payment and Transfer* . The terms of each Stock Incentive and Award under the Plan shall provide that distribution, payment and transfer of Common Stock, cash or any other compensation shall not be subject to any feature or provision that would constitute a deferral of compensation, and transfer to the Participant shall be made so that the Participant actually receives such payment and transfer on or as soon as reasonably practicable after the end of the period during which such Stock Incentive or Award is subject to a substantial risk of forfeiture, and in no event later than a date within the same taxable year of the Participant in which such period ends, or, if later, by the 15 th day of the third calendar month following the date specified for payment under the Award and the Plan, and with respect to which the Participant shall not be permitted, directly or indirectly, to designate the taxable year of payment. Provided, that distribution,

payment and transfer under an Award with a feature or provision that constitutes a deferral of compensation may be made under and pursuant to a Deferred Compensation Program, if established by the Committee pursuant to Section 11, at a specified time that is elected and provided for therein and subject to the provisions of such Award, and the terms and requirements of such Program and Section 409A, as provided for in Sections 11 and 13.

6.6 *Loans Prohibited* . The Committee shall not, without prior approval of the Company's shareholders, grant any Stock Incentive that provides for the making of a loan or other extension of credit, directly or indirectly, by the Company, its Subsidiaries or Plan to an Employee, Participant, officer of the Company or its Subsidiaries, or any other person in connection with the grant, award or payment of such Stock Incentive.

6.7 *Written Instrument* . Each Stock Bonus Award, Performance Stock Award, Performance Unit Award, Restricted Stock Award and Restricted Unit Award shall be evidenced in writing as authorized and provided for in Section 17.4.

6.8 *Director Awards* . Director Stock Awards shall be granted as determined by the Committee in accordance with the provisions of Section 9, and as otherwise provided by this Plan.

7. **Options**

Options shall be subject to the following provisions:

7.1 *Option Price* . Subject to the provisions of Section 14, the purchase price per share shall be, in the case of an Incentive Stock Option, a Non-Statutory Stock Option, or any other Option granted under the Plan, not less than one hundred percent (100%) of the Fair Market Value of a share of Common Stock on the date the Option is granted (or in the case of any optionee who, at the time an Incentive Stock Option is granted, owns stock possessing more than ten percent (10%) of the total combined voting power of all classes of stock of his or her employer corporation or of its parent or subsidiary corporation, not less than one hundred ten percent (110%) of the Fair Market Value of a share of Common Stock on the date the Incentive Stock Option is granted).

7.2 *Payment of Option Price* . The purchase price of shares subject to an Option may be paid in whole or in part (i) in cash, (ii) by bank-certified, cashier's or personal check subject to collection, (iii) if so provided in the Option and subject to such terms and conditions as the Committee may impose, by delivering to the Company a properly executed exercise notice together with a copy of irrevocable instructions to a stockbroker to sell immediately some or all of the shares acquired by exercise of the Option and to deliver promptly to the Company an amount of sale proceeds (or, in lieu of or pending a sale, loan proceeds) sufficient to pay the purchase price, or (iv) if so provided in the Option and subject to such terms and conditions as are specified in the Option, in shares of Common Stock or other property surrendered to the Company. Property for purposes of this section shall include an obligation of the Company or a Subsidiary unless prohibited by applicable law. Shares of Common Stock thus surrendered shall be valued at their Fair Market Value on the date of exercise. Any such other property thus surrendered shall be valued at its fair market value on any reasonable basis established or approved by the Committee. Notwithstanding any other provision of the Plan, the Committee shall not, without prior approval of the Company's shareholders, grant an Option or any other Stock Incentive that provides for the making of a loan or other extension of credit, directly or indirectly, by the Company, a Subsidiary or the Plan to an Employee, Participant, officer of the Company or any of its Subsidiaries, or any other person in connection with the grant, exercise, payment or award of any such Option or other Stock Incentive.

7.3 *Option Terms* . Options may be granted for such lawful consideration, including money or other property, tangible or intangible, or labor or services received or to be received by the Company or a Subsidiary, as the Committee may determine when the Option is granted, including the agreement of the optionee to remain in the employ of the Company or one or more of its Subsidiaries at the pleasure of the Company (or the Subsidiaries) for such period, and on such terms, as are more particularly provided for therein. Property for purposes of the preceding sentence shall include an obligation of the Company or a Subsidiary unless prohibited by applicable law. Subject to the foregoing and the other provisions of this Section 7, each Option may be exercisable in full at the time of grant or may become exercisable in one or more installments, at such time or times and subject to satisfaction of such terms and conditions as the Committee may determine. The Committee may at any time accelerate the date on which an Option becomes exercisable, and no additional consideration need be received by the Company in exchange for such acceleration. Unless otherwise provided in the Option, an Option, to the extent it becomes exercisable, may be exercised at any time in whole or in part until the expiration or termination of the Option.

7.4 *Exercise by Optionee* . Each Option shall be exercisable during the life of the optionee only by him or her or his or her guardian or legal representative, and after the death of the optionee only by his or her Beneficiary or, absent a Beneficiary, by his or her estate or by a person who acquired the right to exercise the Option by will or the laws of descent and distribution; provided, that an Option that is made transferable by its terms and approved by the Committee pursuant to Section 17 shall be exercisable by a permissible transferee in accordance with the terms of the Option. Each Option shall expire at such time or times as the Committee may determine; provided, that notwithstanding any other provision of this Plan, (i) no Option shall be exercisable after the expiration of ten (10) years from the date the Option was granted, and (ii) no Incentive Stock Option which is granted to any optionee who, at the time such Option is granted, owns stock possessing more than ten percent (10%) of the total combined voting power of all classes of stock of his or her employer corporation or of its parent or subsidiary corporation, shall be exercisable after the expiration of five (5) years from the date such Option is granted. The Committee may but need not provide for an Option to be exercisable after termination of employment until its fixed expiration date (or until an earlier date or specified event occurs). Unless otherwise specifically provided for under Section 11 and subject to the requirements of Section 13, an Option shall not provide for the deferral of compensation to a Participant.

7.5 *Exercise of Option* . An Option shall be considered exercised if and when written notice, signed by the person exercising the Option, or an electronic communication if such communication is authorized and approved by the Committee in the terms of the Option, and stating the number of shares with respect to which the Option is being exercised, is received by the Secretary in or on a form approved for such purpose by the Committee, accompanied by full payment of the Option exercise price in one or more forms of payment authorized by the Committee described in Section 7.2 (together with all applicable withholding taxes), for the number of share purchased. No Option may at any time be exercised with respect to a fractional share.

7.6 *Incentive Stock Options* . An Option may, but need not, be an Incentive Stock Option. All shares of Common Stock which may be made subject to Stock Incentives under this Plan may be made subject to Incentive Stock Options; provided that the aggregate Fair Market Value (determined as of the time the Option is granted) of the stock with respect to which Incentive Stock Options may be exercisable for the first time by any Employee during any calendar year (under all plans, including this Plan, of his or her employer corporation and its parent and subsidiary corporations) shall not exceed One Hundred Thousand Dollars ($100,000) or such other amount, if any, as may apply under the Code. In no event shall an Incentive Stock Option be granted under the Plan more than ten (10) years from and after the date the Board approves the adoption of the Plan, or the date the Plan is approved by the shareholders of the Company, whichever is

earlier. The Participant must notify the Company in writing within thirty (30) days after any disposition of Shares acquired pursuant to the exercise of an Incentive Stock Option within two years from the grant date or one year from the exercise date. The Participant must also provide the Company with all information that the Company reasonably requests in connection with determining the amount and character of Participant's income, the Company's deduction, and the Company's obligation to withhold taxes or other amounts incurred by reason of a disqualifying disposition.

7.7 *Written Instrument* . Each Option shall be evidenced in writing as authorized and provided for in Section 17.4. An Option, if so approved by the Committee, may include terms, conditions, restrictions and limitations in addition to those provided for in this Plan including, without limitation, terms and conditions providing for the transfer or issuance of shares, on exercise of an Option, which may be non-transferable and forfeitable to the Company in designated circumstances.

7.8 *Restored or Reload Options Prohibited* . Notwithstanding any other provision of the Plan, the Committee shall not, without prior approval of Company's shareholders, grant an Incentive Stock Option, Non-Statutory Option or other form of Option under this Plan containing any provision pursuant to which the optionee is to be granted a restored or reload Option of any kind by reason of the exercise of all or part of an Option by paying all or part of the exercise price of such Option by surrendering shares of Common Stock.

7.9 *Repricing Prohibited* . Notwithstanding any other provision of the Plan, except in connection with a corporate transaction involving the Company (including, without limitation, any stock dividend, stock split, extraordinary cash dividend, recapitalization, reorganization, merger, consolidation, split-up, spin-off, combination, or exchange of shares), the terms of outstanding Stock Incentives may not, without Company shareholder approval, be amended to reduce the exercise price of outstanding Options, cancel outstanding Options in exchange for cash, other Stock Incentives or Options with an exercise price that is less than the exercise price of the original Options, or take any other action with respect to an Option that has the effect of buying out, repricing, replacing or regranting through cancellation underwater Options, including, but not limited to, any action that would be treated as a repricing under the rules and regulations of the principal securities exchange on which the Shares are traded.

7.10 *Regulatory Compliance* . No Option shall be exercisable unless and until the Company (i) obtains the approval of all regulatory bodies whose approval the General Counsel may deem necessary or desirable, and (ii) complies with all legal requirements deemed applicable by the General Counsel.

8. Stock Appreciation Rights

8.1 *General* . Subject to the terms of the Plan, Stock Appreciation Rights may be granted to Employees by the Committee upon such terms and conditions as the Committee determines; provided, that the base price per share of a freestanding Stock Appreciation Right shall be not less than one hundred percent (100%) of the Fair Market Value of a share of the Common Stock on the date of grant of a Stock Appreciation Right; and such Stock Appreciation Right shall be exercisable, or be forfeited or expire upon such terms as the Committee determines and are made a part of such Stock Appreciation Right.

8.2 *Stock Appreciation Rights, Options* . Stock Appreciation Rights may be granted by the Committee as freestanding Stock Incentives or in tandem with Options. A tandem Stock Appreciation Right may be included in an Option at the time the Option is granted or by amendment of the Option. Exercise of any such a tandem Stock Appreciation Right will be deemed to surrender the related Option for cancellation and vice versa.

8.3 *Exercise* . A Stock Appreciation Right shall be exercised by delivery of written notice (including facsimile or electronic transmittal) to the Committee setting forth the number of shares with respect to which the Stock Appreciation Right is exercised and date of exercise, at such time and as otherwise prescribed in the Stock Appreciation Right.

8.4 *Settlement* . A Stock Appreciation Right may be settled or paid in either cash, shares of Common Stock, or a combination thereof in accordance with its terms. If a Stock Appreciation Right is settled or paid in shares of Common Stock, such shares shall be deemed to be issued hereunder only when and to the extent that settlement or payment is actually made in shares of Common Stock. To the extent that a Stock Appreciation Right is actually settled in cash and not shares of Common Stock, any shares previously reserved for issuance or transfer pursuant to such Stock Appreciation Right shall again be deemed available for issuance or transfer under the Plan; and the maximum number of shares of Common Stock that may be issued under the Plan shall not be reduced by any actual settlement of a Stock Appreciation Right in cash. Unless otherwise specifically provided for under Section 11 and subject to the requirements of Section 13, a Stock Appreciation Right shall not provide for the deferral of compensation to a Participant.

8.5 *Written Instrument* . Each Stock Appreciation Right granted shall be evidenced in writing as authorized and provided in Section 17.4.

8.6 *Repricing Prohibited* . Notwithstanding any other provision of the Plan, except in connection with a corporate transaction involving the Company (including, without limitation, any stock dividend, stock split, extraordinary cash dividend, recapitalization, reorganization, merger, consolidation, split-up, spin-off, combination, or exchange of shares), the terms of outstanding Stock Incentives may not, without Company shareholder approval, be amended to reduce the exercise price of outstanding Stock Appreciation Rights, cancel outstanding Stock Appreciation Rights in exchange for cash, other Stock Incentives or Stock Appreciation Rights with an exercise price that is less than the exercise price of the original Stock Appreciation Rights or take any other action with respect to a Stock Appreciation Rights that has the effect of buying out, repricing, replacing or regranting through cancellation underwater Stock Appreciation Rights , including, but not limited to, any action that would be treated as a repricing under the rules and regulations of the principal securities exchange on which the Shares are traded.

9. **Director Stock Awards**

9.1 *General* . Each Non-Employee Director Participant shall receive such portion of his or her Director Fees in Common Stock as shall be established from time to time by the Board, with the remainder of such Director Fees to be payable in cash or in Common Stock as elected by the Non-Employee Director Participant in accordance with Section 9.2.

9.2 *Non-Employee Director Election* . Each Non-Employee Director Participant shall have an opportunity to elect to have the remaining portion of his or her Director Fees paid in cash or shares of Common Stock or a combination thereof. Except for the initial election following the Effective Date of the Plan, or the Director's election to the Board, any such election shall be made in writing and must be made at least thirty (30) days before the beginning of the Plan Year in which the services are to be rendered giving rise to such Director Fees and may not be changed thereafter except by timely written election as to Director Fees for services to be rendered in a subsequent Plan Year. In the absence of such an election, such remaining portion of the Director Fees of a Non-Employee Director shall be paid entirely in cash. Nothing contained in this Section 9.2 shall be interpreted in such a manner as would disqualify the Plan for treatment as a "formula plan" under Rule 16b-3 pursuant to which the terms and conditions of each transaction authorized by Section 9.1 are fixed in advance by the relevant terms and provisions thereof.

9.3 *Share Awards* . The number of shares of Common Stock to be paid and distributed to a Non-Employee Director under the provisions of Sections 9.1 and 9.2, shall be determined by dividing the dollar amount of his or her Director Fees (which the Board has established, and/or such Non-Employee Director has elected) to be paid in Common Stock on any payment date by the Fair Market Value of a share of Common Stock on that date. Except as may otherwise be directed by the Committee, in its sole discretion, the payment and distribution of such shares to a Non-Employee Director shall be on or within five days after the date such Director Fees would otherwise have been paid to him or her in cash.

10. **Replacement Awards**

Employees and Former ONE Gas Employees, who immediately prior to the Distribution, held awards granted under any ONEOK Stock Programs shall be eligible to receive Replacement Awards in connection with the Distribution. Replacement Awards may be granted as Restricted Stock Unit Awards and/or Performance Unit Awards and shall have the same general terms and conditions as the awards held by Employees and Former ONE Gas Employees immediately prior to the Distribution, including the term of the award, except that: (i) Replacement Awards that are Performance Unit Awards relating to performance after the Separation shall provide for payment determined using actual performance results from the Separation until the last day of the performance period to which they relate, based on performance criteria to be established by the Committee in accordance with the Plan, and (ii) Replacement Awards that are Performance Unit Awards relating to performance before the Separation shall provide for payment based on continued service with the Company from the Separation until the last day of the performance period to which they relate. Except as otherwise provided in this Section, Replacement Awards shall be subject to the Plan terms and conditions.

11. **Deferred Compensation Program**

11.1 *Establishment of Deferred Compensation Program* . This Section 11 shall not be effective unless and until the Committee determines to establish a program or procedures under the Plan providing for deferral of compensation with respect to Awards ("Deferred Compensation Program") pursuant to this Section. The Committee, in its discretion and upon such terms and conditions as it may determine, pursuant to Sections 6.2, 6.4, 7.3, 8.1 and 16.2 herein, and consistent with the requirements of Section 409A, may establish one or more Deferred Compensation Programs pursuant to the Plan under which:

(a) Deferred Compensation . Participants designated by the Committee may irrevocably elect, prior to a date specified by the Committee and subject to compliance with the requirements of Section 409A, to be granted an Award that provides for the deferral of compensation of Stock Units with respect to such number of shares of Common Stock and/or upon such other terms and conditions as established by the Committee in lieu of:

(1) shares of Common Stock otherwise issuable to a Participant upon the exercise of an Option;

(2) shares of Common Stock or cash otherwise issuable to a Participant upon the exercise of a Stock Appreciation Right;

(3) shares of Common Stock or cash otherwise issuable to a Participant upon the settlement and date of distribution, payment and transfer of a Restricted Unit Award;

(4) shares of Common Stock or cash otherwise issuable to a Participant upon the settlement, distribution, payment and transfer of a Performance Unit Award; or

(5) shares of Common Stock or cash otherwise issuable to a Participant upon the settlement, distribution, payment and transfer of any other form of Stock Incentive and Award that may otherwise be granted under the Plan.

(b) Award Deferral Feature. The providing for the deferral of compensation under a Stock Incentive or Award, upon the granting of such Stock Incentive or Award, or by amendment or change of its terms, is intended to and shall only affect the time of distribution, payment and transfer of the Award, consistent with the nature of the Award as authorized by the Plan, and shall in no event expand the types of Awards available under the Plan, increase the number of Shares available under the Plan, expand the classes of persons eligible under the Plan, provide for any extension of the term of the Plan, change the method of determining a strike price of Options granted under the Plan, or provide for the deletion or any limitation of any provision of the Plan or the Award prohibiting re-pricing, and shall not increase the potential dilution of shareholders of the Company over the lifetime of the Plan.

(c) Section 409A Compliance. The provisions of the Plan and any amendment of the Plan with respect to the deferral of compensation or a deferred compensation feature under a Stock Incentive or Award are intended to satisfy the requirements of Section 409A. It is intended that any and all amendments of the Plan and any Awards to satisfy the requirements of Section 409A shall not be made in any manner so as to expand the types of Stock Incentives or Awards available under the Plan, and the Plan and all Awards shall be interpreted and applied in a manner consistent with such intent.

11.2 *Terms and Conditions of Stock Incentives, Awards* . Stock Incentives or Awards granted under the Plan that pursuant to this Section 11 provide for deferral of compensation, shall be evidenced by Award Agreements applicable to such Stock Incentives or Awards and other written instruments in such form as the Committee shall from time to time establish. Award Agreements and other written instruments evidencing such Award Agreements may incorporate all or any of the terms of the Plan by reference and, except as provided below, shall comply with and be subject to the terms and conditions of Section 13.

(a) Voting Rights; Dividend Equivalent Rights and Distributions. Participants shall have no voting rights with respect to shares of Stock represented by Stock Units until the date of the issuance of such shares of Common Stock. A Participant may be entitled to dividend equivalent rights with respect to the payment of cash dividends on Common Stock during the period beginning on the date the Stock Units are granted to the Participant and ending on the earlier of the date on which such Stock Units are settled, as provided for by the Award Agreement and determined by the Committee, subject to the terms and conditions of Section 13.

(b) Settlement, Payment and Transfer. A Participant electing to receive an Award of Stock Units pursuant to this Section 11 shall specify at the time of such election a settlement, distribution, payment and transfer date with respect to such Award in compliance with the requirements of Section 409A. The Company shall issue to the Participant on the specified payment date elected by the Participant, or established with respect to the Award, or as soon thereafter as practicable, a number of whole shares of Stock equal to the number of vested Stock Units subject to the Stock Unit Award. Such shares of Stock shall be fully vested, and the Participant shall not be required to pay any additional consideration (other than applicable tax withholding) to acquire such shares.

12. **Deferred Company Shares Received in the Distribution.**

Notwithstanding anything in this Plan to the contrary, each individual who, on the record date for the Distribution, holds an award of stock units issued in accordance with the individual's election pursuant to

the Deferred Compensation Program described in the ONEOK, Inc. Equity Compensation Plan (the "OKE ECP Deferred Compensation Program") shall, effective as of the Effective Date, become a Participant and receive an Award of Stock Units pursuant to this Section 12 covering a number of Shares determined in accordance with the distribution ratio used in the Distribution. The time and form of settlement of an Award of Stock Units issued pursuant to this Section 12 shall be determined in accordance with a Participant's original election pursuant to OKE ECP Deferred Compensation Program; provided, however, with respect to Participants who are employed by ONEOK following the Distribution, any Awards of Stock Units that will be settled upon (i) the individual's separation from service will be settled only upon the individual's separation from service from ONEOK or (ii) a change in the ownership or control of the company or in the ownership of a substantial portion of the assets of the company, will be settled only upon the a change in the ownership or control of ONEOK or in the ownership of a substantial portion of the assets of ONEOK.

13. **Compliance With Section 409A**

13.1 *Awards Subject to Section 409A* . The provisions of this Section 13 shall apply to any Stock Incentive or Award or portion thereof that provides for the deferral of compensation and is or becomes subject to Section 409A, notwithstanding any provision to the contrary contained in the Plan or the Award Agreement or other written instrument applicable to such Award. Awards subject to Section 409A include, without limitation:

(a) Any Nonstatutory Stock Option or Stock Appreciation Right that permits the deferral of compensation other than the deferral of recognition of income until the exercise of the Award;

(b) Each Stock Incentive or Award that provides for the deferral of compensation; and

(c) Any Restricted Stock Unit Award, Performance Award, cash-based Award or Other Stock-based Award if such Award provides for the deferral of compensation and either (i) the Award provides by its terms for settlement, distribution, payment and transfer of all or any portion of the Award on one or more specified dates or (ii) the Committee permits or requires the Participant to elect, or the Committee designates one or more dates on which the Award will be settled, distributed, paid and transferred.

13.2 *Deferral and/or Distribution Elections* . Except as otherwise permitted or required by Section 409A and Treasury Regulations thereunder or other applicable Secretary of the Treasury published guidance, the following rules shall apply to any deferral of compensation and/or distribution elections (each, an "Election ") that may be permitted, required or designated by the Committee pursuant to an Award subject to Section 409A:

(a) All Elections must be in writing and specify the amount of the distribution, payment and transfer in settlement of an Award being deferred, as well as the specific time and form of distribution as permitted by this Plan, in accordance with Section 409A and the Treasury Regulations thereunder.

(b) All Elections shall be made by the end of the Participant's taxable year prior to the year in which services commence for which an Award may be granted to such Participant; provided, however, that:

(1) if the Award provides for forfeitable rights under which the Participant has a legally binding right to a distribution, payment or transfer in a subsequent year that is subject to a condition requiring the Participant to continue to provide services for a period of at least

12 months from the date the Participant obtains a legally binding right to avoid forfeiture of the distribution, payment or transfer and the Election is made on or before the 30 th day after the Participant obtains a legally binding right to the Award, provided that the Election is made at least 12 months in advance of the earliest date the Participant at which a forfeiture condition could lapse, or

(2) if the Award qualifies as "performance-based compensation" for purposes of Section 409A and is based on services performed over a period of at least twelve (12) months, then the Election may be made no later than six (6) months prior to the end of such period to the extent permitted by Section 409A, or

(3) if the Election is otherwise permissible at a later date pursuant to Section 409A, the Treasury Regulations thereunder or other applicable guidance.

(c) Elections shall continue in effect until a written election to revoke or change such Election is received by the Company, except that a written election to revoke or change such Election must be made prior to the last day for making an Election determined in accordance with paragraph (b) above or as permitted by Section 13.3, and Section 409A.

13.3 *Subsequent Elections* . Except as otherwise permitted or required by Section 409A, the Treasury Regulations thereunder or other applicable guidance, any Award subject to Section 409A which permits a subsequent Election ("Subsequent Election") to delay the distribution or change the form of distribution in settlement of such Award shall comply with the following requirements:

(a) No Subsequent Election may take effect until at least twelve (12) months after the date on which the Subsequent Election is made;

(b) Each Subsequent Election related to a distribution, payment, or transfer in settlement of an Award not described in Section 13.4(b), 13.4(c) or 13.4(f) must result in a delay of the payment, distribution or transfer for a period of not less than five (5) years from the date such distribution, payment or transfer would otherwise have been made; and

(c) No Subsequent Election related to a distribution, payment or transfer pursuant to Section 13.4(d) shall be made less than twelve (12) months prior to the date of the first scheduled payment as to such distribution, payment or transfer.

13.4 *Distributions Pursuant to Deferral Elections* . Except as otherwise permitted or required by Section 409A or Treasury Regulations thereunder or other applicable guidance, no distribution, payment or transfer in settlement of an Award subject to Section 409A may commence earlier than:

(a) Separation from service within the meaning of and as provided for under Section 409A and the Treasury Regulations thereunder ("Separation from Service");

(b) The date the Participant becomes Disabled (as defined below);

(c) Death;

(d) A Specified Time (or pursuant to a Fixed Schedule) that is either (i) designated by the Committee upon the grant of an Award and set forth in the Award Agreement evidencing such Award or (ii) specified by the Participant in an Election complying with the requirements of Section 13.2 and/or 13.3, as applicable;

(e) A change in the ownership or control of the Company or in the ownership of a substantial portion of the assets of the Company (within the meaning of and as provided for under Section 409A and the Treasury Regulations thereunder); or

(f) The occurrence of an Unforeseeable Emergency (as defined below and as provided for under by Treasury Regulations under Section 409A).

For purposes of the foregoing and the Plan, a "Specified Time" means a date or dates at which deferred compensation is payable and that are nondiscretionary and objectively determinable at the time the compensation is deferred, as provided for in Treasury Regulations under Section 409A; and "Fixed Schedule" means the distribution or payment of deferred compensation in a fixed schedule of distributions or payments that are determined and fixed at the time the deferral of such compensation is first elected or designated pursuant to the Plan and the requirements of Section 409A.

Notwithstanding anything else herein to the contrary, if a Participant becomes entitled to a distribution on account of a Separation from Service and is a "Specified Employee" (within the meaning of and as provided for under Section 409A and the Treasury Regulations thereunder) on the date of the Separation from Service, no distribution pursuant to Section 13.4(a) in settlement of an Award subject to Section 409A may be made before the date (the "Delayed Payment Date") which is six (6) months after such Participant's date of Separation from Service, or, if earlier, the date of the Participant's death. All such amounts that would, but for this paragraph, become payable prior to the Delayed Payment Date shall be accumulated and paid on the Delayed Payment Date.

13.5 *Unforeseeable Emergency* . The Committee shall have the authority to provide in the Award Agreement evidencing any Award subject to Section 409A for distribution in settlement of all or a portion of such Award in the event that a Participant establishes, to the satisfaction of the Committee, the occurrence of an Unforeseeable Emergency. In such event, the amount(s) distributed with respect to such Unforeseeable Emergency cannot exceed the amounts necessary to satisfy such Unforeseeable Emergency plus amounts necessary to pay taxes reasonably anticipated as a result of such distribution(s), after taking into account the extent to which such hardship is or may be relieved through reimbursement or compensation by insurance or otherwise, by liquidation of the Participant's assets the liquidation of such assets would not itself cause severe financial hardship) or by cessation of deferrals under the Award. All distributions with respect to an Unforeseeable Emergency shall be made in a lump sum as soon as practicable following the Committee's determination that an Unforeseeable Emergency has occurred. For purposes of the foregoing, Unforeseeable Emergency means a severe financial hardship to the Participant resulting from illness or accident of the Participant, the Participant's spouse, or a dependent (as defined in Code Section 152(a)) of the Participant, loss of the Participant's property due to casualty, or other similar extraordinary circumstances arising as a result of events beyond the control of the Participant, including such events and circumstances as and considered to be an Unforeseeable Emergency under Code section 409A and the regulations thereunder. It is intended and directed with respect to any such unforeseeable emergency that any amounts distributed under the Plan by reason thereof shall not exceed the amounts necessary to satisfy such emergency plus amounts necessary to pay taxes reasonably anticipated as a result of the distribution, after taking into account the extent to which such hardship is or may be relieved through reimbursement or compensation by insurance or otherwise or by liquidation of the Participant's assets (to the extent the liquidation of such assets would not itself cause severe financial hardship).

The occurrence of an Unforeseeable Emergency shall be judged and determined by the Committee. The Committee's decision with respect to whether an Unforeseeable Emergency has occurred

and the manner in which, if at all, the distribution, payment or transfer in settlement of an Award shall be altered or modified, shall be final, conclusive, and not subject to approval or appeal.

13.6 *Disability* . The Committee shall have the authority to provide in any Award subject to Section 409A for distribution, payment or transfer in settlement of such Award in the event that the Participant becomes Disabled. A Participant shall be considered "Disabled" and that term shall mean that a Participant is unable to engage in substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than twelve (12) months, or is, by reason of any medically determinable physical or mental impairment which can be expected to result in death or expected to last for a continuous period of not less than twelve (12) months, receiving income replacement benefits for a period of not less than three (3) months under an accident or health plan covering Employees of the Company. A Participant will be deemed to be Disabled if such Participant is determined to be totally disabled by the Social Security Administration.

All distributions payable by reason of a Participant becoming Disabled shall be paid in a lump sum or in periodic installments as established by the Participant's Election, commencing as soon as practicable following the date the Participant becomes Disabled. If the Participant has made no Election with respect to distributions upon becoming Disabled, all such distributions shall be paid in a lump sum as soon as practicable following the date the Participant becomes Disabled.

13.7 *Death* . If a Participant dies before complete distribution, payment or transfer of amounts to be distributed, paid or transferred upon settlement of an Award subject to Section 409A, such undistributed amounts shall be distributed, paid or transferred to his or her beneficiary under the distribution and payment method for death established by the Participant's Election as soon as administratively possible following receipt by the Committee of satisfactory notice and confirmation of the Participant's death. If the Participant has made no Election with respect to distribution or payment upon death, distribution and payment shall be paid in a lump sum as soon as practicable following the date of the Participant's death.

13.8 *No Acceleration of Distributions* . Notwithstanding anything to the contrary herein, this Plan does not permit the acceleration of the time or schedule of any distribution, payment or transfer under an Award subject to Section 409A, except as provided by Section 409A and/or the Treasury Regulations thereunder.

13.9 *Additional Distribution Rule* . Notwithstanding anything to the contrary herein, a distribution or payment shall be treated as made upon the date specified under the Plan if the payment is made at such date or a later date within the same taxable year of the Participant or, if later, by the 15th day of the third calendar month following the date specified under the Plan and the Participant is not permitted, directly or indirectly, to designate the taxable year of the payment. Any distribution that complies with this section shall be deemed for all purposes to comply with the Plan requirements regarding the time and form of distribution.

14. Certain Change in Control, Termination of Employment and Disability Provisions

14.1 *Change of Control* . Upon the occurrence of a Change of Control and except with respect to any Awards assumed by the surviving entity or otherwise equitably converted or substituted in connection with a Change of Control in a manner approved by the Board, any Stock Incentive which is outstanding but not yet exercisable, vested or payable at the time of a Change in Control shall become exercisable, vested and payable at that time. With respect to Awards assumed by a surviving entity or otherwise equitably converted or substituted in connection with a Change of Control, if within two years after the effective date

of the Change of Control a Participant's employment is terminated without Just Cause or the Participant resigns for Good Reason, any Stock Incentive which is outstanding but not yet exercisable, vested or payable at the time of a Change of Control shall become exercisable, vested and payable. For purposes of this Subsection 14.1, 'Good Reason' has the meaning, if any, assigned to such term in the Award Agreement.

14.2 *Termination of Employment and Disability*. Subject to the foregoing provisions of this Section 14, the Committee may at any time, and subject to such terms and conditions as it may impose:

i) authorize the holder of an Option to exercise the Option following the termination of the Participant's employment with the Company and its Subsidiaries, or following the Participant's disability, whether or not the Option would otherwise be exercisable following such event, provided that in no event may an Option be exercised after the expiration of its term; and

ii) authorize a Stock Bonus Award, Performance Stock Award, Performance Unit Award, Restricted Stock Award, or Restricted Unit Award to become non-forfeitable, fully earned and payable upon or following (i) the termination of the Participant's employment with the Company and its Subsidiaries, or (ii) the Participant's disability, whether or not the Award would otherwise become non-forfeitable, fully earned and payable upon or following such event.

For avoidance of doubt, the Separation shall not constitute a Change in Control for purposes of the Plan. No Participant shall be treated as having terminated employment with the Company or any of its Subsidiaries for any purpose under the Plan as a result of the Separation or any transfers of employment between the Company and its Subsidiaries in contemplation of the Separation.

15. **Adjustment Provisions**

In the event that any recapitalization, or reclassification, split-up or consolidation of shares of Common Stock shall be effected, or the outstanding shares of Common Stock shall be, in connection with a merger or consolidation of the Company or a sale by the Company of all or a part of its assets, exchanged for a different number or class of shares of stock or other securities or property of the Company or any other entity or person, or a record date for determination of holders of Common Stock entitled to receive a dividend or other distribution payable in Common Stock or other property (other than normal cash dividends) shall occur, or other similar transaction, (i) the number and class of shares or other securities or property that may be issued or transferred pursuant to Stock Incentives thereafter granted or that may be optioned or awarded under the Plan to any Participant, (ii) the number and class of shares or other securities or property that may be issued or transferred under outstanding Stock Incentives, (iii) the purchase price to be paid per share under outstanding and future Stock Incentives, (iv) the terms and conditions of any outstanding Awards (including, without limitation, the performance period or any applicable performance targets or criteria with respect thereto); and (v) the price to be paid per share by the Company or a Subsidiary for shares or other securities or property issued or transferred pursuant to Stock Incentives which are subject to a right of the Company or a Subsidiary to reacquire such shares or other securities or property, shall in each case be equitably adjusted. Any such adjustments shall be done in a manner consistent with Code Sections 409A or 424, to the extent applicable. Any adjustment affecting an Award intended to qualify as qualified performance based compensation shall, to the extent determined by the Committee to be in the Company's best interests, be consistent with the requirements of Code Section 162(m). The determination by the Committee as to the terms of any of the foregoing adjustments shall be conclusive and binding.

16. **Administration**

16.1 *Committee* . The Plan shall be administered by a committee of the Board of Directors consisting of two or more non-employee directors appointed from time to time by the Board of Directors. A majority of the Committee members shall constitute a quorum. The acts of a majority of the Committee members at a meeting at which a quorum is present or acts approved in writing by a majority of the Committee members shall be deemed acts of the Committee. Each member of the Committee shall satisfy such criteria of independence as the Board of Directors may establish and such regulatory or listing requirements as the Board of Directors may determine to be applicable or appropriate. No person shall be appointed to or shall serve as a member of such Committee unless at the time of such appointment and service he or she shall be a "Non-Employee Director," as defined in SEC Rule 16b-3. Unless the Board of Directors determines otherwise, the Committee shall be comprised solely of "outside directors" within the meaning of Section 162(m)(4)(C)(i) of the Code.

16.2 *Committee Authority, Rules, Interpretations of Plan* . The Committee may establish such rules and regulations, not inconsistent with the provisions of the Plan, as it may deem necessary for the proper administration of the Plan, and may amend or revoke any rule or regulation so established. The Committee shall, subject to the provisions of the Plan, have full power to interpret, administer and construe the Plan and any instruments issued under the Plan and full authority to make all determinations and decisions thereunder including without limitation the authority to (i) select the Participants in the Plan, (ii) determine when Stock Incentives shall be granted, (iii) determine the number of shares to be made subject to each Stock Incentive, (iv) determine the type of Stock Incentive to grant, (v) determine the terms and conditions of each Stock Incentive, including the exercise price, in the case of an Option, (vi) prescribe the terms and forms of written instruments evidencing Stock Incentives granted pursuant to and in accordance with the Plan and other forms necessary for administration of the Plan, and (vii) approve any transaction involving a Stock Incentive for a Section 16 Person (other than a "Discretionary Transaction" as defined in SEC Rule 16b-3) so as to exempt such transaction under SEC Rule 16b-3; provided, that any transaction under the Plan involving a Section 16 Person also may be approved by the Board of Directors, or may be approved or ratified by the shareholders of the Company, in the manner that exempts such transaction under SEC Rule 16b-3. The Committee may, at its discretion, delegate to the Chief Executive Officer (so long as he is a member of the Board) its authority under this Section 16.2 with respect to Stock Incentive grants to officers appointed by the Chief Executive Officer as provided in the Company's By-laws and to all other employees so long as such individuals are not a Section 16 Person. The Committee may also delegate authority for day-to-day administration of the Plan to the Company's Benefits Committee or its authorized representatives pursuant to a duly adopted resolution or a memorandum of action signed by all members of the Committee or approved via electronic transmission. All actions taken by the Company's Benefits Committee or its authorized representative shall have the same legal effect and shall be entitled to the same deference as if taken by the Committee itself. The interpretation by the Committee of the terms and provisions of the Plan and any instrument or other evidence of a Stock Incentive issued thereunder, and its administration thereof, and all action taken by the Committee, shall be final, binding, and conclusive on the Company, the shareholders of the Company, Subsidiaries, all Participants and employees, and upon their respective Beneficiaries, successors and assigns, and upon all other persons claiming under or through any of them.

16.3 *Section 409A Compliance Authority* . Notwithstanding any other provision of the Plan to the contrary or any Award or Award Agreement, the Committee may, but shall not be required to, in its sole and absolute discretion and without the consent of any Participant, amend the Plan, or any Award Agreement, or other written instrument issued under the Plan, or take such other actions with respect to an Award of Award Agreement, to take effect retroactively or otherwise, as it deems necessary or advisable for the purpose of conforming the Plan, or such Award Agreement or other written instrument to any present or future law, regulation or rule applicable to the Plan or such Award or Award Agreement, including without limitation, Section 409A and Treasury Regulations issued under Section 409A.

The Company intends that the Plan shall be administered and all Awards and Stock Incentives granted thereunder subject to Section 409A shall be administered, interpreted and applied in a manner that complies with Section 409A.

Provided, that the Company and the Committee makes no representations that Stock Incentives and Awards granted under the Plan shall be exempt from or comply with Section 409A of the Code and makes no undertaking to preclude Section 409A of the Code from applying to Stock Incentives and Awards granted under the Plan. The Company, any of its Subsidiaries and the Committee shall not be responsible for any additional tax imposed upon a Participant or other person pursuant to Section 409A, nor shall the Company, any of its Subsidiaries or Committee indemnify or otherwise reimburse a Participant or other person for any liability incurred as a result of Section 409A.

16.4 *Limitation of Liability* . Members of the Board of Directors and members of the Committee acting under this Plan shall be fully protected in relying in good faith upon the advice of counsel and shall incur no liability except for gross or willful misconduct in the performance of their duties.

17. General Provisions

17.1 *Nontransferability* . Any provision of the Plan to the contrary notwithstanding, any Stock Incentive issued under the Plan, including without limitation any Option, shall not be transferable by the Participant other than by will or the laws of descent and distribution or to a Beneficiary designated by the Participant, unless the instrument evidencing the Stock Incentive expressly so provides (or is amended to so provide) and is approved by the Committee; and any purported transfer of an Incentive Stock Option to a Beneficiary, or other transferee, shall be effective only if such transfer is, in the opinion of the General Counsel, permissible under and consistent with SEC Rule 16b-3 or Section 422 of the Code, as the case may be. Notwithstanding the foregoing, a Participant may transfer any Stock Incentive granted under this Plan, other than an Incentive Stock Option, to members of his or her immediate family (defined as his or her children, grandchildren and spouse) or to one or more trusts for the benefit of such immediate family members or partnerships in which such immediate family members are the only partners if (and only if) the instrument evidencing such Stock Incentive expressly so provides (or is amended to so provide) and is approved by the Committee; provided, that under no circumstances shall any transfer of a Stock Incentive be made for value or consideration to the Participant. Any such transferred Stock Incentive shall continue to be subject to the same terms and conditions that were applicable to such Stock Incentive immediately prior to its transfer (except that such transferred Stock Incentive shall not be further transferable by the transferee *inter vivos* , except for transfer back to the original Participant holder of the Stock Incentive) and provided, further, that the foregoing provisions of this sentence shall apply to Section 16 Persons only if the General Counsel determines that doing so would not jeopardize any exemption from Section 16 of the Exchange Act (including without limitation SEC Rule 16b-3) for which the Company intends Section 16 Persons to qualify. The designation of a Beneficiary by a Participant pursuant to Section 17.15 is not a transfer for purposes of the foregoing provisions of this paragraph.

17.2 *No Employment Contract* . Nothing in this Plan or in any instrument executed pursuant hereto shall confer upon any person any right to continue in the employment of the Company or a Subsidiary, or shall affect the right of the Company or a Subsidiary to terminate the employment of any person at any time with or without cause.

17.3 *Conditions to Issuance of Shares; Securities Laws Compliance* . No shares of Common Stock shall be issued or transferred pursuant to a Stock Incentive unless and until all legal requirements applicable to the issuance or transfer of such shares have, in the opinion of the General Counsel, been satisfied. Any

such issuance or transfer shall be contingent upon the person acquiring the shares giving the Company any written assurances the General Counsel may deem necessary or desirable to assure compliance with all applicable legal requirements. The Company shall be under no obligation to any Participant to register for offering or resale or to qualify for exemption under the Securities Act, or to register or qualify under the laws of any state or foreign jurisdiction, any shares of Common Stock, security or interest in a security paid or issued under, or created by, the Plan, or to continue in effect any such registrations or qualifications if made. The inability of the Company to obtain authority from any regulatory body having jurisdiction, which authority is deemed by the General Counsel to be necessary to the lawful issuance and sale of any Shares hereunder, will relieve the Company of any liability in respect of the failure to issue or sell such Shares as to which such requisite authority will not have been obtained.

17.4 *Written Instrument* . A Stock Incentive and Award granted under this Plan shall be evidenced in writing in such manner as the Committee determines, including, without limitation, by written Award Agreement or other physical instrument, by electronic communication, or by book entry. Such written evidence of a Stock Incentive shall contain the terms and conditions thereof, consistent with this Plan, which shall be incorporated in it by reference. In the event of any dispute or discrepancy regarding the terms of a Stock Incentive, the records of the Board of Directors and Committee shall be determinative.

17.5 *Limitation of Interest* . No person (individually or as a member of a group) and no Beneficiary or other person claiming under or through him or her, shall have any right, title or interest in or to any shares of Common Stock (i) issued or transferred to, or acquired by, a trust, (ii) allocated, or (iii) reserved for the purposes of this Plan, or subject to any Stock Incentive except as to such shares of Common Stock, if any, as shall have been issued or transferred to him or her. The Committee may (but need not) provide at any time or from time to time (including without limitation upon or in contemplation of a Change in Control) for a number of shares of Common Stock, equal to the number of such shares subject to Stock Incentives then outstanding, to be issued or transferred to, or acquired by, a trust (including but not limited to a grantor trust) for the purpose of satisfying the Company's obligations under such Stock Incentives, and, unless prohibited by applicable law, such shares held in trust shall be considered authorized and issued shares with full dividend and voting rights, notwithstanding that the Stock Incentives to which such shares relate shall not have been exercised or may not be exercisable or vested at that time.

17.6 *Withholdings* . The Company and its Subsidiaries may make such provisions as they may deem appropriate for the withholding of any taxes which they determine they are required to withhold in connection with the grant, exercise, vesting, distribution or payment of any Stock Incentive. Without limiting the foregoing, the Committee may, subject to such terms and conditions as it may impose, permit or require a Participant to satisfy all or part of his or her tax withholding obligations by (i) paying cash to the Company, (ii) having the Company withhold an amount from any cash amounts otherwise due or to become due from the Company to the Participant, (iii) having the Company withhold a number of shares of Common Stock that would otherwise be issued to the Participant having a Fair Market Value equal to the aggregate amount of such liabilities based on the applicable statutory withholding rates for federal, state, local and foreign income tax and payroll tax purposes, or (iv) surrendering a number of shares of Common Stock the Participant already owns having a Fair Market Value equal to the applicable statutory withholding rates for federal, state, local and foreign income tax and payroll tax purposes. The fair market value of the Shares to be withheld or delivered will be determined as of the date that the taxes are required to be withheld.

17.7 *Other Plans* . Nothing in this Plan is intended to be a substitute for, or shall preclude or limit the establishment or continuation of, any other plan, practice or arrangement for the payment of compensation or fringe benefits to directors, officers or employees generally, or to any class or group of such persons, which the Company or any Subsidiary now has or may hereafter lawfully put into effect, including, without

limitation, any incentive compensation, retirement, pension, group insurance, stock purchase, stock bonus or stock option plan.

17.8 *Section 16 Exemption Requirements* . Any provision of the Plan to the contrary notwithstanding, except to the extent that the Committee determines otherwise, transactions by and with respect to Section 16 Persons under the Plan are intended to qualify for any applicable exemptions provided by SEC Rule 16b-3, and the provisions of the Plan and Stock Incentives granted under the Plan shall be administered, interpreted and construed to carry out such intent and any provision that cannot be so administered, interpreted and construed shall to that extent be disregarded.

17.9 *Section 162(m) Qualification* . Any provision of the Plan to the contrary notwithstanding, except to the extent the Committee determines otherwise, transactions with respect to persons whose remuneration would not be deductible by the Company but for compliance with the provisions of Section 162(m) of the Code are intended to be Qualified Performance Stock Incentives that comply with the provisions of Section 162(m) of the Code. The Plan is also intended to give the Committee the authority to award Stock Incentives that are Qualified Performance Stock Incentive awards that qualify as performance-based compensation under Section 162(m) of the Code, as well as Stock Incentives that are Non-Qualified Performance Stock Incentive awards that do not so qualify. Every provision of the Plan shall be administered, interpreted and construed to carry out such intent and any provision that cannot be so administered, interpreted and construed shall to that extent be disregarded. In administration and interpretation of the Plan:

(a) Performance Stock Incentives granted to Employees under the Plan that are intended to be Qualified Performance Stock Incentives shall be paid, vested or otherwise awarded and delivered solely on account of the attainment of one or more pre-established, objective Performance Goals established by the Committee in writing. A Performance Goal shall generally be pre-established prior to commencement of the Performance Period, and in no event later than the earlier of (i) ninety (90) days after the commencement of the period of service to which a Performance Goal relates, provided, that the outcome is substantially uncertain at the time the Performance Goal is established, and (ii) the lapse of twenty-five percent (25%) of the period of service (as scheduled in good faith at the time the Performance Goal is established), and in any event while the outcome is substantially uncertain. A Performance Goal shall be deemed objective if a third party having knowledge of the relevant facts could determine if it is met. Such a Performance Goal may be based on one or more business performance criteria that apply to a Participant, one or more business units, Subsidiaries, divisions or sectors of the Company, or the Company as a whole, and if so determined by the Committee, by comparison with a designated peer group of companies or businesses. A Performance Goal may include one or more of the following criteria or standards: (i) increased revenue, (ii) net income measures, including without limitation, income after capital costs, and income before or after taxes, (iii) stock price measures, including without limitation, growth measures and total stockholder return, (iv) market share, (v) earnings per share (actual or targeted growth), (vi) earnings before interest, taxes, depreciation, and amortization, (vii) economic value added, (viii) cash flow measures, including without limitation, net cash flow, and net cash flow before financing activities, (ix) return measures, including without limitation, return on equity, return on average assets, return on capital, risk adjusted return on capital, return on investors' capital and return on average equity, (x) operating measures, including without limitation, operating income, funds from operations, cash from operations, after-tax operating income, sales volumes, production volumes, and production efficiency, (xi) expense measures, including but not limited to, finding and development costs, overhead costs, and general and administrative expense, (xii) margins, (xiii) shareholder value, (xiv) total shareholder return, (xv) reserve addition, (xvi) proceeds from dispositions, (xvii) total market value, and (xviii) corporate value criteria or standards including, without limitation, ethics, environmental and safety compliance.

(b) A Performance Goal need not be based upon an increase or a positive result under a particular business criterion, and may include, the maintaining of the status quo or limiting economic or financial losses measured by reference to specific business criteria. A Performance Goal must include business criteria, and a Performance Goal shall not be established or be considered to exist based on the mere continued employment of an Employee.

(c) Performance Goals may be identical for all Participants, or may be different for one or more Participants, as determined by the Committee in its sole discretion.

(d) In interpreting the provisions of the Plan and Stock Incentives granted under the Plan applicable to Qualified Performance Stock Incentives, it is intended that the Plan will conform with the standards and requirements of Section 162(m) of the Code and Treasury Regulation §1.162-27(e)(2), and any successor provisions of the Code and Treasury Regulations as to Stock Incentives granted to those Employees whose compensation is, or likely to be, subject to Section 162(m) of the Code, and the Committee in establishing Performance Goals and interpreting the Plan and Stock Incentives shall be guided by such provisions, as it determines, in its sole discretion.

(e) Prior to the payment or distribution of any compensation based upon the achievement of Performance Goals for a Qualified Performance Stock Incentive, the Committee shall certify in writing that the applicable Performance Goals and any of the material terms thereof were, in fact, satisfied. The approved minutes of a Committee meeting or written memorandum of action of the Committee without a meeting in which the certification is made may be treated as a written certification. Certification by the Committee is not required for compensation that is attributable solely to the increase in the value of the Common Stock.

(f) Subject to the foregoing provisions, the terms, conditions and limitations applicable to any Qualified Performance Stock Incentives that are granted pursuant to the Plan shall be determined by the Committee.

17.10 *Plan Acceptance* . By accepting any benefits under the Plan, each Participant, and each person claiming under or through a Participant shall be conclusively deemed to have indicated his or her acceptance and ratification of, and consent to, all provisions of the Plan and any action or decision under the Plan by the Company, its agents and employees, any of its Subsidiaries and their agents and employees, the Board of Directors and the Committee.

17.11 *Governing Law* . The validity, construction, interpretation and administration of the Plan and of any determinations or decisions made thereunder, and the rights of all persons having or claiming to have any interest therein or thereunder, shall be governed by, and determined exclusively in accordance with, the laws of the State of Oklahoma, but without giving effect to the principles of conflicts of laws thereof. Without limiting the generality of the foregoing, the period within which any action arising under or in connection with the Plan must be commenced, shall be governed by the laws of the State of Oklahoma, without giving effect to the principles of conflicts of laws thereof, irrespective of the place where the act or omission complained of took place and of the residence of any party to such action and irrespective of the place where the action may be brought.

17.12 *No Secured Interest* . A Participant shall have only a right to shares of Common Stock or cash or other amounts, if any, payable in settlement of a Stock Incentive under this Plan, unsecured by any assets of the Corporation or any other entity.

17.13 *Gender and Singular References* . The use of the masculine gender shall also include within its meaning the feminine. The use of the singular shall include within its meaning the plural and vice versa.

17.14 *Death of Participant* . Unless otherwise specified in the Stock Incentive, if the person to whom the Stock Incentive is granted dies, then (1) an Option that is not yet exercisable shall become immediately exercisable in full, (2) any remaining restrictions with respect to the Stock Incentive shall expire, and (3) the Committee may alter or accelerate the settlement schedule, Performance Goals or other performance criteria, or payment or other terms of any Stock Incentive.

17.15 *Beneficiary Designation* . A Participant to whom a Stock Incentive is granted under this Plan may designate a Beneficiary in writing and in accordance with such requirements and procedures as the Committee may establish.

17.16 *Company Policies* . All Awards granted under the Plan shall be subject to any applicable clawback or recoupment policies, share trading policies and other policies that may be implemented by the Board from time to time.

18. **Plan Amendment and Termination**

The Plan may be amended by the Board of Directors, without shareholder approval, at any time and in any respect, unless approval of the amendment in question by the shareholders of the Company is required under Oklahoma law, the Code (including without limitation Code Section 422), any applicable exemption from Section 16 of the Exchange Act (including without limitation SEC Rule 16b-3) for which the Company intends Section 16 Persons to qualify, any national securities exchange or system on which the Common Stock is then listed or reported, by any regulatory body having jurisdiction with respect to the Plan, or under any other applicable laws, rules or regulations, in which case such amendment shall be effective only if and to the extent it is approved by the shareholders of the Company as so required. The Plan may also be terminated at any time by the Board of Directors. No amendment or termination of this Plan shall adversely affect any Stock Incentive granted prior to the date of such amendment or termination without written consent of the Participant. Notwithstanding any other provision of the Plan to the contrary, the Committee may, in its sole and absolute discretion and without the consent of any Participant, amend the Plan or any Award Agreement, or any written instrument issued under the Plan, to take effect retroactively or otherwise, as it deems necessary or advisable for the purpose of conforming the Plan or such Award Agreement or instrument to any present or future law, regulation or rule applicable to the Plan, including, without limitation, Section 409A.

ONE GAS, INC.

RESTRICTED UNIT AWARD AGREEMENT

This Restricted Unit Award Agreement (this "Agreement") is made and entered into as of February 19, 2018 (the "Grant Date") by and between ONE Gas, Inc., an Oklahoma corporation (the "Company") and **[EMPLOYEE NAME]** (the "Participant").

WHEREAS , the Company has adopted the ONE Gas, Inc. Equity Compensation Plan (the "Plan") pursuant to which Restricted Unit Awards may be granted; and

WHEREAS , the Executive Compensation Committee (the "Committee") has determined that it is in the best interests of the Company and its shareholders to grant the Restricted Unit Award provided for herein.

NOW, THEREFORE, the parties hereto, intending to be legally bound, agree as follows:

1. Grant of Restricted Units .

1.1 The Company hereby grants to the Participant an award consisting of **[NUMBER]** Restricted Units ("Restricted Units" or the "Award") on the terms and conditions set forth in this Agreement, the Notice of Restricted Unit Award and Agreement dated February 19, 2018, a copy of which is attached hereto and incorporated herein by reference, and the Plan. Each Restricted Unit represents the right to receive one share of the Company's common stock ("Share") or, at the Company's option, an amount of cash as set forth in Section 6.3, in either case, at the times and subject to the conditions set forth herein. Capitalized terms that are used but not defined herein have the meanings set forth in the Plan.

1.2 The Restricted Units shall be credited to a separate account maintained for the Participant on the books and records of the Company (the "Account"). All amounts credited to the Account shall continue for all purposes to be part of the general assets of the Company.

2. Consideration . The Award is granted in consideration of the Participant's continued employment with the Company.

3. Vesting .

3.1 General . Subject to Participant's continuous employment with the Company during the period beginning on the Grant Date and ending on February 13, 2021 (the "Restricted Period") and subject to the terms of this Agreement, the Participant will vest in such amounts and at such times as are set forth below:

Vesting Date	**Percentage of Award That Vests**
February 13, 2021	100%

For purposes of this Agreement, employment with any Subsidiary of the Company shall be treated as employment with the Company. Likewise, a termination of employment shall not be deemed to occur by reason of a transfer of employment between the Company and any Subsidiary.

Restricted Units that vest pursuant to the terms of this Agreement, including Sections 3.2 and 3.3 below, are referred to as "Vested Units" and the date upon which the Restricted Units vest is referred to as a "Vesting Date." Unless and until the Restricted Units have vested, Participant will have no right to receive any Shares subject thereto. Prior to the actual delivery of any Shares, the Award will represent an unsecured obligation of the Company, payable only from the Company's general assets.

3.2 Termination of Employment .

(a) If the Participant's employment with the Company is terminated prior to the end of the Restricted Period by the Company without Cause or on account of the Participant's Retirement, Total Disability or death, the Participant will vest in a pro-rata portion of the Restricted Units as of the Participant's termination date. The pro-rata portion of the Restricted Units that vest will be determined by multiplying the number of Restricted Units granted hereunder by a fraction, which fraction shall be equal to the number of full months which have elapsed under the Restricted Period at the time of such termination of employment by the number of full months in the Restricted Period. If the Participant's employment with the Company terminates for any other reason, Participant shall immediately forfeit any and all Restricted Units that have not vested or do not vest on or prior to the Participant's termination date and neither the Company nor any Subsidiary shall have any further obligations to the Participant under this Agreement. For purposes of this Agreement:

(i) "Cause" will mean any of the following: (i) the Participant's conviction in a court of law of a felony, or any crime or offense involving misuse or misappropriation of money or property, (ii) the Participant's violation of any covenant, agreement or obligation not to disclose confidential information regarding the business of the Company (or Subsidiary), (iii) any violation by the Participant of any covenant not to compete with the Company (or Subsidiary), (iv) any act of dishonesty by the Participant which adversely effects the business of the Company (or Subsidiary), (v) any willful or intentional act of the Participant which adversely affects the business of, or reflects unfavorably on the reputation of

the Company (or Subsidiary), (vi) the Participant's use of alcohol or drugs which interferes with the Participant's duties as an employee of the Company (or Subsidiary), or (vii) the Participant's failure or refusal to perform the specific directives of the Company's Board, or its officers which directives are consistent with the scope and nature of the Participant's duties and responsibilities with the existence and occurrence of all of such causes to be determined by the Company, in its sole discretion; *provided, that* nothing contained in the foregoing provisions of this Section shall be deemed to interfere in any way with the right of the Company (or Subsidiary), which is hereby acknowledged, to terminate the Participant's employment at any time without Cause.

(ii) "Retirement" means a voluntary termination of employment of the Participant with the Company by the Participant if at the time of such termination of employment the Participant has both completed five (5) years of service with the Company and attained age fifty (50).

(iii) "Total Disability" means that the Participant is permanently and totally disabled and unable to engage in any substantial gainful activity by reason of a medically determinable physical or mental impairment which can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than twelve (12) months, and has established such disability to the extent and in the manner and form as may be required by the Committee.

3.3 Change in Control . If a Change in Control occurs prior to the end of the Restricted Period and the Participant is employed by the Company at the time of the Change in Control, but subsequently terminates prior to the end of the Restricted Period based on an involuntary termination (without cause) or a voluntary termination with "good reason" within 24 months of the CIC date, then the Participant shall become one hundred percent (100%) vested in the Award upon the date of the termination due to the Change in Control. Good reason includes:

- Demotion or material reduction of authority or responsibility;
- Material reduction in base salary;
- Material reduction in annual incentive or LTI targets;
- Relocation of greater than 35 miles; or
- Failure of a successor company to assume the change-in-control plan.

Notwithstanding the foregoing, the provisions set forth in the Plan applicable to a Change in Control shall apply to the Award, and in the event of a Change in Control, the Committee, in its sole discretion and to the extent permitted by Section 409A, may take such actions as it deems appropriate pursuant to the Plan. For purposes of this Agreement, the term "Change in Control" shall have the same meaning as provided in the Plan unless the Award is or becomes subject to Code section 409A, in which event "Change in Control" shall have the meaning provided in Code section 409A and the related Treasury Regulations.

4. Transfer Restrictions .

4.1 Except as provided in Section 4.2, during the Restricted Period and until such time as the Shares underlying the Vested Units have been issued, the Restricted Units, related Shares or the rights relating thereto may not be sold, pledged, assigned, transferred or otherwise disposed of by the Participant in any manner other than by will or by laws of descent and distribution. Except as provided in Section 4.2, any attempt to sell, pledge, assign, transfer or otherwise dispose of the Restricted Units, related Shares or the rights relating thereto shall be wholly ineffective and, if any such attempt is made, the Restricted Units, related Shares or the rights relating thereto will be forfeited by the Participant and all of the Participant's rights to such units or related Shares shall immediately terminate without any payment or consideration by the Company.

4.2 Notwithstanding the foregoing, the Participant may transfer any part or all of the Participant's rights in the Restricted Units to members of the Participant's immediate family, or to one or more trusts for the benefit of such immediate family members, or partnerships in which such immediate family members are the only partners if the Participant does not receive any consideration for the transfer. In the event of any such transfer, Restricted Units shall continue to be subject to the same terms and conditions otherwise applicable hereunder and under the Plan immediately prior to transfer, except that such rights shall not be further transferable by the transferee inter vivos , except for transfer back to the Participant. For any such transfer to be effective, the Participant must provide prior written notice thereof to the Committee and the Participant shall furnish to the Committee such information as it may request with respect to the transferee and the terms and conditions of any such transfer. For purposes of this Agreement, "immediate family" shall mean the Participant's spouse, children and grandchildren.

5. Dividend Equivalents . During the Restricted Period, the Participant's Account shall be credited with an amount equal to all ordinary cash dividends ("Dividend Equivalents") that would have been paid to the Participant if one Share had been issued on the Grant Date for each Restricted Unit granted to the Participant as set forth in this Agreement. The Dividend Equivalents credited to the Participant's Account will be deemed to be reinvested in additional Restricted Units and will be subject to the same terms and conditions as the Restricted Units to which they are attributable and shall vest or be forfeited (if applicable) and settled at the same time as the Restricted Units to which they are attributable. Such additional Restricted Units shall also be credited with additional Dividend Equivalents as any further dividends are declared.

6. Settlement of Vested Units; Distribution or Payment .

6.1 Vested Units shall be settled and distributed in Shares (either in book-entry form or otherwise) or, at the Company's option, paid in an amount of cash as set forth in Section 6.3. All distributions in Shares shall be in the form of whole Shares, and any fractional Share shall be distributed in cash in an amount equal to the value of such fractional Share determined based on the Fair Market Value of a Share on the Vesting Date.
Subject to Section 9 and Section 22.2, on each Vesting Date or the date of termination due to a Change in Control as described in 3.3, whichever is earlier, the Company shall distribute to the Participant the number of Shares equal to the number of Vested Units within 75 days after the applicable Vesting Date.

6.2 If the Company elects to settle the Participant's Vested Units in cash, the amount of cash payable with respect to each Vested Unit shall be equal to the Fair Market Value of a Share on the Vesting Date.

6.3 To the extent that the Participant does not vest in any Restricted Units on or before the end of day of the Restricted Period, all interest in such Restricted Units and any additional Restricted Units attributable to Dividend Equivalents shall be forfeited. The Participant has no right or interest in any Restricted Units that are forfeited.

7. Conditions to Issuance or Transfer of Shares . The issuance and transfer of Shares shall be subject to compliance by the Company and the Participant with all applicable laws, rules and regulations ("Applicable Laws") and also to such approvals by governmental agencies as may be deemed appropriate to comply with relevant securities laws and regulations. No Shares shall be issued or transferred unless and until any then applicable requirements of Applicable Laws and regulatory agencies have been fully complied with to the satisfaction of the Company and its counsel.

8. Tax Withholding . Participant shall be required to pay to the Company, and the Company shall have the right to deduct from any compensation paid to the Participant pursuant to the Plan, the amount of any required federal, state and local taxes, domestic or foreign, including payroll taxes, in respect of the Award and to take all such other action as the Committee deems necessary to satisfy all obligations for the payment of such withholding taxes. The Company shall have no obligation to issue any Shares to any Participant unless and until the Participant has made arrangements, satisfactory to the Company in its sole discretion, to satisfy the Participant's tax liability resulting from the vesting or settlement of the Vested Units. The amount of such withholding shall be determined by the Company. The Committee, in its sole discretion, may permit or require the Participant to satisfy any such tax withholding obligation by any of, or a combination of, the following means:

8.1 tendering a cash payment or check payable to the Company.

8.2 authorizing the Company to withhold an amount from any cash amounts otherwise due or to become due from the Company to the Participant.

8.3 authorizing the Company to withhold Shares from the Shares otherwise issuable to the Participant as a result of the vesting of the Restricted Units; provided, however, that no Shares shall be withheld with a Fair Market Value exceeding the maximum amount of tax required to be withheld by Applicable law.

8.4 delivering to the Company previously owned and unencumbered Shares having a then current Fair Market Value not exceeding the maximum amount of tax required to be withheld by Applicable Law.

9. Rights as Shareholder . Except as otherwise provided in the Agreement, the Participant shall not have any of the rights or privileges of a shareholder with respect to the Shares underlying the Restricted Units unless and until the Restricted Units vest and certificates representing such Shares (which may be in book-entry form) have been issued and recorded on the Company's records, and delivered to the Participant or to an escrow account for the Participant's benefit. After such issuance, recordation and delivery, Participant will have the rights of a shareholder of the Company with respect to such Shares, including without limitation, voting rights and the right to receipt of dividends and distributions on such Shares.

10. No Right to Continued Service . Neither the Plan nor this Agreement shall confer upon the Participant to serve as an employee or other service provider of the Company. Further, nothing in the Plan or this Agreement shall be construed to limit the discretion of the Company to terminate the services of the Participant at any time, with or without Cause.

11. Adjustments . In the event of a change in capitalization described in Section 15 of the Plan prior to the end of the Restricted Period, other than a dividend described in Section 5 above, the Restricted Units shall be equitably adjusted or terminated in any manner contemplated by the Plan to reflect the effect of such event or change in the Company's capital structure in such a way as to preserve the value of the Award.

12. Required Participant Repayment/Reduction Provision . Notwithstanding anything in the Plan or this Agreement to the contrary, all or a portion of the Award made to the Participant under this Agreement is subject to being called for repayment to the Company or reduced in any situation required by law or specified by Company policy in effect at the time of the request for repayment or reduction is made. In any event, even if not required by law or Company policy, in any situation where the Board or a committee thereof determines that fraud, negligence, or intentional misconduct by the Participant was a contributing factor to the Company having to restate all or a portion of its financial statement(s), the Committee may request repayment or reduction. The Committee may determine whether the Company shall effect any such repayment or reduction: (i) by seeking repayment from the Participant, (ii) by reducing (subject to Applicable Law and the Plan's terms and conditions or any other applicable plan, program, or arrangement) the amount that would otherwise be awarded or payable to the Participant under the Award, the Plan or any other compensatory plan, program, or arrangement maintained by the Company, (iii) by withholding payment of future increases in compensation (including the payment of any discretionary bonus amount) or grants of compensatory awards that would otherwise have been made in accordance with the Company's otherwise applicable compensation practices, or (iv) by any combination of the foregoing. The determination regarding the Participant's conduct, and repayment or reduction under this provision shall be within the Committee's sole discretion and shall be final and binding on the Participant and the Company. The Participant, in consideration of the grant of the Award, and by the Participant's execution of

this Agreement, acknowledges the Participant's understanding and agreement to this provision, and hereby agrees to make and allow an immediate and complete repayment or reduction in accordance with this provision in the event of a call for repayment or other action by the Company or Committee to effect its terms with respect to the Participant, the Award and/or any other compensation described herein.

13. Company Policies. The Participant agrees that the Award will be subject to any applicable insider trading policies, retention policies and other policies that may be implemented by the Board, from time to time.

14. Participant Undertaking. The Participant agrees to take whatever additional actions and execute whatever additional documents the Company may in its reasonable judgment deem necessary or advisable in order to carry out or effect one or more of the obligations or restrictions imposed on the Participant pursuant to the terms of this Agreement. It is intended by the Company that the Plan and Shares covered by the Award are to be registered under the Securities Act of 1933, as amended, prior to the grant date; provided that in the event such registration is for any reason not effective for such Shares, the Participant agrees that all Shares acquired pursuant to the grant will be acquired for investment and will not be available for sale or tender to any third party.

15. Beneficiary. The Participant may designate a Beneficiary to receive any rights of the Participant which may become vested in the event of the Participant’s death under procedures and in the form established by the Committee; and in the absence of such designation of a Beneficiary, any such rights shall be deemed to be transferred to the Participant’s estate.

16. Notices. Any notice required to be delivered to the Company under this Agreement shall be in writing and addressed to the Vice President of Human Resources of the Company at the Company's principal corporate offices. Any notice required to be delivered to the Participant under this Agreement shall be in writing and addressed to the Participant at the Participant's address as shown in the records of the Company. Either party may designate another address in writing (or by such other method approved by the Company) from time to time. Any notice shall be delivered by hand, sent by telecopy or enclosed in a properly sealed envelope addressed as stated above, registered and deposited, postage prepaid, in a post office regularly maintained by the United States Postal Service.

17. Incorporation of the Plan; Conflicts. The Restricted Units and the Shares issued to Participant hereunder are subject to the terms and conditions set forth in this Agreement and the Plan, which is incorporated herein by reference. In the event of any inconsistency between (1) the Plan and this Agreement, the Plan will control, or (2) the resolutions and records of the Board or Committee and this Agreement, the resolutions and records of the Board or Committee will control.

18. Successors and Assigns. The Company may assign any of its rights under this Agreement, and this Agreement will be binding upon and inure to the benefit of the Company’s

successors and assigns. Subject to the restrictions on transfer set forth herein and the Plan, this Agreement will be binding upon and inure to the benefit of the heirs, legatees, legal representatives, successors and assigns of the parties hereto.

19. No Impact on Other Benefits . The Company does not intend for the value of the Award or any Vested Units to be included in the Participant's normal or expected compensation for purposes of calculating any severance, retirement, welfare, insurance or similar employee benefit; *provided, however* , that if there is any inconsistency between this Agreement and the terms of another benefit plan, the benefit plan document will control.

20. Discretionary Nature of Plan . The Plan is discretionary and may be amended, cancelled or terminated by the Board at any time, in its discretion. The grant of the Restricted Units in this Agreement does not create any contractual right or other right to receive any Restricted Units or other awards in the future. Future awards, if any, will be at the Committee's sole discretion. Any amendment, modification, or termination of the Plan shall not constitute a change or impairment of the terms and conditions of the Participant's employment with the Company.

21. Amendment . In accordance with the Plan, the Committee may amend or otherwise modify, suspend, discontinue or terminate this Agreement at any time, prospectively or retroactively.

22. Section 409A .

22.1 This Award and Agreement is intended to comply with Section 409A or an exemption thereunder and shall be construed and interpreted in a manner that is consistent with the requirements for avoiding additional taxes or penalties under Section 409A. Notwithstanding any other provision of the Agreement, any distributions or payments due hereunder may only be made upon an event and in a manner that complies with Section 409A or an applicable exemption. Any distributions or payments due hereunder upon a termination of employment shall only be made upon a "separation from service" as defined in Section 409A. The right to a series of installment payments under this Agreement shall be treated as a right to a series of separate payments. In no event may the Participant, directly or indirectly, designate the calendar year of settlement, distribution or payment.

22.2 If an Award is subject to Section 409A and Participant becomes entitled to settlement of the Award on account of a separation from service and is a "specified employee" within the meaning of Section 409A on the date of the separation from service, then to the extent necessary to prevent any accelerated or additional tax under Section 409A, such settlement will be delayed until the earlier of: (a) the date that is six months following the Participant's separation from service and (b) the Participant's death (the "Delayed Payment Date") and the accumulated amounts shall be distributed or paid in a lump sum payment on the Delayed Payment Date.

22.3 The Company does not represent that the Award or this Agreement comply with Section 409A and in no event shall the Company be liable for all or any portion of any taxes, penalties, interest or other expenses that may be incurred by the Participant on account of non-compliance with Section 409A.

22.4 To the extent that any provision of the Agreement would cause a conflict with the requirements of Section 409A, or would cause the administration of the Agreement to fail to satisfy Section 409A, such provision shall be deemed null and void to the extent permitted by Applicable Law.

23. Entire Agreement . The Plan and this Agreement (including any exhibit hereto) constitute the entire agreement of the parties and supersede in their entirety all prior undertakings and agreements of the Company and the Participant with respect to the subject matter hereof.

24. Severability . The invalidity or unenforceability of any provision of the Plan or this Agreement shall not affect the validity or enforceability of any other provision of the Plan or this Agreement, and each provision of the Plan and this Agreement shall be severable and enforceable to the extent permitted by law.

25. Governing Law . This Agreement will be construed and interpreted in accordance with the laws of the State of Oklahoma without regard to the conflict of laws provisions thereof.

26. Counterparts . This Agreement may be executed in one or more counterparts, including by way of electronic signature, subject to Applicable Law, each of which shall be deemed an original and all of which together will constitute one instrument.

27. Administration of Award; Acceptance. As a condition of receiving this Award, the Participant agrees that the Committee shall have full and final authority to construe and interpret the Plan and this Agreement, and to make all other decisions and determinations as may be required under the Plan or this Agreement as they may deem necessary or advisable for administration of the Plan or this Agreement, and that all such interpretations, decisions and determinations shall be final and binding on the Participant, the Company and all other interested persons. Any dispute regarding the interpretation of this Agreement shall be submitted by the Participant or the Company to the Committee for review. The resolution of such dispute by the Committee shall be final and binding on the Participant and the Company. Day-to-day authority and responsibility has been delegated to the Company's ONE Gas, Inc. Benefits Committee and its authorized representatives, and all actions taken thereby shall be entitled to the same deference as if taken by the Committee itself.

The Participant hereby acknowledges receipt of this Agreement, the Notice of Restricted Unit Award and Agreement dated February 19, 2018, and a copy of the Plan. Participant agrees to be bound by all of the provisions set forth in this Agreement and the Plan and acknowledges that there may be adverse tax consequences upon the vesting or settlement of the Restricted Units or disposition of the underlying Shares and that

Participant has been advised to consult a tax advisor prior to such vesting, settlement or disposition. Participant and accepts the Award under the terms and conditions stated in this Agreement, subject to all terms and provisions of the Plan, by electronic acceptance of the grant.

ONE GAS, INC.

PERFORMANCE UNIT AWARD AGREEMENT

This Performance Unit Award Agreement (this "Agreement") is made and entered into as of February 19, 2018 (the "Grant Date") by and between ONE Gas, Inc., an Oklahoma corporation (the "Company") and **[EMPLOYEE NAME]** (the "Participant").

WHEREAS , the Company has adopted the ONE Gas, Inc. Equity Compensation Plan (the "Plan") pursuant to which Performance Unit Awards may be granted; and

WHEREAS , the Executive Compensation Committee of the Board of Directors (the "Committee") has determined that it is in the best interests of the Company and its shareholders to grant the Performance Unit Award provided for herein.

NOW, THEREFORE, the parties hereto, intending to be legally bound, agree as follows:

1. Grant of Performance Units .

1.1 The Company hereby grants to the Participant an award consisting of **[NUMBER]** Performance Units ("Performance Units" or the "Award") on the terms and conditions set forth in this Agreement, the Notice of Performance Unit Award and Agreement dated February 19, 2018, a copy of which is attached hereto and incorporated herein by reference, and the Plan. The Performance Units are contingently awarded and will be earned if and only to the extent that the performance goal described on Exhibit A (the "Performance Goal") is met and vested and distributable only if other conditions in this Agreement are met. Each Performance Unit represents the right to receive one share of the Company's common stock ("Share") or, at the Company's option, an amount of cash as set forth in Section 6.2, in either case, at the times and subject to the conditions set forth herein. The number of Performance Units set forth above is equal to a target number of Shares that the Participant will earn for 100% achievement of the Performance Goal (the "Target Award"). Capitalized terms that are used but not defined herein have the meanings set forth in the Plan.

1.2 The Performance Units shall be credited to a separate account maintained for the Participant on the books and records of the Company (the "Account"). All amounts credited to the Account shall continue for all purposes to be part of the general assets of the Company.

2. Consideration . The Award is granted in consideration of the Participant's continued employment with the Company.

3. Vesting .

3.1 General . Except as provided in this Section 3, subject to Participant's continuous employment with the Company during the period beginning on the Grant Date and ending on February 13, 2021 (the "Performance Period") and subject to the terms of this Agreement, the Participant shall vest at the end of the Performance Period in the number of Performance Units, if any, earned upon, and certified following, the attainment of the Performance Goal as of the end of the Performance Period. Any Performance Units that do not vest as of the end of the Performance Period shall be forfeited. Performance Units that vest pursuant to the terms of this Agreement, including Sections 3.2 and 3.3 below, are hereinafter referred to as "Vested Units" and the date upon which the Performance Units vest is hereinafter referred to as a "Vesting Date." Unless and until the Performance Units have vested, Participant will have no right to receive any Shares subject thereto. Prior to the actual delivery of any Shares, the Award will represent an unsecured obligation of the Company, payable only from the Company's general assets.

3.2 Termination of Employment . If prior to the end of the Performance Period, the Participant ceases to be employed by the Company on account of the Participant's Retirement, Total Disability or death, the Participant will vest in a pro-rata portion of the Performance Units as of the last day of the Performance Period if the Performance Goal and requirements of this Agreement are met as of such date. The pro-rata portion of the Performance Units that vest will be determined by multiplying (x) the maximum number of Performance Units in which the Participant could vest, based on the actual level at which the Performance Goal is attained and certified for the Performance Period, as if the Participant remained in the employ of the Company through the end of the Performance Period, by (y) a fraction, which fraction shall be equal to the number of full months which have elapsed under the Performance Period at the time of such termination of employment by the number of full months in the Performance Period. If the Participant's employment with the Company terminates prior to the end of the Performance Period for any other reason, Participant shall immediately forfeit any and all Performance Units that have not vested or do not vest on or prior to the Participant's termination date and neither the Company nor any Subsidiary shall have any further obligations to the Participant under this Agreement. For purposes of this Agreement, employment with any Subsidiary of the Company shall be treated as employment with the Company. Likewise, a termination of employment shall not be deemed to occur by reason of a transfer of employment between the Company and any Subsidiary. For purposes of this Agreement:

(a) "Retirement" means a voluntary termination of employment of the Participant with the Company by the Participant if at the time of such termination of employment the Participant has both completed five (5) years of service with the Company and attained age fifty (50).

(b) "Total Disability" means that the Participant is permanently and totally disabled and unable to engage in any substantial gainful activity by reason of a medically determinable physical or mental impairment which can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than twelve (12) months, and has established such disability to the extent and in the manner and form as may be required by the Committee.

3.3 Change in Control . If a Change in Control occurs prior to the end of the Performance Period and the Participant is employed by the Company at the time of the Change in Control, but subsequently terminates prior to the end of the Performance Period based on an involuntary termination (without cause) or a voluntary termination with "good reason" within 24 months of the Change in Control date, then the Performance Period will end on the date of the termination due to the Change in Control and the Performance Units will be deemed vested at the Target Award level as of the date of the termination due to Change in Control (the "Change in Control Date"). Good reason includes:

- Demotion or material reduction of authority or responsibility;
- Material reduction in base salary;
- Material reduction in annual incentive or LTI targets;
- Relocation of greater than 35 miles; or
- Failure of the successor company to assume the change-in-control plan.

Notwithstanding the foregoing, the provisions set forth in the Plan applicable to a Change in Control shall apply to the Award, and in the event of a Change in Control, the Committee, in its sole discretion and to the extent permitted by Section 409A, may take such actions as it deems appropriate pursuant to the Plan. For purposes of this Agreement, the term "Change in Control" shall have the same meaning as provided in the Plan.

3.4 Certification . Except in the event of a Change in Control, the Committee shall, within a reasonably practicable time following the end of the Performance Period, certify to the extent, if any, to which the Performance Goal has been achieved with respect to the Performance Period and the number of Performance Units, if any, earned upon attainment of the Performance Goal. Such certification shall be final, conclusive and binding on the Participant, and on all other persons, to the maximum extent permitted by law.

4. Transfer Restrictions .

4.1 Except as provided in Section 4.2, during the Performance Period and until such time as the Shares underlying the Vested Units have been issued, the Performance Units, related Shares or the rights relating thereto may not be sold, pledged, assigned, transferred or otherwise disposed of by the Participant in any manner other than by will or by laws of descent and

distribution. Except as provided in Section 4.2, any attempt to sell, pledge, assign, transfer or otherwise dispose of the Performance Units, related Shares or the rights relating thereto shall be wholly ineffective and, if any such attempt is made, the Performance Units, related Shares or the rights relating thereto will be forfeited by the Participant and all of the Participant's rights to such units or related Shares shall immediately terminate without any payment or consideration by the Company.

4.2 Notwithstanding the foregoing, the Participant may transfer any part or all of the Participant's rights in the Performance Units to members of the Participant's immediate family, or to one or more trusts for the benefit of such immediate family members, or partnerships in which such immediate family members are the only partners if the Participant does not receive any consideration for the transfer. In the event of any such transfer, Performance Units shall continue to be subject to the same terms and conditions otherwise applicable hereunder and under the Plan immediately prior to transfer, except that such rights shall not be further transferable by the transferee inter vivos , except for transfer back to the Participant. For any such transfer to be effective, the Participant must provide prior written notice thereof to the Committee and the Participant shall furnish to the Committee such information as it may request with respect to the transferee and the terms and conditions of any such transfer. For purposes of this Agreement, "immediate family" shall mean the Participant's spouse, children and grandchildren.

5. Dividend Equivalents . During the Performance Period, the Participant's Account shall be credited with an amount equal to all ordinary cash dividends ("Dividend Equivalents") that would have been paid to the Participant if one Share had been issued on the Grant Date for each Performance Unit granted to the Participant as set forth in this Agreement. The Dividend Equivalents credited to the Participant's Account will be deemed to be reinvested in additional Performance Units (or fractional units) and will be subject to the same terms and conditions as the Performance Units to which they are attributable and shall vest or be forfeited (if applicable) and settled at the same time as the Performance Units to which they are attributable. Such additional Performance Units shall also be credited with additional Dividend Equivalents as any further dividends are declared.

6. Time and Form of Payment with Respect to Vested Units .

6.1 Unless an election is made pursuant to Section 7 below and subject to Section 10 and Section 23.2 and subject to certification by the Committee that the Performance Goal has been achieved and other vesting conditions have been satisfied, the Participant will receive a distribution with respect to the Vested Units within 75 days following the earlier of (i) the last day of the Performance Period (the "Distribution Date") or (ii) the date of termination due to a Change in Control as described in 3.3. The Vested Units will be settled and distributed in Shares (either in book-entry form or otherwise) or, at the Company's option, paid in an amount of cash

as set forth in Section 6.2. All distributions in Shares shall be in the form of whole Shares, and any fractional Share shall be distributed in cash in an amount equal to the value of such fractional Share determined based on the Fair Market Value of a Share on the Vesting Date.

6.2 If the Company elects to settle the Participant's Vested Units in cash, the amount of cash payable with respect to each Vested Unit shall be equal to the Fair Market Value of a Share on the Vesting Date.

6.3 To the extent that the Participant does not vest in any Performance Units on or before the end of the Performance Period, all interest in such Performance Units and any additional Performance Units attributable to Dividend Equivalents shall be forfeited. The Participant has no right or interest in any Performance Units that are forfeited.

7. Deferral Election for Officers .

7.1 If the Participant is an officer of the Company, the Participant may irrevocably elect to defer the Distribution Date of Performance Units, Shares and cash that the Participant becomes entitled to receive under this Agreement (the "Deferred Amounts") to a later date, by filing with the Committee, on or before the deferral election date (the "Election Deadline") described in Section 7.2 below, a signed written irrevocable election (the "Election") which shall be in the form substantially the same as attached hereto as Exhibit D, or as otherwise approved by the Committee.

7.2 Any such Election shall be filed with the Committee on or before the Election Deadline, which shall be August 13, 2020, the date that is six (6) months before the end of the Performance Period, and shall become effective and irrevocable on such date provided that the Participant performs services for the Company continuously from the later of the beginning of the Performance Period or the date the Performance Goal was established through the Election Deadline. Notwithstanding the foregoing, in no event shall the Participant's Election become effective if any portion of the Deferred Amounts has become readily ascertainable (within the meaning of Section 409A) and is substantially certain to be paid the Participant as of the Election Deadline. To defer the Distribution Date, the Participant must elect to defer one-hundred percent (100%) of the Deferred Amounts. Subject to Section 23.2, the Deferred Amounts shall be distributed to Participant at the time and in the form set forth in the Election (the "Deferred Date"). Notwithstanding a Participant's Election pursuant to this Section 7, if a Change in Ownership or Control (within the meaning of Section 409A) occurs prior to the Deferred Date, the Deferred Amounts will be distributed to the Participant on the date of the Change in Ownership or Control.

7.3 This Section 7 shall be applicable solely to the Award and shall not apply to any other compensation payable to the Participant under the Plan or otherwise. The right to make a deferral election under this Section 7 is expressly limited to officers of the Company or any

subset thereof as determined by the Committee from time to time. This Agreement shall not permit a subsequent election to delay or modify the form of payment unless authorized and agreed upon in writing by the Company and Participant and such subsequent election complies with Section 409A.

8. Conditions to Issuance or Transfer of Shares . The issuance and transfer of Shares shall be subject to compliance by the Company and the Participant with all applicable laws, rules and regulations ("Applicable Laws") and also to such approvals by governmental agencies as may be deemed appropriate to comply with relevant securities laws and regulations. No Shares shall be issued or transferred unless and until any then applicable requirements of Applicable Laws and regulatory agencies have been fully complied with to the satisfaction of the Company and its counsel.

9. Tax Withholding . Participant shall be required to pay to the Company, and the Company shall have the right to deduct from any compensation paid to the Participant pursuant to the Plan, the amount of any required federal, state and local taxes, domestic or foreign, including payroll taxes, in respect of the Award and to take all such other action as the Committee deems necessary to satisfy all obligations for the payment of such withholding taxes. The Participant may request any tax withholding allowed by Applicable Laws. The Company shall have no obligation to issue any Shares to any Participant unless and until the Participant has made arrangements, satisfactory to the Company in its sole discretion, to satisfy the Participant's tax liability resulting from the vesting or settlement of the Vested Units. The amount of such withholding shall be determined by the Company, unless the Participant requests otherwise. The Committee, in its sole discretion, may permit or require the Participant to satisfy any such tax withholding obligation by any of, or a combination of, the following means:

9.1 tendering a cash payment or check payable to the Company.

9.2 authorizing the Company to withhold an amount from any cash amounts otherwise due or to become due from the Company to the Participant.

9.3 authorizing the Company to withhold Shares from the Shares otherwise issuable to the Participant as a result of the vesting of the Performance Units.

9.4 delivering to the Company previously owned and unencumbered Shares having a then current Fair Market Value to satisfy the withholding.

10. Rights as Shareholder . Except as otherwise provided in the Agreement, the Participant shall not have any of the rights or privileges of a shareholder with respect to the Shares underlying the Performance Units unless and until the Performance Units vest and certificates representing such Shares (which may be in book-entry form) have been issued and recorded on the Company's records, and delivered to the Participant or to an escrow account for the

Participant's benefit. After such issuance, recordation and delivery, Participant will have the rights of a shareholder of the Company with respect to such Shares, including without limitation, voting rights and the right to receipt of dividends and distributions on such Shares.

11. No Right to Continued Service . Neither the Plan nor this Agreement shall confer upon the Participant to serve as an employee or other service provider of the Company. Further, nothing in the Plan or this Agreement shall be construed to limit the discretion of the Company to terminate the services of the Participant at any time, with or without Cause.

12. Adjustments . In the event of a change in capitalization described in Section 15 of the Plan prior to the end of the Performance Period, other than a dividend described in Section 5 above, the Performance Units shall be equitably adjusted or terminated in any manner contemplated by the Plan to reflect the effect of such event or change in the Company's capital structure in such a way as to preserve the value of the Award.

13. Required Participant Repayment/Reduction Provision . Notwithstanding anything in the Plan or this Agreement to the contrary, all or a portion of the Award made to the Participant under this Agreement is subject to being called for repayment to the Company or reduced in any situation required by law or as specified by Company policy in effect at the time of the request for repayment or reduction is made. In any event, even if not required by law or Company policy, in any situation where the Board or a committee thereof determines that fraud, negligence, or intentional misconduct by the Participant was a contributing factor to the Company having to restate all or a portion of its financial statement(s). The Committee may determine whether the Company shall effect any such repayment or reduction: (i) by seeking repayment from the Participant, (ii) by reducing (subject to Applicable Law and the Plan's terms and conditions or any other applicable plan, program, or arrangement) the amount that would otherwise be awarded or payable to the Participant under the Award, the Plan or any other compensatory plan, program, or arrangement maintained by the Company, (iii) by withholding payment of future increases in compensation (including the payment of any discretionary bonus amount) or grants of compensatory awards that would otherwise have been made in accordance with the Company's otherwise applicable compensation practices, or (iv) by any combination of the foregoing. The determination regarding the Participant's conduct, and repayment or reduction under this provision shall be within the Committee's sole discretion and shall be final and binding on the Participant and the Company. The Participant, in consideration of the grant of the Award, and by the Participant's execution of this Agreement, acknowledges the Participant's understanding and agreement to this provision, and hereby agrees to make and allow an immediate and complete repayment or reduction in accordance with this provision in the event of a call for repayment or other action by the Company or Committee to effect its terms with respect to the Participant, the Award and/or any other compensation described herein.

14. Company Policies . The Participant agrees that the Award will be subject to any applicable insider trading policies, retention policies and other policies that may be implemented by the Board, from time to time.

15. Participant Undertaking . The Participant agrees to take whatever additional actions and execute whatever additional documents the Company may in its reasonable judgment deem necessary or advisable in order to carry out or effect one or more of the obligations or restrictions imposed on the Participant pursuant to the terms of this Agreement. It is intended by the Company that the Plan and Shares covered by the Award are to be registered under the Securities Act of 1933, as amended, prior to the grant date; provided that in the event such registration is for any reason not effective for such Shares, the Participant agrees that all Shares acquired pursuant to the grant will be acquired for investment and will not be available for sale or tender to any third party.

16. Beneficiary . The Participant may designate a Beneficiary to receive any rights of the Participant which may become vested in the event of the Participant's death under procedures and in the form established by the Committee; and in the absence of such designation of a Beneficiary, any such rights shall be deemed to be transferred to the Participant's estate.

17. Notices . Any notice required to be delivered to the Company under this Agreement shall be in writing and addressed to the Senior Vice President-Administration and Chief Information Officer or his successor who is in charge of Human Resources of the Company at the Company's principal corporate offices. Any notice required to be delivered to the Participant under this Agreement shall be in writing and addressed to the Participant at the Participant's address as shown in the records of the Company. Either party may designate another address in writing (or by such other method approved by the Company) from time to time. Any notice shall be delivered by hand, sent by telecopy or enclosed in a properly sealed envelope addressed as stated above, registered and deposited, postage prepaid, in a post office regularly maintained by the United States Postal Service.

18. Incorporation of the Plan; Conflicts . The Performance Units and the Shares issued to Participant hereunder are subject to the terms and conditions set forth in this Agreement and the Plan, which is incorporated herein by reference. In the event of any inconsistency between (1) the Plan and this Agreement, the Plan will control, or (2) the resolutions and records of the Board or Committee and this Agreement, the resolutions and records of the Board or Committee will control.

19. Successors and Assigns . The Company may assign any of its rights under this Agreement, and this Agreement will be binding upon and inure to the benefit of the Company's successors and assigns. Subject to the restrictions on transfer set forth herein and the Plan, this Agreement will be binding upon and inure to the benefit of the heirs, legatees, legal representatives, successors and assigns of the parties hereto.

20. No Impact on Other Benefits . The Company does not intend for the value of the Award or any Vested Units to be included in the Participant's normal or expected compensation for purposes of calculating any severance, retirement, welfare, insurance or similar employee benefit; *provided, however* , that if there is any inconsistency between this Agreement and the terms of another benefit plan, the benefit plan document will control.

21. Discretionary Nature of Plan . The Plan is discretionary and may be amended, cancelled or terminated by the Board at any time, in its discretion. The grant of the Performance Units in this Agreement does not create any contractual right or other right to receive any Performance Units or other awards in the future. Future awards, if any, will be at the Committee's sole discretion. Any amendment, modification, or termination of the Plan shall not constitute a change or impairment of the terms and conditions of the Participant's employment with the Company.

22. Amendment . In accordance with the Plan, the Committee may amend or otherwise modify, suspend, discontinue or terminate this Agreement at any time, prospectively or retroactively.

23. Section 409A .

23.1 This Award and Agreement is intended to comply with Section 409A or an exemption thereunder and shall be construed and interpreted in a manner that is consistent with the requirements for avoiding additional taxes or penalties under Section 409A. Notwithstanding any other provision of the Agreement, any distributions or payments due hereunder may only be made upon an event and in a manner that complies with Section 409A or an applicable exemption. Any distributions or payments due hereunder upon a termination of employment shall only be made upon a "separation from service" as defined in Section 409A. The right to a series of installment payments under this Agreement shall be treated as a right to a series of separate payments. Except as provided in Section 7, in no event may the Participant, directly or indirectly, designate the calendar year of settlement, distribution or payment.

23.2 If an Award is subject to Section 409A and Participant becomes entitled to settlement of the Award on account of a separation from service and is a "specified employee" within the meaning of Section 409A on the date of the separation from service, then to the extent necessary to prevent any accelerated or additional tax under Section 409A, such settlement will be delayed until the earlier of: (a) the date that is six months following the Participant's separation from service and (b) the Participant's death (the "Delayed Payment Date") and the accumulated amounts shall be distributed or paid in a lump sum payment on the Delayed Payment Date.

23.3 The Company does not represent that the Award or this Agreement comply with Section 409A and in no event shall the Company be liable for all or any portion of any taxes,

penalties, interest or other expenses that may be incurred by the Participant on account of non-compliance with Section 409A.

23.4 To the extent that any provision of the Agreement would cause a conflict with the requirements of Section 409A, or would cause the administration of the Agreement to fail to satisfy Section 409A, such provision shall be deemed null and void to the extent permitted by Applicable Law.

24. Entire Agreement. The Plan and this Agreement (including any exhibit hereto) constitute the entire agreement of the parties and supersede in their entirety all prior undertakings and agreements of the Company and the Participant with respect to the subject matter hereof.

25. Severability. The invalidity or unenforceability of any provision of the Plan or this Agreement shall not affect the validity or enforceability of any other provision of the Plan or this Agreement, and each provision of the Plan and this Agreement shall be severable and enforceable to the extent permitted by law.

26. Governing Law. This Agreement will be construed and interpreted in accordance with the laws of the State of Oklahoma without regard to the conflict of laws provisions thereof.

27. Counterparts. This Agreement may be executed in one or more counterparts, including by way of electronic signature, subject to Applicable Law, each of which shall be deemed an original and all of which together will constitute one instrument.

28. Administration of Award; Acceptance. As a condition of receiving this Award, the Participant agrees that the Committee shall have full and final authority to construe and interpret the Plan and this Agreement, and to make all other decisions and determinations as may be required under the Plan or this Agreement as they may deem necessary or advisable for administration of the Plan or this Agreement, and that all such interpretations, decisions and determinations shall be final and binding on the Participant, the Company and all other interested persons. Any dispute regarding the interpretation of this Agreement shall be submitted by the Participant or the Company to the Committee for review. The resolution of such dispute by the Committee shall be final and binding on the Participant and the Company. Day-to-day authority and responsibility has been delegated to the Company's ONE Gas, Inc. Benefits Committee and its authorized representatives, and all actions taken thereby shall be entitled to the same deference as if taken by the Committee itself.

The Participant hereby acknowledges receipt of this Agreement, the Notice of Performance Unit Award and Agreement dated February 19, 2018, and a copy of the Plan. Participant agrees to be bound by all of the provisions set forth in this Agreement and the Plan and acknowledges that there may be adverse tax consequences upon the vesting or

settlement of the Performance Units or disposition of the underlying Shares and that Participant has been advised to consult a tax advisor prior to such vesting, settlement or disposition. Participant and accepts the Award under the terms and conditions stated in this Agreement, subject to all terms and provisions of the Plan, by electronic acceptance of the grant.

Exhibit A
Performance Unit Performance Goal
2018-2021 Performance Period

Subject to the terms of the Agreement, Participant shall vest in a percentage of the Target Award (including any Dividend Equivalents) at the end of the Performance Period based on the Company's ranking for Total Stockholder Return against the ONE Gas Peer Group listed in Exhibit C, all as determined by the Committee in its sole discretion. Exhibit B is an illustration of Hypothetical Performance.

The number of PSUs awarded at the time of vesting is based on our TSR positioning as a percentage basis at the end of the three-year performance period as set forth in the following chart. If the actual TSR percentile rank falls between the stated percentile ranks set forth in the chart, the payout percentage is interpolated between the percentile rank above and below the actual percentile rank, except that no Performance Units are earned if ONE Gas's TSR ranking at the end of the Performance Period is below the 25th percentile.

Percentile Rank	Payout (as a % of Target)
90 th percentile and above	200%
75th percentile	150%
50th percentile	100%
25th percentile	50%
Below the 25th percentile	0%

Exhibit B
Illustration of Hypothetical 2018-2021 Performance Period
Performance Unit Award Calculation

Illustration assumes 500 Performance Units Granted in February 2018

Total Stockholder Return (TSR) vs. ONE Gas Peer Group
Hypothetical 2018-2021 ONE Gas TSR Ranking = 40 th percentile A 40 th percentile TSR ranking earns 80% of Performance Units granted (i.e., 500 units) as interpolated between 50% and 100% from Table A (see chart below) 400 Performance Units earned*

Total Performance Units Earned
400 Performance Units 400* Performance Units earned out of 500 units granted = 80% "earn-out" [80% of 500 shares paid and distributed in the form of Shares]

* In addition, applicable Dividend Equivalents will be added with an 80% "earn-out".

Exhibit C

2018-2021 ONE GAS TSR Peer Group

Company Name	Sym				
Alliant Energy Corporation	LNT				
Atmos Energy Corporation	ATO				
Avista Corporation	AVA				
CMS Energy Corporation	CMS				
Spire, Inc. (formerly Laclede Group, Inc.)	SR				
New Jersey Resources Corporation	NJR				
NiSource	NI				
Northwest Natural Gas Company	NWN				
NorthWestern Corporation	NWE				
South Jersey Industries, Inc.	SJI				
Southwest Gas Corporation	SWX				
Vectren Corp.	VVC				
WGL Holdings, Inc.	WGL				

In the event that any of the Peer Group companies are not available for performance comparison either by going out of business, being sold, being merged into another company or any other reason, then that company will be dropped from the list and the performance comparison will be made with the remaining Peer Group companies.

Exhibit D

ONE GAS, Inc. Equity Compensation Plan
Performance Unit Deferral Election

INSTRUCTIONS: This Deferral Election must be completed and returned to the plan administrator at ONE Gas, Inc. no later than August 14, 2019 (the "Election Deadline"). This election becomes irrevocable as of the Election Deadline; provided, however, this election shall only become effective to the extent permitted by Section 409A.

This Election is made by the undersigned Participant pursuant to the terms of the ONE GAS, Inc. Equity Compensation Plan (the "Plan") and that certain Performance Unit Award Agreement issued to me under the Plan on the 19th day of February, 2018 (the "Agreement"). Capitalized terms that are used but not defined herein have the meanings set forth in the Agreement.

1. Irrevocable Elections as to the Time and Form of Payment

I hereby irrevocably elect to defer the payment and my receipt of all Performance Units, Shares and cash that I may become entitled to receive pursuant to the Agreement (the "Deferred Amounts") from the regularly scheduled time of payment set forth in Section 6 of the Agreement until a later date as follows:

A. Specified Time of Payment Election (**Put initials by your choice)**

___ I elect to have the Deferred Amounts deferred and paid to me on the later of (i) the date of my separation from service as an employee of the Company, or (ii) [_____, 20__] in the form specified below.

___ I elect to have the Deferred Amounts deferred and paid to me on the date of my separation from service as an employee of the Company in the form specified below.

B. Form of Payment Election **(Put initials by your choice)**

___ I elect to receive the Deferred Amounts in a single lump sum payment.

___ I elect to receive the Deferred Amounts in _____ **(specify 2, 3, 4 or 5)** equal annual installments commencing on the Specified Time of Payment that I have elected in Part A above, until fully paid. The number of Shares or cash received in each installment will equal the number and amount, respectively, that have not been paid as of the date immediately preceding the installment payment date, divided by the number of installments remaining to be paid as of the date immediately preceding the installment payment date. The resulting number shall

be rounded down to the next whole number, except that the final installment shall be rounded up to the next whole number.

C. Election in the Event of Death **(Put initials by your choice)**

___ In the event of my death prior to, or after, the Specified Time of Payment that I have elected above, I elect to have my named beneficiaries (or my estate, if I do not have any designated beneficiaries) receive payment and transfer of the Deferred Amounts in a single lump sum within 60 days following my death.

___ In the event of my death prior to, or after, the Specified Time of Payment that I have elected above, I elect to have my named beneficiaries (or my estate, if I do not have any designated beneficiaries) receive payment and transfer of the Deferred Amounts in _____ (**specify 2, 3, 4 or 5**) equal annual installments commencing within 60 days following my death, until fully paid. The number of Shares or cash received in each installment will equal the number and amount, respectively, that have not been paid as of the date immediately preceding the installment payment date, divided by the number of installments remaining to be paid as of the same date. The resulting number shall be rounded down to the next whole number, except that the final installment shall be rounded up to the next whole number.

D. Change in Ownership or Control **(Mandatory Distribution)**

Notwithstanding the above elections, if a Change in Ownership or Control (within the meaning of Section 409A) occurs prior to the full distribution of the Deferred Amounts, all Deferred Amounts that have not been paid and transferred will be paid and transferred on the date of the Change in Ownership or Control. In the event Shares no longer exist at the time of payment and transfer, each of the deferred Performance Units shall be converted in a manner that is consistent with the manner in which Shares held by shareholders of the Company were treated with respect to the Change in Ownership or Control.

2. Additional Terms

A. Unforeseeable Emergency . You may request an accelerated payment of all or a portion of the Deferred Amounts if you experience an Unforeseeable Emergency (as defined in the Plan), subject to the requirements set forth in Plan Section 13.5. If approved, payment shall be made in a single lump sum within 90 days after the approval date.

B. Specified Employee . If you become entitled to a distribution on account of a separation from service and you are "specified employee" (within the meaning of Section 409A) on the date of your separation from service, payment of all or a portion of your Deferred Amounts may be delayed in accordance with Plan Section 13.4.

C. Re-deferrals and Changing the Form of Payment . You may, at the Committee's discretion, be permitted to make a re-deferral election with respect to the amounts deferred hereunder in accordance with Plan Section 13.3.

D. Withholding . You will be required to satisfy any tax withholding obligations relating to the Deferred Amounts, and delivery of the Shares or cash will be conditional upon your satisfaction of such obligations.

3. Acknowledgment

By executing this Election, I acknowledge that:

A. I have read the terms of the Plan, the Agreement and this Election and agree to all the terms and conditions.

B. I understand that any amounts that I defer hereunder are unfunded and unsecured and subject to the claims of the Company's creditors in the event of the Company's insolvency.

C. I understand that the Plan, the Agreement and this Election are intended to comply with Section 409A and that they will be interpreted accordingly. However, I understand that the Company will have no liability with respect to any failure to comply with Section 409A.

D. I understand that this Election will become irrevocable as of the Election Deadline.

E. I have consulted with my own tax advisor regarding the tax consequences of participating in the Plan and making this election.

I hereby make this election as of this ___ day of ____, 20__.

_____
Participant Signature

_____
Print Participant's Name

_____
Employee ID Number

Copy received this ____ day of _____, 20__,

_____
For the Committee

ONE GAS, INC.
NONQUALIFIED DEFERRED COMPENSATION PLAN
Effective January 1, 2018

ARTICLE I.
INTRODUCTION

1.1 Amendment and Restatement

The Plan, established effective January 1, 2014, is amended and restated effective January 1, 2018. This restated plan shall apply only to amounts deferred on or after January 1, 2018. All amounts deferred or credited prior to January 1, 2018 shall be governed by the terms of the Plan adopted effective January 1, 2014.

1.2 Purpose

This Plan and related agreements between the Employer and certain management or highly compensated employees is an unfunded, nonqualified deferred compensation plan and arrangement.

The purpose of the Plan is to provide a select group of management and highly compensated employees of the Employer with the option to defer the receipt of portions of their compensation payable for services rendered to the Employer, and provide nonqualified deferred compensation benefits which are not available to such employees by reason of limitations on employer and employee contributions to qualified pension or profit-sharing plans under the federal tax laws.

It is intended that the Plan will assist in attracting and retaining qualified individuals to serve as officers and managers of the Employer; and the Plan is intended to constitute a plan which is unfunded and maintained by an employer primarily for the purpose of providing deferred compensation for a select group of management or highly compensated employees within the meaning of, and as described in Section 201(2) and related provisions of ERISA.

The Plan is intended to meet all requirements of Code section 409A for compensation deferred under the Plan to not be includible in gross income of the Participant until actually paid or distributed pursuant to the Plan. Nothing herein shall be construed as a guarantee of any particular tax treatment to a Participant.

All provisions of the Plan shall be interpreted and administered to the extent possible in a manner consistent with the stated intentions.

1.3 Effective Date

The Plan is amended and restated effective on January 1, 2018.

1.4 Grandfathered Plan

This Plan is separate from the ONE Gas Pre-2005 NQDC Plan, which ONE Gas established to receive liabilities transferred from the ONEOK Pre-2005 DCP in connection with the Separation.

ARTICLE II.
DEFINITIONS

2.1 Definitions

When used in this Plan and initially capitalized, the following words and phrases shall have the meanings indicated:

401(k) Plan

"401(k) Plan" means the ONE Gas, Inc. 401(k) Plan.

Account

"Account" means an account established and maintained for a Participant pursuant to this Plan, to which there shall be credited with and include all amounts of Deferred Compensation that is deferred by and for the Participant under the Plan, which may be accounted for as one or more separate items, amounts or subaccounts for the compensation that is deferred and credited pursuant to the Plan, and investment return thereon, to as determined and prescribed by the Committee.

Base Salary

"Base Salary" means a Participant's basic wage or salary paid by the Employer to the Participant without regard to any increases or decreases in such basic wage or salary as a result of (i) an Election to defer basic wage or salary under this Plan or (ii) an Election between benefits or cash provided under a plan of the Employer maintained pursuant to Sections 125 or 401(k) of the Code, and as limited in Exhibit B attached hereto. The Base Salary does not include any Lump Sum Merit Award paid to a Participant, nor any Bonus, as defined below.

Beneficiary

"Beneficiary" means the person or persons designated or deemed to be designated by the Participant pursuant to Article VIII to receive benefits payable under the Plan in the event of the Participant's death.

Board

"Board" means the Board of Directors of the Corporation.

Bonus

"Bonus" means the cash bonus paid or payable by the Employer to a Participant under an Incentive Plan without regard to any decreases as a result of (i) an Election to defer all or any portion of such Bonus under this Plan or (ii) an Election between benefits or cash provided under the 401(k) Plan.

Change in Ownership or Control

"Change in Ownership or Control" means a change in the ownership or effective control of ONE Gas or in the ownership of a substantial portion of ONE Gas's assets within the meaning of Code Section 409A.

Code

"Code" means the Internal Revenue Code of 1986, and Treasury regulations thereunder, as amended from time to time.

Committee

"Committee" means the Executive Compensation Committee of the Board of Directors of the Corporation.

Compensation

"Compensation" means the Base Salary and Bonus payable with respect to an Eligible Employee for each calendar year.

Corporation

"Corporation" means ONE Gas, Inc., its successors and assigns, or any division or Subsidiary thereof.

Deferred Compensation

"Deferred Compensation" means the Base Salary and Bonus deferred by a Participant under the Plan, and the Matching Contributions, Profit Sharing Plan Excess Amounts, Retirement Plan Covered Compensation Excess Amounts and Supplemental Credit Amounts that are accrued, deferred and credited by the Corporation for a Participant under the Plan, that are made payable to a Participant in a later taxable year of the Participant pursuant to this Plan.

Determination Date

"Determination Date" means a date on which the amount of a Participant's Account is determined and updated as provided in Article VI. Each December 31 of a calendar year shall be the Determination Date.

Disabled

"Disabled" or "Disability" means that a Participant is unable to engage in substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than twelve (12) months, or is, by reason of any medically determinable physical or mental impairment which can be expected to result in death or expected to last for a continuous period of not less than twelve (12) months, receiving income replacement benefits for a period of not less than three (3) months under an accident or health plan covering Employees of the Corporation. A Participant will be deemed to be Disabled if such Participant is determined to be totally disabled by the Social Security Administration.

Early Separation from Service

"Early Separation from Service" means a Participant's Separation from Service prior to attaining age fifty (50) and completing five (5) Years of Service with the Corporation that is not by reason of death or Disability.

Early Separation from Service Form of Payment

"Early Separation from Service Form of Payment" shall mean the form of payment and distribution of a Participant's Plan Benefit in the event of his/her Early Separation from Service which shall be a single lump sum payment at his/her Early Separation from Service Specified Time of Distribution.

Early Separation from Service Specified Time of Distribution

"Early Separation from Service Specified Time of Distribution" means a time of distribution and payment of the Participant's Plan Benefit which is the date of his/her Early Separation from Service.

Election

"Election" means, as the context requires, (i) the Participant's election to defer Base Salary and Bonus earned with respect to services performed during a Plan Year, and/or (ii) the Participant's distribution elections.

Eligible Employee

"Eligible Employee" means a highly compensated or management employee of the Corporation and any member of the ONE Gas Group who is designated by the Committee, by individual name, or group or description, in accordance with Section 3.1, as eligible to participate in the Plan.

Employee

"Employee" means an employee of the Corporation or a Subsidiary.

Employer

"Employer" means, with respect to a Participant, the Corporation or the Subsidiary which pays such Participant's Compensation.

ERISA

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended.

Exchange Act

"Exchange Act" means the Securities Exchange Act of 1934, as amended.

Fiscal Year

"Fiscal Year" means the fiscal year of the Corporation commencing January 1 and ending the following December 31.

Fixed Schedule

"Fixed Schedule" means the distribution or payment of Deferred Compensation deferred under the Plan in a fixed schedule of distributions or payments that are determined and fixed at the time the deferral of such compensation is first elected by the Participant or Corporation under the Plan.

Incentive Plan

"Incentive Plan" means the Annual Officer Incentive Plan or Annual Employee Incentive Plan of the Corporation, as applicable to a Participant under the terms and provisions thereof.

Investment Return

"Investment Return" means the rate of investment return to be credited to a Participant's Account pursuant to Section 6.2, which rate shall be determined in accordance with Section 6.3 and Exhibit "C" attached hereto; provided, that no Investment Return shall be credited with respect to the Retirement Plan Excess Amount.

Long-Term Deferral

"Long-Term Deferral" means a deferral Election that is not a Short-Term Deferral and under which distribution and payment of the Deferred Compensation and the Plan Benefit shall be distributed and paid at a Specified

Time that shall be the Normal Specified Time of Distribution of the Participant. If a Subsequent Election is made, the Plan Benefit deferred by a Long-Term Deferral in the Election shall then be distributed and paid at the Subsequent Election Specified Time of Distribution elected in the Subsequent Election.

Lump Sum Merit Award

"Lump Sum Merit Award" means a Lump Sum Merit Award granted and paid to a Participant pursuant to the merit compensation program of the Corporation and its Subsidiaries.

Matching Contribution

"Matching Contribution" means an amount equal to (a) minus (b) below:

(a) the Matching Contribution Percentage multiplied by the Participant's Compensation; and

(b) the amount of the 401(k) Plan matching contributions made by the Corporation that are allocated to the Participant's 401(k) Plan account for that Plan Year.

The Matching Contribution cannot exceed the Participant's deferrals of Compensation under this Plan for the applicable Plan Year.

Matching Contribution Percentage

"Matching Contribution Percentage" means the matching contribution percentage in effect for a specific Plan Year under the 401(k) Plan.

Normal Specified Time of Distribution

"Normal Specified Time of Distribution" means a specified time that must be expressly designated as the Specified Time of Distribution of the compensation deferred by a Participant in and for each Long-Term Deferral Election, which Normal Specified Time of Distribution shall be the first date on which the Participant has (i) attained the age of fifty (50) years, (ii) completed five (5) Years of Service with the Corporation, and (iii) had a Separation from Service.

ONE Gas

"ONE Gas" shall mean ONE Gas, Inc., an Oklahoma corporation, or any division or subsidiary thereof.

ONE Gas Employee

"ONE Gas Employee" means an active employee or an employee on vacation or on approved leave of absence (including sick leave, qualified military service under the Uniformed Services Employment and Reemployment Rights Act of 1994, as amended, and leave under the Family Medical Leave Act, as amended), in either case, of any member of the ONE Gas Group on or after January 1, 2018, and shall include any beneficiary, dependent, or alternate payee of such employee, as the context requires.

ONE Gas Group

"ONE Gas Group" means ONE Gas and each subsidiary of ONE Gas as of January 1, 2018 and any ONE Gas subsidiary that is established or acquired after January 1, 2018.

ONE Gas Pre-2005 NQDC Plan

"One Gas Pre-2005 NQDC Plan" shall mean the separate ONE Gas, Inc. Pre-2005 Nonqualified Deferred Compensation Plan, which ONE Gas established to receive liabilities transferred from the ONEOK Pre-2005 NQDC Plan in connection with the Separation.

ONEOK

"ONEOK" means ONEOK, Inc., an Oklahoma corporation.

ONEOK 2005 NQDC Plan

"ONEOK 2005 NQDC Plan" shall mean the ONEOK, Inc. 2005 Nonqualified Deferred Compensation Plan.

ONEOK Pre-2005 NQDC Plan

"ONEOK Pre-2005 NQDC Plan" shall mean the ONEOK, Inc. Employee Nonqualified Deferred Compensation Plan, which was frozen to new deferrals effective December 31, 2004.

Participant

"Participant" means any Eligible Employee who elects to participate by filing a Participation Agreement as provided in Section 3.2.

Participation Agreement

"Participation Agreement" means the agreement filed by a Participant, in the form prescribed by the Committee, pursuant to Section 3.2.

Person

"Person" means an individual, a trust, estate, partnership, limited liability company, association, corporation or other entity.

Performance-Based Compensation

"Performance-Based Compensation" means compensation, including Bonus (as hereinabove defined), that is conditioned upon or subject to meeting certain requirements similar to those under Code Section 162(m), as more particularly provided for in Treasury Regulations issued under Code Section 409A.

Plan

"Plan" means this ONE Gas, Inc. Nonqualified Deferred Compensation Plan, as amended from time to time.

Plan Benefit

"Plan Benefit" means the deferred benefit payable to a Participant or a Participant's Beneficiary pursuant to Article VII and otherwise under the Plan.

Plan Year

"Plan Year" means a twelve-month period commencing January 1 and ending the following December 31.

Profit Sharing Plan

"Profit Sharing Plan" means the ONE Gas, Inc. Profit Sharing Plan.

Profit Sharing Plan Excess Amount

"Profit Sharing Plan Excess Amount" means an amount equal to the Participant's Compensation for the Plan Year that is used for calculating Employer contributions to the Profit Sharing Plan multiplied by the applicable percentage for determining the Employer contributions under the Profit Sharing Plan for the Plan Year, minus the amount of Profit Sharing Plan Employer contributions that are allocated to the Participant's Account for that Plan Year; it being intended that a Participant shall have credited with a Profit Sharing Plan Excess Amount that is equivalent to the amount of Employer contributions which could not be allocated to the Participant's Profit Sharing Plan Account for the Plan Year by reason of all limitations on compensation and Employer contributions applicable to Profit Sharing Plan Employer contributions under the Code and Treasury regulations under the Code, including (i) the limitation on annual compensation of an Employee that may be taken into account under Code section 401(a)(17), (ii) the limitation on contributions and other additions under Code section 415(c), and (iii) the exclusion of the amount that a Participant has elected to defer out of his or her Base Salary or Bonus under this Plan from "compensation" as defined in the Profit Sharing Plan and/or used for calculation of Profit Sharing Plan contributions and allocations, which amount is to be credited to a Participant's Account under Section 5.3 of the Plan.

Retirement Plan

"Retirement Plan" means the ONE Gas, Inc. Retirement Plan.

Retirement Plan Covered Compensation Excess Amount

"Retirement Plan Covered Compensation Excess Amount" means an amount for a Participant who is a participant in the Retirement Plan, and not a participant in the ONE Gas, Inc. Supplemental Executive Retirement Plan nor a participant in the Profit Sharing Plan, that is equal to the Participant's Compensation for the Plan Year less the limitations on compensation and contributions by the Corporation under the Code and Treasury regulations under the Code, including the limitation on annual compensation of an Employee that may be taken into account under Code section 401(a)(17), multiplied by the applicable percentage for determining the Employer contributions under the Profit Sharing Plan for the Plan Year, which amount is to be credited to be allocated to, or recorded in and accounted for in the Account of a Participant under Section 5.4 of the Plan.

Retirement Plan Excess Amount

"Retirement Plan Excess Amount" means the additional amount payable to a Participant who is a participant in the Retirement Plan pursuant to Section 7.13.

Separation

"Separation" means the separation of ONEOK's local natural gas distribution business into an independent, publicly traded entity to be known as ONE Gas.

Separation from Service

"Separation from Service" means the termination of a Participant's employment within the meaning of Treasury Regulations section 1.409A-1(h) with the Corporation and all members of the ONE Gas Group other than by reason of the Participant's Disability or death.

Shares

"Shares" means the common stock, par value $0.01 per share, of the Corporation and any other securities into which such shares are changed or for which such shares are exchanged.

Short-Term Deferral

"Short-Term Deferral" means a deferral elected by a Participant under which payment of the Plan Benefit shall be deferred to commence at a Specified Time of Distribution irrespective of the Participant's Separation from Service that is specified by the Participant in his or her Election, that shall be not less than five (5) years after the Participant's Election thereof; provided, that the Committee, may, in its sole discretion, determine and direct that a shorter period, of not less than two (2) years, be applied to any Short-Term Deferral. If a Subsequent Election is made, the Plan Benefit deferred by a Short-Term Deferral in the Election shall then be distributed and paid at the Subsequent Election Specified Time of Distribution elected in the Subsequent Election.

Specified Employee

"Specified Employee" means an Employee who, as of the date of the Employee's Separation from Service, is a key employee of a Corporation if any stock of the Corporation is then publicly traded on an established securities market or otherwise; and for purposes of this definition, an Employee is a key employee if the Employee meets the requirements of Code Section 416(i)(1)(A)(i), (ii), or (iii) (applied in accordance with the regulations thereunder and disregarding section 416(i)(5)) at any time during the 12-month period ending on a Specified Employee Identification Date. If an Employee is a key employee as of a Specified Employee Identification Date, the Employee shall be treated as a key employee for purposes of the Plan for the entire 12-month period beginning on the Specified Employee Effective Date. For purposes of identifying a Specified Employee by applying the requirements of section 416(i)(1)(A)(i), (ii), and (iii), the definition of compensation under §1.415(c)-2(a) shall be used, applied as if the Corporation were not using any safe harbor provided in §1.415(c)-2(d), were not using any of the elective special timing rules provided in §1.415(c)-2(e), and were not using any of the elective special rules provided in §1.415(c)-2(g).

Specified Employee Effective Date

"Specified Employee Effective Date" is the first day of the fourth month following the Specified Employee Identification Date.

Specified Employee Identification Date

"Specified Employee Identification Date" means December 31.

Specified Time

"Specified Time" means a date or dates that are not discretionary and objectively determinable at the time an amount of Compensation is deferred and at which objectively determinable deferred amounts are to be payable.

Specified Time of Distribution

"Specified Time of Distribution" means a Specified Time at which Compensation deferred by a Participant's Election pursuant to the Plan is required to be distributed or paid and which is specified in writing by the Participant in and at the time the deferral of such Compensation is elected by the Election of a Participant.

Subsequent Election

"Subsequent Election" means an irrevocable election made by a Participant with respect to the time of distribution or payment of Deferred Compensation and Plan Benefit under the Plan that is made at any time after Election that is made by the Participant and/or Corporation with respect to such Deferred Compensation.

Subsequent Election Specified Date

"Subsequent Election Specified Date" shall mean a specified fixed date in a calendar year that must be specified in writing by the Participant in a Subsequent Election that is not less than five (5) years from the date payment would otherwise have been made to the Participant under the Plan if such Subsequent Election was not made by the Participant. The written specification of the Subsequent Election Specified Date shall in all cases specify and fix a Specified Time that is not less than five (5) years from the date payment would otherwise have been made to the Participant.

Subsequent Election Specified Time of Distribution

"Subsequent Election Specified Time of Distribution" means:

(a) in the case of a Long-Term Deferral, a Specified Time of Distribution that shall be the first date on or after the Subsequent Election Specified Date for the Long-Term Deferral on which the Participant has (i) attained the age of fifty (50) years, (ii) completed five (5) Years of Service with the Corporation, and (iii) had a Separation from Service, and

(b) in the case of a Short-Term Deferral, a Specified Time of Distribution that shall be the Subsequent Election Specified Date for the Short-Term Deferral.

Subsidiary

"Subsidiary" means any corporation of which the Corporation owns, directly or indirectly, at least a majority of the shares of stock having voting power in the election of directors of such corporation.

Supplemental Credit Amount

"Supplemental Credit Amount" means a supplemental amount that may be credited to a Participant's Account at the direction of the Committee under Section 5.5.

Taxable Year

"Taxable Year" shall mean the Plan Year commencing January 1 and ending the following December 31.

Trust

"Trust" means a trust created and established pursuant to Section 11.2 of the Plan, or otherwise by the Corporation with respect to the Plan.

Unforeseeable Emergency

"Unforeseeable Emergency" means a severe financial hardship to the Participant resulting from illness or accident of the Participant, the Participant's spouse, or a dependent (as defined in Code Section 152) of the Participant, loss of the Participant's property due to casualty, or other similar extraordinary circumstances arising as a result of events beyond the control of the Participant, including such events and circumstances as are described and considered to be an unforeseeable emergency under Code section 409A and the Treasury regulations thereunder. It is intended and directed with respect to any such unforeseeable emergency that any amounts distributed under the Plan by reason thereof shall not exceed the amounts necessary to satisfy such emergency plus amounts necessary to pay taxes reasonably anticipated as a result of the distribution, after taking into account the extent to which such hardship is or may be relieved through reimbursement or compensation by insurance or otherwise or by liquidation of the Participant's assets (to the extent the liquidation of such assets would not itself cause severe financial hardship).

Years of Service

"Years of Service" means each 12-month period of continuous service with the Corporation. Participants shall receive Years of Service credit for all service credited for those purposes under the ONEOK 2005 NQDC Plan as if the service had been rendered to the Corporation.

ARTICLE III.
ELIGIBILITY AND PARTICIPATION

3.1 Eligibility

Eligibility to participate in the Plan shall be granted to those Eligible Employees who are designated by the Committee. Subject to Section 3.4, below (providing for exclusion of Employees not qualifying under certain definitional terms of federal law), the Committee shall adopt a complete written list and/or designation of the Eligible Employees, by individual name or by reference to an identifiable group of persons or by descriptions of the components of compensation of an individual which would qualify the individuals who are eligible to participate, and all of whom shall be a select group of management or highly compensated employees. The written list and/or designation of Eligible Employees by the Committee, from time to time, shall be adopted and maintained in the records of the Committee and Corporation.

3.2 Participation

Participation in the Plan shall be limited to Eligible Employees who make an Election to participate in the Plan by timely filing a Participation Agreement with the Committee or receive an Employer contribution to their Account pursuant to Article V of the Plan. An Eligible Employee shall commence participation in the Plan upon the first day of the Plan Year or Fiscal Year as the case may be, designated in his or her Participation Agreement filed with the Committee prior to the beginning of such Plan Year.

The Committee may in its sole discretion, allow in the case of the first Plan Year in which an individual becomes an Eligible Employee to make an initial Election to participate in the Plan and elect a deferral with respect to Compensation or other amounts that become payable under the Plan for services to be performed after the Election; provided, that any Election by such an Eligible Employee shall be made within thirty (30) days after the date he/she becomes eligible to participate in the Plan.

3.3 Elections to Participate Irrevocable

A Participant may not change a previously elected percentage of Compensation deferred by an Election, or terminate his or her Election to participate in the Plan and defer Compensation for a Plan Year. Except as

may otherwise be determined and approved by the Committee pursuant to the Plan, a Participant's Election to defer Compensation shall only be effective as of the beginning of the next Plan Year following receipt of the Participant's Election by the Corporation. Determinations on all Elections and of any effective dates other than as specified above, shall be made by the Committee in accordance with its prevailing administrative procedures.

3.4 Exclusion from Eligibility

Notwithstanding any other provisions of this Plan to the contrary, if the Committee determines that any Participant may not qualify as a "management or highly compensated employee" within the meaning of ERISA, or regulations thereunder, the Committee may determine, in its sole discretion, that such Participant shall cease to be eligible to participate in this Plan.

ARTICLE IV.
DEFERRAL OF COMPENSATION

4.1 Amount and Time of Election to Defer

(a) Time of Election . A Participant's Election to defer compensation for services performed during a Plan Year shall be made not later than the close of the preceding Plan Year, or such other time as provided in Treasury Regulations published under Code section 409A; provided that in the case of the first Plan Year in which a Participant becomes eligible to participate in the Plan, such Election may be made with respect to services to be performed subsequent to the Election within thirty (30) days after the Participant becomes eligible to participate in the Plan. A Participant's Election to defer that part of Compensation which constitutes Bonus that constitutes Performance-Based Compensation based on services over a period of at least twelve (12) months in and for a Plan Year shall be made no later than six (6) months before the end of that Plan Year to the extent permitted by Code section 409A.

(b) Participant Election Amounts . With respect to each Plan Year, a Participant may voluntarily elect the deferral of compensation by making an Election for deferral of or within the percentages stated below, and subject to the terms described in Exhibit B attached hereto; provided, that each Participant who makes an Election for a Plan Year may elect a deferral that is within or consists of one (1) or more of the following allowable percentages (in one percent (1%) increments) and types of compensation and amounts for that Plan Year, as applicable:

(1) deferral of at least two percent (2%) and not more than ninety percent (90%) of the Participant's Base Salary for the Plan Year; and

(2) deferral of at least ten percent (10%) and not more than ninety percent (90%) of the Participant's Bonus for the Plan Year; and

(c) Election Choices and Effect . The deferral and crediting of Compensation to the Account of a Participant shall be made in respect of an Election of a Participant or the Corporation for a Plan Year as follows:

(1) A Participant may elect to defer Base Salary or Bonus for services performed during a Plan Year.

(d) Except as otherwise expressly provided in the Plan in the case of mid-year Elections for new Participants, an Election to defer Base Salary or Bonus shall not become effective until the next Plan Year following such Election. Except as otherwise directed by the Committee, a Participant's Base Salary and Bonus deferral Elections will remain in effect for all subsequent Plan Years unless such Participant revokes or modifies any such Election in a manner consistent with this Article IV and applicable law.

4.2 Deferral Periods; Payment

(a) Participant Elections of Specified Time of Distribution . Every Election made by a Participant shall include a specific election of the Participant of deferral of Compensation (i) to be paid or distributed at a Specified Time or pursuant to a Fixed Schedule, and (ii) in a specific form of payment stated in the Election.

(b) Deferral of Base Salary or Bonus . Subject to the requirements of Section 4.2(c), below, a Participant shall be allowed to defer Base Salary or Bonus under the Plan by electing either a Long-Term Deferral or a Short-Term Deferral. The Participant shall elect and designate his or her deferral period as either a Long-Term Deferral or a Short-Term Deferral in the Election and Participation Agreement filed by the Participant with the Committee for a Plan Year.

(c) Early Separation from Service . Notwithstanding the foregoing or any Specified Time or form of payment elected by a Participant in his/her Election or otherwise elected and specified by the Corporation pursuant to Plan, or in any allowed Subsequent Election, in the event the Participant has an Early Separation from Service the Participant's Plan Benefit shall be paid and distributed to the Participant in a single lump sum payment at the Participant's Early Separation from Service Time of Distribution, except for Short-Term Deferral installment payments that have already commenced, as described and provided in Section 7.7 of the Plan. The time and form of payment in event of an Early Separation from Service is determined and specified by the Corporation under the Plan, and a Participant may not change or modify such time and form of payment, and may not elect otherwise by his/her Election or any Subsequent Election.

(d) The Investment Return and/or any other actual, notional or deemed earnings credited to a Participant's Account pursuant to this Plan with respect to any Deferred Compensation by an Election of a Participant or the Corporation shall be paid at the same time and in the same form of payment as the Participant has elected in his/her Election for such Deferred Compensation, and no separate election or time or form of payment shall be allowed or occur with respect to the Investment Return or other earnings credited.

4.3 General Requirements for All Elections

Notwithstanding anything to the contrary expressed or, implied herein, the following requirements stated in this Section 4.3 shall apply to the Plan and to all Elections by Participants under the Plan.

(a) Time of Election . The deferral of Compensation for services performed by a Participant may be deferred by Election only if the Election to defer compensation payable with respect to services performed by the Participant in the immediately

following year is made and becomes irrevocable not later than the close of the Plan Year (December 31), or such other time as is provided for in Treasury Regulations issued under Code section 409A. Each Election to defer Compensation shall be made not later than the close of the Participant's taxable year preceding the service year. Provided, that in the case of the first year in which a Participant is eligible to participate in the Plan, such Election may be made with respect to services to be performed subsequent to the Election within thirty (30) days after the date the Participant becomes eligible to the participate in the Plan. Provided, further, in the case of any Performance-Based Compensation based on services performed over a period of at least twelve (12) months, such Election may be made on or before the date that is six (6) months before the end of the performance period, provided that the Participant performs services continuously from the later of the beginning of the performance period or the date the performance criteria are established through the date an Election is made, and in no event may such an Election to defer Performance-Based Compensation be made after such Performance-Based Compensation has become readily ascertainable.

(b) Time and Form of Payment . Every Election to defer compensation shall include an election as to the Specified Time and form of payment and distribution of the Compensation deferred.

4.4 Subsequent Elections

(a) General . Any Subsequent Election that is made under the Plan to elect a delay in a payment or a change in the form of payment of compensation deferred by an Election under the Plan, shall not take effect until at least twelve (12) months after the date on which it is made. In the case of a Subsequent Election related to a payment to be made upon Separation from Service of a Participant, at a Specified Time or pursuant to a Fixed Schedule, or upon a Change in Ownership or Control, the first payment with respect to which Subsequent Election is made shall be deferred for a period of not less than five (5) years from the date such payment would otherwise have been made, and any such Subsequent Election related to a payment at a Specified Time or pursuant to a Fixed Schedule may not be made less than twelve (12) months prior to the date of the first scheduled payment to which it relates. No Subsequent Election that does not comply with the provisions of Code section 409A and Treasury Regulations shall be allowed to be made under the Plan.

(b) A Participant by or for whom an Election to defer compensation has been made under the Plan may make a Subsequent Election to change the time of payment of such deferred compensation by written instrument filed with the Committee in such form as it may prescribe at least twelve months (12) prior to the date of the first scheduled payment to which it relates.

(c) A Participant who has not made any prior Subsequent Election to change the Normal Specified Time of Distribution of deferred compensation under the Plan provided for in the Election shall be allowed to make a Subsequent Election applicable to such Normal Specified Time of Distribution in accordance with this Section 4.4 and the other provisions of the Plan.

(d) A Participant who has made a prior Subsequent Election of a Subsequent Election Specified Time of Distribution of Deferred Compensation under the Plan shall be

allowed to make another Subsequent Election applicable to such Subsequent Election Specified Time of Distribution in accordance with this Section 4.4 and other provisions of the Plan.

(e) A Participant shall not be authorized to make changes between Long-Term and Short-Term Deferrals elected or provided for in an Election by making a Subsequent Election.

(f) The Committee shall be authorized to administer, construe and interpret the foregoing provisions and the Plan with respect to all Subsequent Elections to assure compliance with the intent thereof and the requirements of the Plan and of Code section 409A and Treasury Regulations.

(g) Notwithstanding the foregoing provisions, the Committee, in its sole discretion, shall be authorized to determine, from time to time and/or in the particular case of any one or more Participants, that a Subsequent Election not be allowed to be made to change the time of payment of deferred compensation under the Plan.

4.5 Crediting Deferred Base Salary and Bonus

The amount of Base Salary that a Participant elects to defer pursuant to an Election of the Participant under the Plan shall be credited by the Employer to the Participant's Account monthly. The amount of Bonus that a Participant elects to defer pursuant to an Election of the Participant under the Plan shall be credited by the Employer to the Participant's Account at the time the Bonus would otherwise be paid or payable to the Participant under the Incentive Plan pursuant to which such Bonus is paid or payable.

4.6 FICA and Other Taxes

For each Plan Year during which a Participant has deferrals, the Participant's Employer shall, in a manner determined by the Employer, withhold the Participant's share of FICA and other required employment or state, local, and foreign taxes on deferrals from that portion of the Participant's Base Salary or Bonus, and in the event of any Matching Contributions, Profit Sharing Plan Excess Amounts, Retirement Plan Covered Compensation Excess Amounts and Supplemental Credit Amounts, the Participant's compensation generally, that is not deferred. To the extent permitted by Code section 409A, the Committee may reduce a Participant's deferrals to the extent necessary to pay FICA and other employment, state, local and foreign taxes.

ARTICLE V.
EMPLOYER CONTRIBUTIONS

5.1 General

(a) Employer Contributions . There shall be credited to the Account of a Participant the Employer contributions (except the Retirement Plan Excess Amount) that apply to such Participant for the Plan Year by reason or and based upon his/her participation during the Plan Year in one or more qualified defined contribution plans or defined benefit plans of the Corporation, as more particularly described and provided for in this Article V, including the 401(k) Plan, Profit Sharing Plan and Retirement Plan.

(b) Supplemental Credit Amount . There shall be credited to the Account of a Participant Supplemental Credit Amounts that apply to such Participant for the Plan Year by reason or and based upon his/her entitlement thereto during the Plan Year as specified in the written authorization and direction of the deferral and credit thereof by the Corporation.

A Participant shall be entitled to have credited to his/her Account such Supplemental Credit Amounts to the extent provided for in such authorization.

5.2 Matching Contribution

(a) The Employer shall provide and credit a Matching Contribution under this Plan with respect to each Participant eligible to be allocated matching contributions under the 401(k) Plan and this Plan.; except that the Committee may, in its discretion, prior to any Plan Year, make a determination not to provide for the crediting of Matching Contributions for that Plan Year.

(b) The Matching Contribution under the Plan for each Participant under this Section 5.2, above, shall be credited by the Employer no later than ninety (90) days after the end of the Plan Year that includes the time that the related matching contributions are made under the 401(k) Plan. The Matching Contribution shall be payable at the same Specified Time and in the same form of payment as the Long-Term Deferrals of and for the Participant for that Plan Year.

5.3 Profit Sharing Plan Excess Amount

(a) The Employer shall provide and credit a Profit Sharing Plan Excess Amount under this Plan with respect to each Participant eligible to be allocated contributions under the Profit Sharing Plan; except that the Committee may, prior to any Plan Year, make a determination not to provide for the crediting of Profit Sharing Plan Excess Amounts for that Plan Year.

(b) The Profit Sharing Plan Excess Amount under the Plan for each Participant under this Section 5.3, shall be credited by the Employer as soon as practicable after the time the related contributions and allocations are made under the Profit Sharing Plan, and no later than ninety (90) days after the end of the Plan Year that includes the time that the related contributions and allocations are made under the Profit Sharing Plan. The Profit Sharing Plan Excess Amount shall be payable at the same Specified Time and in the same form of payment as the Long-Term Deferrals of and for the Participant for that Plan Year.

5.4 Retirement Plan Covered Compensation Excess Amount

(a) The Employer shall provide and credit a Retirement Plan Covered Compensation Excess Amount under this Plan for each Participant eligible to participate in the Retirement Plan, and not participating in the ONE Gas, Inc. Supplemental Executive Retirement Plan; except that the Committee may, in its discretion, prior to any Plan Year, make a determination not to provide for the election and crediting of Retirement Plan Covered Compensation Excess Amounts for that Plan Year.

(b) The Retirement Plan Covered Compensation Excess Amount under the Plan for a Participant under this Section 5.4 shall be credited by the Employer as soon as practicable after the time the related accruals and contributions are made under the Profit Sharing Plan, and no later than ninety (90) days after the end of the Plan Year that includes the time that the related contributions and allocations are made under the Profit Sharing Plan. The Retirement Plan Covered Compensation Excess Amount

shall be payable at the same Specified Time and in the same form of payment as the Long-Term Deferrals of and for the Participant for that Plan Year.

5.5 Supplemental Credit Amount

(a) The Committee may elect to have a Supplemental Credit Amount credited to the Account of a Participant with respect to a Plan Year. A Supplemental Credit Amount shall be established and deferred by irrevocable designation of the time and form of payment by the Corporation, by the written action and election of the Committee or its designee, which shall be made no later than the later of the time the Participant becomes entitled to the amount thereof by such designation, or if later, the time the Participant would be required to make an election if the Participant were provided such election. The Corporation by this Plan designates that each such Supplemental Credit Amount designated by it in a Plan Year shall be deferred for the same period, and be payable at the same Specified Time and in the same form of payment as the Long-Term Deferrals of and for a Participant for that Plan Year. A Participant shall have no right or opportunity to make any election with respect to the amount, deferral and the time and form of payment of a Supplemental Credit Amount.

(b) The Supplemental Credit Amount under the Plan for a Participant under this Section 5.5 shall be credited by the Employer as soon as practicable after the beginning of the Plan Year for which an election is made, and no later than ninety (90) days after the end of the Plan Year.

5.6 Retirement Plan Excess Amount

Retirement Plan Excess Amounts deferred under this Plan are separately provided for and made payable under the Plan pursuant to and in accordance with Section 7.13 of the Plan.

ARTICLE VI.
BENEFIT ACOUNTS

6.1 Determination of Account

As of each Determination Date, a Participant's Account shall consist of the balance of the Participant's Account as of the immediately preceding Determination Date, plus the Participant's Deferred Compensation credited pursuant to Article IV and Article V since the immediately preceding Determination Date, plus investment return credited as of such Determination Date pursuant to Section 6.2, minus the aggregate amount of distributions, if any, made from such Account since the immediately preceding Determination Date.

6.2 Crediting of Investment Return; Other Items to Participant Accounts

The Account of each Participant shall be periodically credited and increased, or debited and reduced, as the case may be, by the amount of investment return specified under Section 6.3. The Account of each Participant shall also be debited and credited for any deemed purchases or sales of, or other deemed transactions involving securities provided for under the Plan. The Account shall be so credited and debited not less frequently than monthly in the manner established and determined from time to time by the Committee, in its sole discretion. The manner in which the Committee determines that a Participant's Account shall be so debited or credited shall be described in written rules or procedures which shall be stated from time to time by a written description thereof which shall be attached to this Plan as Exhibit "D," and furnished to the Participants in the Plan.

6.3 Investment Return; Designated Deemed Investment

The Investment Return shall be determined in the manner specified in Exhibit "C" attached hereto.

To the extent the Investment Return specified in Exhibit "C" attached hereto, applied to a Participant's deferrals includes a rate that is to be determined from deemed investment of such Participant's Account in investment options specified therein, the Committee shall prescribe the manner and form in which a Participant may designate the deemed investment of deferrals and other amounts in his or her Account. A Participant will be allowed to change such designation of deemed investment monthly or with such other frequency as specified by the Committee, in its sole discretion. Provided, that notwithstanding anything to the contrary stated or implied by the Plan, including all Exhibits thereto, the use, reference to or consideration of any such deemed investments made by the Committee or Plan, or designated by Participants, the Committee and the Corporation shall not be obligated to make or cause to be made any particular type or form of investment with respect to the funding or payment of the Plan Benefits or Accounts of Participants under the Plan, and no Participant shall have the right to direct or in any manner control any actual investments, if any, made by the Employer or any other person for purposes of providing funds for paying liabilities of the Employer for benefits or otherwise under the Plan. No Participant shall have any ownership or beneficial interest in any such actual investments made by the Employer.

6.4 Statement of Account

The Committee shall provide to each Participant a statement each calendar quarter setting forth the balance or balances of such Participant's Account which have attributed an Investment Return as of the end of the calendar quarter showing all adjustments made thereto during such calendar quarter.

6.5 Vesting of Participant Accounts

Except as provided in Sections 10.1 and 10.2, below, a Participant shall be one hundred percent (100%) vested in his or her Account, at all times; provided that the vesting of a Participant's Retirement Plan Excess Amount shall be determined in like manner as the vesting of the Participant's accrued benefit under the Retirement Plan.

ARTICLE VII.
PAYMENT OF BENEFITS

7.1 Requirements for Distributions and Payments

Notwithstanding anything to the contrary expressed or implied herein, the following requirements stated in this Section 7.1 shall apply to the Plan, to all Elections or Subsequent Elections made by Participants under the Plan, and to all distributions and payments made pursuant to the Plan.

(a) Any Compensation deferred under the Plan shall not be distributed earlier than (1) Separation from Service of the Participant, (2) the date the Participant becomes Disabled, (3) death of the Participant, (4) a Specified Time (or pursuant to a Fixed Schedule) specified under the Plan at the date of deferral of such Compensation, (5) a Change in Ownership or Control, or (6) the occurrence of an Unforeseeable Emergency.

(b) Notwithstanding the foregoing, if a Participant becomes entitled to a distribution on account of the Participant's Separation from Service and is a Specified Employee on the date of the Separation from Service, no distribution shall be made before the date

which is six (6) months after the date of the Participant's Separation from Service, or, if earlier, the date of death of such Participant.

(c) No acceleration of the time or schedule of any distribution or payment under the Plan shall be permitted or allowed, except to the extent provided in Treasury Regulations issued under Code Section 409A.

(d) A Participant may elect to change the time of commencement or change the form of payment of Compensation deferred under the Plan by filing a Subsequent Election in accordance with Section 4.4 and rules, procedures and forms as may be specified from time to time by the Committee.

(e) In the event an amount becomes payable under the terms of this Plan and a Participant does not have a valid distribution election in place specifying the form of payment of any amount payable under this Plan, payment shall be made in the form of a lump sum.

7.2 Payment of Plan Benefit; Long-Term Deferrals

Subject to the requirements stated in Section 7.1, above, and Section 7.7 below, a Long-Term Deferral of Deferred Compensation shall be paid and distributed to the Participant at the Normal Specified Time of Distribution elected by a Participant (the Participant's Separation from Service after attaining fifty (50) years of age and the completion of five (5) Years of Service with the Corporation). The Employer shall pay to the Participant the Plan Benefit in the form of payment specified and elected in the Participant's Election and Participation Agreement pursuant to Section 7.5.

7.3 Payment of Plan Benefit; Short-Term Deferrals

Subject to the requirements stated in Section 7.1, above, and Section 7.7 below, a Short-Term Deferral of Compensation elected by a Participant shall be paid and distributed to a Participant at the Specified Time or pursuant to the Fixed Schedule designated and elected by the Participant in his or her Election and Participation Agreement. The Employer shall pay to the Participant the Plan Benefit in the form of benefit specified and elected in the Participant's Election pursuant to Section 7.5; provided, that no part of a Short-Term Deferral may be paid prior to five (5) years following the Participant's Election thereof.

7.4 Specified Employee Six (6) Month Required Delay in Distribution and Payment

In the case of any Participant who is a Specified Employee as of the date of a Separation from Service, distribution and payments of any deferred compensation and Plan Benefit may not be made before the date that is six (6) months after the date of Separation from Service (or, if earlier than the end of the six-month period, the date of death of the Specified Employee). For this purpose, a Participant who is not a Specified Employee as of the date of a Separation from Service will not be treated as subject to this requirement even if the Participant would have become a Specified Employee if the Participant had continued to provide services through the next Specified Employee Effective Date; and a Participant who is treated as a Specified Employee as of the date of a Separation from Service will be subject to this requirement even if the Participant would not have been treated as a Specified Employee after the next Specified Employee Effective Date had the Specified Employee continued in employment with the Corporation through the next Specified Employee Effective Date. The required delay in payment is met if payments to which a Specified Employee would otherwise be entitled during the first six (6) months following the date of Separation from Service are accumulated and paid on the first day of the seventh month following the date of Separation from Service,

or if each payment to which a Specified Employee is otherwise entitled upon a Separation from Service is delayed by six (6) months. The Committee shall have and retain discretion to choose which method will be implemented, provided that no direct or indirect election as to the method may be provided to the Participant. For an affected Specified Employee, a date upon which the Committee or the Corporation designates that the payment will be made after the six-month delay is treated as a fixed payment date for purposes of the other requirements of the Plan once the Separation from Service has occurred.

7.5 Form of Distribution and Payment

The Plan Benefit payable to a Participant for Deferred Compensation shall be distributed and paid in one of the following forms, as elected by the Participant in and at the time of his or her Election.

(a) For Participants who elect a Long-Term Deferral, the Plan Benefit shall be distributed and paid in one of the following elected forms elected by the Participant in such Election:

(1) In annual payments of the vested Account balance, on and after the payment commencement date over a period of either five (5) or fifteen (15) years (together, in the case of each annual payment, with Investment Return thereon credited after the payment commencement date pursuant to Section 6.2), with the amount of each such annual payment to be determined by multiplying the remaining principal amount and undistributed income in the Participant's Account by a fraction, the numerator of which is one (1) and the denominator of which shall be the number of remaining annual payments, including the payment then being calculated; or

(2) A lump sum.

(b) For Participants who elect a Short-Term Deferral, the Plan Benefit shall be distributed and paid in one of the following forms elected by the Participant in such Election:

(1) Annual payments of a fixed amount which shall amortize the vested Account balance, on and after the payment commencement date over a period of two (2) to four (4) years (together, in the case of each annual payments with Investment Return thereon credited after the payment commencement date pursuant to Section 6.2), with the amount of each such annual payment to be determined by multiplying the remaining principal amount and undistributed income in the Participant's Account by a fraction, the numerator of which is one (1) and the denominator of which shall be the number of remaining annual payments, including the payment then being calculated; or

(2) A lump sum.

(c) For any Participant who has an Early Separation from Service, the Plan Benefit shall be distributed in a single lump sum payment, except for Short-Term Deferral installment payments that have already commenced, as provided for in Section 7.7 below.

7.6 Distribution and Payment for Subsequent Elections

If a Subsequent Election is made pursuant to the Plan, the payment and distribution shall be made at the Subsequent Election Specified Time of Distribution that is elected and determined in and by such Subsequent Election.

7.7 Distribution and Payment for Early Separation from Service

Subject to the requirements stated in Section 7.1, above, and notwithstanding the foregoing provisions in Sections 7.2 and 7.3, a Long-Term Deferral and/or Short-Term Deferral shall be paid and distributed to a Participant upon his/her Early Separation from Service. The Employer shall pay to the Participant his/her Plan Benefit in a single lump sum payment equal to the balance of the Participant's Account determined pursuant to Article VI. This lump sum payment shall be made notwithstanding any other period or time of payment that has been elected by the Participant. Provided, that any installment payments of a Short-Term Deferral to the Participant that have commenced and not been completed at such time shall continue to be paid in accordance with the existing schedule of payments.

7.8 Distribution and Payment of Plan Benefit Upon Disability

(a) Subject to the requirements stated in Section 7.1, above, if a Participant becomes Disabled, the Participant's Account shall be paid to the Participant, or the Participant's personal representative, upon the date the Participant is determined by the Committee to be Disabled. The Participant's Account shall be distributed in accordance with the Participant's Long-Term Deferral and Short-Term Deferral Elections if the Participant has attained the age of fifty (50) years and completed five (5) Years of Service with the Corporation upon the date the Participant is determined Disabled. If the Participant has not attained the age of fifty (50) years and completed five (5) Years of Service with the Corporation as of the date the Participant is determined to be Disabled, the Participant's Account shall be paid in a lump sum. Notwithstanding the foregoing, any installment payments of a Short- Term Deferral to the Participant that have commenced and not been completed at such time shall continue to be paid in accordance with the existing schedule of payments.

(b) Notwithstanding any other provisions of the Plan, if a Participant becomes disabled, the Committee may, in its sole discretion, cancel the Participant's deferral Election with respect to amounts to be deferred on or after the cancellation, by the end of the year during which the Participant becomes disabled, or if later, the 15th day of the third month following the date the Participant becomes disabled. For purposes of this Section 7.8(b), a Participant shall be disabled if the Participant is suffering from any medically determinable physical or mental impairment resulting in the Participant's inability to perform the duties of his or her position or any substantially similar position, if such impairment can be expected to result in death or can be expected to last for a continuous period of not less than six (6) months. The Participant may elect to defer amounts for the Plan Year following his return to employment and for every Plan Year thereafter while an Eligible Employee, provided the Participant's deferral election complies with all the requirements of the Plan.

7.9 Distribution and Payment of Plan Benefit Upon Death

Subject to the requirements stated in Section 7.1, above, upon the death of a Participant the Participant's Account shall be paid to the Participant's Beneficiary. If the Participant has elected Long-Term Deferral, the Plan Benefit shall be paid to the Beneficiary over the time period elected by the Participant commencing

as soon as practicable after the time of death of the Participant. If the Participant has elected a Short-Term Deferral, the Plan Benefit shall be paid to the Beneficiary in a single lump sum payment. However, the Retirement Plan Excess Amount will be paid to the same beneficiary as the Retirement Plan benefit.

7.10 Payment of Deferrals for Unforeseeable Emergency

Subject to the requirements stated in Section 7.1, above, a Participant may submit a written request for a distribution on account of an Unforeseeable Emergency. Upon approval by the Committee of a Participant's request, the Participant's Account, or that portion of the Participant's Account deemed necessary by the Committee to satisfy the Unforeseeable Emergency (determined in a manner consistent with Code section 409A) plus amounts necessary to pay taxes reasonably anticipated as a result of the distribution, will be distributed in a single lump sum payment. In addition, the Participant must continue to defer Compensation subsequent to such distribution in accordance with the Participant's Election and will not be permitted to elect to defer Compensation attributable to the calendar year subsequent to the calendar year of the distribution. The Committee shall have the sole discretion as to whether such distribution shall be made, and its determination shall be final and conclusive. In making its determinations, the Committee shall follow a uniform and nondiscriminatory practice.

7.11 Commencement of Distributions and Payments

(a) Subject to the requirements stated in Section 7.1, above, and except as otherwise provided in Section 7.2, the commencement of payments under Sections 7.2 through 7.4 shall begin at the time specified by the Participant in his or her Election and Participation Agreement consistent with the terms and provisions of the Plan or Subsequent Election, and distributions required upon distribution events described in Sections 7.7 through 7.10 shall commence at the time provided in the Plan or Subsequent Election (if applicable).

(b) Except as otherwise expressly specified in the Plan, a distribution or payment shall be treated as made upon the date specified under the Plan if the payment is made at such date or a later date within the same taxable year of the Participant or, if later, by the 15th day of the third calendar month following the date specified under the Plan and the Participant is not permitted, directly or indirectly, to designate the taxable year of the payment. In addition, a distribution or payment shall be treated as made upon the date specified under the Plan and shall not treated as an accelerated payment if the payment is made no earlier than thirty (30) days before the designated payment date and the Participant is not permitted, directly or indirectly to designate the taxable year of the payment. For purposes of this paragraph, if the date specified is only a designated taxable year of the Participant, or a period of time during such a taxable year, the date specified under the Plan is treated as the first day of such taxable year or the first day of the period of time during such taxable year, as applicable. If calculation of the amount of the distribution or payment is not administratively practicable due to events beyond the control of the Participant (or Participant's beneficiary), the distribution or payment will be treated as made upon the date specified under the Plan if the distribution or payment is made during the first taxable year of the Participant in which the calculation of the amount of the distribution or payment is administratively practicable. For purposes of this section, the inability of a Corporation to calculate the amount or timing of a distribution or payment due to a failure of a Participant (or Participant's beneficiary) to provide reasonably available information necessary to

make such calculation does not constitute an event beyond the control of the Participant.

(c) If a Participant elects to receive distributions in annual installments, the Participant's Account or portion thereof will be paid in substantially equal annual installments in consecutive years over the period elected by the Participant. During the Plan Year in which distributions commence, the Participant will receive the first installment commencing as described in Section 7.11(a) and each subsequent annual installments shall be paid in the year in which it is due after the first day of the month following the anniversary date of the commencement date. Any installment distribution that complies with Section 7.11(b) shall be deemed for all purposes to comply with the Plan requirements regarding the time and form of distributions.

7.12 No Acceleration of Distribution and Payment

(a) No acceleration of the time or schedule of any payment or amount scheduled to be paid pursuant to the terms of the Plan shall be allowed, and no such accelerated payment may be made whether or not provided for under the expressed or implied terms of such Plan. Provided, that there may be an acceleration of a payment in accordance with the express provisions allowing the same under the Treasury regulations issued under Code Section 409A or the Committee may have discretion to permit such acceleration to be made consistent with the regulations. Provided, that a Participant shall have no discretion with respect to whether a payment will be accelerated, and the Corporation or Committee shall not provide a Participant a direct or indirect election as to whether the Corporation's or Committee's discretion to accelerate a payment will be exercised, even if such acceleration would be permitted under the regulations.

(b) The Committee may liquidate the Participants' interest under the plan in a single lump sum if the amount payable is not greater than the applicable dollar amount under Code Section 402(g)(1)(B), provided the payment represents the complete liquidation of the Participant's interest in the plan, including all agreements, methods, programs, or other arrangements with respect to which deferrals of compensation are treated as having been deferred under a single nonqualified deferred compensation plan under the Treasury regulations issued under Code Section 409A. For purposes of this paragraph, plan shall be defined in accordance with the plan aggregation rules under Treasury regulation 1.409-1(c)(2). Consequently, multiple plans may exist with respect to a Participant's Plan Benefit under this paragraph.

7.13 Retirement Plan Excess Amount

Subject to the requirements stated in Section 7.1, above, the Corporation shall pay to a Participant or his or her survivor Beneficiary, as the case may be, a Retirement Plan Excess Amount credited for the Participant by the Corporation that shall be equal to the amount by which such Participant's retirement benefit under the Retirement Plan is reduced by reason of the deferred Compensation elected by the Participant under the Plan not being taken into account in the calculation of such Participant's retirement benefit under the Retirement Plan, but only if such deferred Compensation is not taken into account in determining a retirement benefit or payment payable to such Participant under the ONE Gas, Inc., Supplemental Executive Retirement Plan (SERP), nor under any other plan, arrangement or agreement of the Corporation other than this Plan.

The Retirement Plan Excess Amount payable to a Participant, or his or her Beneficiary, under this Section 7.13 shall be paid commencing at the date of the Participant's Normal Specified Time of Distribution under this Plan and the amount thereof shall be calculated pursuant to the Retirement Plan benefit formula in the manner it would be calculated if the Participant commenced payment of his/her Retirement Plan benefits at that time. However, if Participant is a SERP participant, the time and form of payment of the Participant's Retirement Plan Excess Amount under this Plan shall be the time and form of payment that the Participant has made or makes under the SERP as to the time and form of payment of his/her benefits under the SERP; provided that such election under the SERP shall be considered an election by the Participant under this Plan that is subject to application of all pertinent requirements, restrictions and limitations of this Plan with respect to the time of making and effect of an Election or Subsequent Election, and/or the prohibition of an acceleration of payment of the Retirement Plan Excess Amount; and provided further, that to the extent that such an election would not comply with any of such requirements, restrictions or limitations, the time of payment shall be the Normal Specified Time of Distribution. The Retirement Plan Excess Amount shall be paid in the form of a 50% joint and survivor annuity, as defined in the Retirement Plan, if the Participant is married at the time of the Corporation's Election to credit the Participant's Account with a Retirement Plan Excess Amount, and shall be paid in the form of a single (straight) life annuity, as defined in the Retirement Plan, if the Participant is single at the time of the Corporation's Election. The form of payment can be changed by Participant prior to commencement to another actuarially equivalent form of monthly annuity.

ARTICLE VIII.
BENEFICIARY DESIGNATION

8.1 Beneficiary Designation

Each Participant shall have the right, at any time, to designate any person or persons as his or her Beneficiary to whom payment under the Plan shall be made in the event of the Participant's death prior to complete distribution to the Participant of his or her Account; provided, that the Retirement Plan Excess Amount shall be paid to the Participant's beneficiary for Retirement Plan benefits. Any Beneficiary designation shall be made in a written instrument provided by the Committee. All Beneficiary designations must be filed with the Corporation and shall be effective only when received in writing by the Corporation.

8.2 Amendments

Any Beneficiary designation may be changed by a Participant by the filing of a new Beneficiary designation, which will cancel all the Participant's prior Beneficiary designations filed with the Committee.

8.3 No Designation

If a Participant fails to designate a Beneficiary as provided above, or if all designated Beneficiaries predecease the Participant, then the Participant's designated Beneficiary shall be deemed to be the Participant's estate.

8.4 Effect of Payment

Payment to a Participant's Beneficiary (or, upon the death of a primary Beneficiary, to the contingent Beneficiary or, if none, to the Participant's estate) shall completely discharge the Employer's obligations under the Plan.

ARTICLE IX.
ADMINISTRATION

9.1 Plan Committee; Authority and Duties

(a) The Plan shall be administered by the Committee, which shall consist of not less than three (3) members, appointed from time to time by the Board to serve at the pleasure of the Board.

(b) Notwithstanding anything to the contrary expressed or implied herein, no member of the Committee shall have any right or authority to act, vote or decide upon any matter relating solely to such member under the Plan, or to act, vote upon or decide any issue or case in which such member's individual right to receive any Compensation under the Plan is particularly involved, or to take any action that would change or accelerate the deferral or payment of Compensation or benefits to such member in a manner or at a time not provided for under the Plan. In any case in which a member of the Committee is so disqualified to act and the remaining members cannot agree, or in any case where a majority or all of the members of the Committee are so disqualified, the Board (or a separate subset thereof) shall appoint a substitute member or members of the Committee to exercise all powers of the disqualified member or members concerning the matter involved, or in the alternative the Board (or a separate subset thereof) may, in its discretion, assume authority to act upon and decide the issues and case involved, with any such action and decision by it to be final and binding with respect to the Plan, Participants or other persons involved.

The Committee and its members shall have no discretion to allow or cause distribution or payment of the Account or any deferred compensation to any Participant at a time or in a form or manner that is not in accordance with the terms and provisions of the Plan, including the requirements of Section 7.1, above, and the requirements of Code Section 409A.

(c) The Committee shall supervise the administration and operation of the Plan, may from time to time adopt rules and procedures governing the Plan and shall have authority to give interpretive rulings with respect to the Plan. The Committee shall have such other powers and duties as are specified in this Plan as the same may from time to time be constituted, and not in limitation but in amplification of the foregoing, the Committee shall have power, in its discretion to the exclusion of all other persons, to interpret the provisions of this instrument, to decide any disputes which may arise hereunder; to construe and determine the effect of Participant Agreements, Elections, beneficiary designations, and other actions and documents; to determine, in its discretion, all questions that shall arise under the Plan, including questions as to the rights of Employees to become Participants, as to the rights of Participants, any Beneficiary or other person with respect to the Plan, and including questions submitted by the trustee of a Trust created under Section 11.2 on all matters necessary for it properly to discharge its duties, powers, and obligations; to employ legal counsel, accountants, consultants and agents; to establish and modify such rules, procedures and regulations for carrying out the provisions of the Plan not inconsistent with the terms and provisions hereof, as the Committee, in its discretion, may determine; and in all things and respects whatsoever, without limitation, to direct the administration

of the Plan and any such Trust with the trustee being subject to the direction of the Committee.

(d) The Committee may supply any omission or reconcile any inconsistency in this instrument in such manner and to such extent as it shall deem expedient to carry the same into effect and it shall be the sole and final judge of such expediency.

(e) The Committee may adopt such rules and regulations with respect to the signature by an Employee, Participant and/or Beneficiary as to any agreements, Elections or other papers to be signed by Employees or Participants or Beneficiaries and similar matters as the Committee shall determine in view of the laws of any state or states.

(f) The Committee shall maintain or cause to be maintained complete and adequate records pertaining to the Plan, including but not limited to the Accounts of Participants, all matters involving any Trust of the Plan, and all other records which the Committee in its discretion determines are necessary or desirable in the administration of the Plan.

(g) Any act which the Plan authorizes or requires the Committee to do may be done by a majority of the then members of the Committee. The action of such majority of the members expressed either by a vote at a meeting or in writing without a meeting, shall constitute the action of the Committee and shall have the same effect for all purposes as if assented to by all of the members of the Committee at the time in office, provided, however, that the Committee may, in specific instances, authorize one (1) of its members to act for the Committee when and if it is found desirable and convenient to do so.

9.2 Delegation; Agents

The Committee may, at its discretion, delegate discretionary authority for day-to-day administration of the Plan to the Corporation's Benefits Committee or its authorized representatives pursuant to a duly adopted resolution or a memorandum of action signed by all members of the Committee or approved via electronic transmission. All actions taken by the Corporation's Benefits Committee or its authorized representative shall have the same legal effect and shall be entitled to the same deference as if taken by the Committee itself. In addition, the Committee or its delegate may, from time to time, employ other agents and delegate to them such administrative duties as it sees fit, and may from time to time consult with counsel who may be counsel to the Corporation.

9.3 Binding Effect of Decisions

Any decision or action of the Committee with respect to any question arising out of or in connection with the administration, interpretation and application of the Plan shall be final and binding upon all persons having any interest in the Plan.

9.4 Indemnity of Committee

The Corporation shall indemnify and hold harmless the members of the Committee and their agents duly appointed under Section 9.2 against any and all claims, loss, damage, expense or liability arising from any action or failure to act with respect to the Plan, except in the case of gross negligence or willful misconduct by any such member or agent of the Committee.

ARTICLE X.

AMENDMENT AND TERMINATION OF PLAN

10.1 Amendment

(a) The Corporation, on behalf of itself and of each Subsidiary may by action of the Board at any time amend, modify, suspend or reinstate any or all of the provisions of the Plan, except that no such amendment, modification, suspension or reinstatement may adversely affect any Participant's Account, as it existed as of the day before the effective date of such amendment, modification, suspension or reinstatement, without such Participant's prior written consent.

(b) The Plan may also be so amended or modified by resolution of the Committee or by the Committee executing a written instrument containing such amendment or modification (pursuant to authority which has been duly delegated to the Committee by the Board and is hereby acknowledged and recognized); provided, that no amendment or modification of the Plan to increase any compensation of or benefits provided to Participants under the Plan, and no termination of the Plan shall be made unless such amendment or modification, or termination, is authorized pursuant to a resolution duly adopted by the Board. Any action by resolution or a written instrument by the Committee shall be presumed to be effective without necessity of further action or approval of the Board. In the event any issue should arise with respect to respective authority of the Committee, or of the Board, and amendments or modifications of the Plan made by them that are or appear to be inconsistent, final authority shall be reserved to and exercisable by the Board and its action to amend or modify the Plan shall take precedence.

10.2 Termination

The Corporation, on behalf of itself and of each Subsidiary, in its sole discretion, may by action pursuant to a resolution adopted by the Board terminate this Plan at any time and for any reason, with or without prior notice. Upon termination of the Plan, the Committee shall take those actions necessary to administer any Participant Accounts existing prior to the effective date of such termination; provided, however, that a termination of the Plan shall not adversely affect the value of a Participant's Account or the crediting of investment return under Section 6.2 without the Participant's prior written consent.

ARTICLE XI.
PLAN EFFECT, LIMITATIONS, MISCELLANEOUS PROVISIONS

11.1 Nature of Employer Obligation; Funding

Participants, their Beneficiaries, and their heirs, successors and assigns, shall have no secured interest or claim in any property or assets of the Employer. The Employer's obligation under the Plan shall be merely that of an unfunded and unsecured promise of the Employer to pay money in the future.

11.2 Trusts; Transfers of Assets, Property

(a) Notwithstanding the foregoing, in the event of a Change in Ownership or Control, the Corporation shall create an irrevocable Trust, or before such time the Corporation may create an irrevocable or revocable Trust, to hold funds to be used in payment of the obligations of Employers under the Plan.

(b) Notwithstanding anything otherwise expressed or implied herein, in the case of any assets set aside (directly or indirectly) in a such a Trust (or other arrangement determined by Treasury Regulations or otherwise pursuant to Code Section 409A) for purposes of paying deferred compensation under the Plan, no such assets (or such a Trust or other arrangement) shall ever be located or transferred outside the United States.

(c) In the event of a Change in Ownership or Control or prior thereto, the Employers shall fund such Trust in an amount equal to not less than the total value of the Participants' Accounts under the Plan as of the Determination Date immediately preceding the Change in Ownership or Control, provided that any funds contained therein shall remain liable for the claims of the general creditors of the respective Employers.

(d) Pursuant to this Section 11.2, the Corporation may, without further reference to or action by any Employee, Participant, or any Beneficiary from time to time enter into such further agreements with a trustee or other parties, and make such amendments to said trust agreement or such further agreements, as the Corporation may deem necessary or desirable to carry out the Plan; from time to time designate successor trustees of such a Trust; and from time to time take such other steps and execute such other instruments as the Corporation may deem necessary or desirable to carry out the Plan. The Committee shall advise the trustee of any such Trust in writing with respect to all Plan Benefits which become payable under the terms of the Plan and shall direct the trustee to pay such Plan Benefits from the respective Participants' Accounts, and the Committee shall have authority to otherwise deal with and direct the trustee of such a Trust in matters pertinent to the Plan.

(e) It is intended that any Trust created hereunder is to be treated as a "grantor" trust under the Code, and the establishment of such a Trust is not intended to cause a Participant to realize current income on amounts contributed thereto, such a Trust is not intended to cause the Plan to be "funded" under ERISA and the Code, and any such Trust shall be so interpreted, and such Trust shall be funded in a manner that assets set aside or transferred to such Trust shall not be treated under Code Section 409A as property transferred in connection with the performance of services by reason of such assets being located or transferred outside the United States.

(f) Notwithstanding anything to the contrary expressed or implied herein, no transfer of assets shall be made under or in connection with the Plan or Compensation deferred under the Plan that would constitute a transfer of property within the meaning of Code Section 83 with respect to such Compensation by reason of such assets becoming restricted to the provision of benefits under the Plan in connection with a change in the Corporation's financial health, as provided for under Code Section 409A, and Treasury Regulations issued thereunder.

11.3 Nonassignability

No right or interest under the Plan of a Participant or his or her Beneficiary (or any person claiming through or under any of them), shall be assignable or transferable in any manner or be subject to alienation, anticipation, sale, pledge, encumbrance or other legal process or in any manner be liable for or subject to the debts or liabilities of any such Participant or Beneficiary. If any Participant or Beneficiary shall attempt to or shall transfer, assign, alienate, anticipate, sell, pledge or otherwise encumber his or her benefits hereunder or any

part thereof, or if by reason of his or her bankruptcy or other event happening at any time such benefits would devolve upon anyone else or would not be enjoyed by him or her, then the Committee, in its discretion, may terminate such Participant's or Beneficiary's interest in any such benefit (including the Account) to the extent the Committee considers necessary or advisable to prevent or limit the effects of such occurrence. Termination shall be effected by filing a written instrument with the Secretary of the Corporation and making reasonable efforts to deliver a copy to the Participant or Beneficiary whose interest is adversely affected (the "Terminated Participant").

As long as the Terminated Participant is alive, any benefits affected by the termination shall be retained by the Employer and, in the Committee's sole and absolute judgment, may be paid to or expended for the benefit of the Terminated Participant, his or her spouse, his or her children or any other person or persons in fact dependent upon him or her in such a manner as the Committee shall deem proper. Upon the death of the Terminated Participant, all benefits withheld from him or her and not paid to others in accordance with the preceding sentence shall be disposed of according to the provisions of the Plan that would apply if he or she died prior to the time that all benefits to which he or she was entitled were paid to him or her.

11.4 Captions

The captions contained herein are for convenience only and shall not control or affect the meaning or construction hereof.

11.5 Code Section 409A

This Plan is intended to comply with Code Section 409A, the Treasury regulations and other guidance promulgated or issued thereunder. The Corporation shall not have any liability to a Participant with respect to tax obligations that result under any tax law and makes no representation with respect to the tax treatment of the payments and/or benefits provided under this Plan. Any provision required for compliance with Section 409A that is omitted from this Plan shall be incorporated herein by reference and shall apply retroactively, if necessary, and be deemed a part of this Plan to the same extent as though expressly set forth herein.

If, and to the extent required to comply with Section 409A, a termination of employment shall not be deemed to have occurred for purposes of any provision of this Plan providing for the payment of any amounts or benefits upon or following a termination of employment unless such termination is also a "separation from service" (excluding death) within the meaning of Section 409A and, for purposes of any such provision of this Plan, references to a "resignation," "termination," "termination of employment" or like terms shall mean "separation from service" (excluding death).

11.6 Governing Law

The provisions of the Plan shall be construed and interpreted according to the laws of the State of Oklahoma except to the extent preempted by ERISA.

11.7 Successors

The provisions of the Plan shall bind and inure to the benefit of the Corporation, its Subsidiaries, and their respective successors and assigns. The term "successors" as used herein shall include any corporate or other business entity which shall, whether by merger, consolidation, purchase or otherwise, acquire all or substantially all of the business and assets of the Corporation or a Subsidiary and successors of any such corporation or other business entity.

11.8 No Right to Continued Service

Nothing contained herein shall be construed to confer upon any Eligible Employee the right to continue to serve as an Eligible Employee of the Employer or in any other capacity.

Executed this ____ day of _____, 2017, to be effective January 1, 2018.

ONE GAS, INC.

By:
Name:
Title:

EXHIBIT A

ONE GAS, INC.
NONQUALIFIED DEFERRED COMPENSATION PLAN

Re: Section 3.1 - Eligible Employees
Effective Date: January 1, 2018

Except as otherwise specifically determined by the Committee, the Committee has determined that the Chief Executive Officer of the Corporation is and shall in all cases be an Eligible Employee, and other Eligible Employees who may participate in the Plan shall be designated in writing by the Chief Executive Officer, or his designee, each Plan Year during the period after November 1 and prior to the next January 1 ("Designation Period"), with such designation to indicate the Eligible Employees for the Plan Year next following such Designation Period who shall be each Employee who (i) had Base Salary on November 1 of that Plan Year, which places such Employee in the group of Employees consisting of the top two percent (2%) of the Employees when ranked on the basis of Base Salary, (ii) is either an Officer of the Corporation or a highly compensated employee as defined in Code section 414(q), and (iii) is so designated by name in writing in an instrument signed by the Chief Executive Officer of the Corporation, or his designee. The designation of Eligible Employees for a Plan Year shall be reported to the Committee and Board in accordance with their directions.

An Employee must be an Eligible Employee prior to the beginning of a Plan Year in order to participate in the Plan for such Plan Year, unless otherwise determined by the Committee.

A list of the Eligible Employees who are so designated and approved for a Plan Year shall be made by the Chief Executive Officer, or his designee, the Committee, or by a duly authorized representative of the Committee, and be maintained with the Plan in the records of the Corporation.

EXHIBIT B

ONE GAS, INC.
NONQUALIFIED DEFERRED COMPENSATION PLAN

Re: Section 4.1 - Amount of Deferral
Effective Date: January 1, 2018

As of the date above, and effective until this Exhibit is modified by the Committee and Board, the table below indicates the types of compensation that are eligible for deferral by and in an Election of a Participant or the Corporation at the designated percentages stated:

Type of Compensation	**Minimum Percentage That Must Be Deferred**	**Maximum Percentage That May Be Deferred**
Base Salary	2%	*90%
Bonus (or the portion above a specified threshold)	10%	*90%

A Participant may defer Base Salary or Bonus only in 1% increments thereof.

* The Participant's deferral election shall be applied to Base Salary and Bonus.

EXHIBIT C

ONE GAS, INC.
NONQUALIFIED DEFERRED COMPENSATION PLAN

Re: Section 2.1 - Investment Return
Date: January 1, 2018

The Investment Return on a Participant's Account shall be the rate determined pursuant to the following:

1. A Participant shall designate in writing to the Committee or its designee such deemed investments of the amount or amounts of his/her Account in the manner and form, and at such times as prescribed by the Committee.

2. Unless otherwise determined in written action of the Committee that is described in a written explanation furnished to Participants prior to it becoming effective, the Plan shall provide for an Investment Return based upon the notional or deemed investments directed from time to time by the Participant in one or more of the investment options then being provided for participant directed investments under the 401(k) Plan and Profit Sharing Plan, excluding ONE Gas common stock. The Committee and its designees shall establish administrative procedures for allowing Participant direction of deemed investment and the determination of the Investment Return thereon.

3. A Participant shall be allowed to change such designation at least once each calendar quarter, or more frequently as determined by the Committee, in its sole discretion. Such Investment Return shall be determined and calculated in the manner determined by the Committee, in its sole discretion, and added to or deducted from the amount or amounts of his/her Account periodically, not less frequently than annually. Such Investment Return Rate shall be so credited to or deducted from the amount or amounts of a Participant's Account until all payments with respect thereto have been made to the Participant, or to the Participant's designated Beneficiary pursuant to the Plan. The Employer shall not be liable or otherwise responsible for any decrease in a Participant's Account because of the investment performance resulting from application of the foregoing provisions.

Notwithstanding the foregoing, the Employer shall not be required to actually invest amounts deferred by a Participant nor the Account of any Participant in any particular form, type or amount of investment, and no Participant shall have the right to direct or in any manner control the actual investments, if any, made by the Employer or any other person for purposes of providing funds for paying the liabilities of the Employer for benefits or otherwise under the Plan; and a Participant shall not have any ownership or beneficial interest in any such actual investments that may be made by the Employer. In no event shall any Participant or Beneficiary have a right to receive an amount under the Plan other than that of a general unsecured creditor of the Employer notwithstanding the foregoing provisions with respect to the measurement and determination of a Participant's Investment Return in his or her Account by reference to the performance of deemed investments in the 401(k) Plan or Profit Sharing Plan investment options designated by the Participant.

4. A Participant shall be entitled to elect to have the Investment Return credited to and deducted from his or her Accounts under the Plan. A Participant shall make an Election of such Investment Return at the time and in the manner prescribed by the Committee.

EXHIBIT D

ONE GAS, INC.
NONQUALIFIED DEFERRED COMPENSATION PLAN

Re: Section 6.2 - Crediting and Debiting of Investment Return,
Other Items To Participant Accounts
Date: January 1, 2018

A. The Account of each Participant shall be periodically credited and increased, or debited and reduced, as the case may be, by the amount of Investment Return specified under Section 6.3 of the Plan.

B. Except as otherwise provided herein, the Account shall be credited and debited with Investment Return and losses, if any, not less frequently than on a monthly basis after such Accounts have been adjusted for any deferrals, credits, debits, distributions and payments.

C. A Participant's Accounts will be charged with the cost of any deemed purchases of securities and credited with proceeds of any deemed sales of securities which may be considered as made in respect to the Investment Return specified in Exhibit "C" of the Plan by reason of changes in deemed investments designated by such Participant, in substantially the same manner as would occur if such securities were being purchased or sold by a Participant under the 401(k) Plan and/or Profit Sharing Plan. The Committee may, in its sole discretion, allocate, charge and credit other items and amounts to such deemed purchases and sales in a manner comparable to the administration of such items under the 401(k) Plan and/or Profit Sharing Plan, as determined applicable.

D. All of a Participant's deferrals of Base Salary in a calendar month will be credited and debited with Investment Return from the date it otherwise would have been paid to the Participant.

E. A Participant deferral of Bonus will be credited and debited with Investment Return from the date it otherwise would have been paid to the Participant.

F. Matching Contributions, Profit Sharing Plan Excess Amounts, Retirement Plan Covered Compensation Excess Amounts and any Supplemental Credit Amounts will be credited and debited with Investment Return from the date such amounts are credited to Participant Accounts.

G. Until a Participant or his or her Beneficiary receives his or her entire account, the unpaid balance thereof shall be credited and debited with Investment Return provided in Section 6.2 of the Plan.

H. A Retirement Plan Excess Amount shall be determined, taken into account and made payable to a Participant as determined by the Committee in accordance with Section 7.13 of the Plan.

Exhibit 12.1

ONE Gas, Inc.
Computation of Ratio of Earnings to Fixed Charges
(in thousands)

(*Unaudited*)	2017	2016	2015	2014	2013
Fixed charges, as defined:					
Interest on long-term debt	**$ 49,022**	$ 47,340	$ 47,170	$ 48,380	$ 62,635
Interest on lease agreements	**2,902**	2,869	1,673	1,661	1,602
Total fixed charges	**51,924**	50,209	48,843	50,041	64,237
Earnings before income taxes	**256,138**	225,338	192,009	178,128	161,467
Earnings available for fixed charges	**$ 308,062**	$ 275,547	$ 240,852	$ 228,169	$ 225,704
Ratio of earnings to fixed charges	**5.93 x**	5.49 x	4.93 x	4.56 x	3.51 x

Exhibit 21.1

SUBSIDIARIES OF ONE Gas, Inc.

1. ONE Gas Properties, L.L.C., an Oklahoma limited liability company.
2. Utility Insurance Company, an Oklahoma company.

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (Nos. 333-216276 and 333-218383) and Form S-8 (Nos. 333-205099 and 333-193690) of ONE Gas, Inc. of our report dated February 22, 2018, relating to the financial statements and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers, LLP

Tulsa, Oklahoma
February 22, 2018

Exhibit 31.1

Certification

I, Pierce H. Norton II, certify that:

I have reviewed this annual report on Form 10-K of ONE Gas, Inc.;

Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 22, 2018

/s/ Pierce H. Norton II
Pierce H. Norton II
Chief Executive Officer

Exhibit 31.2

Certification

I, Curtis L. Dinan, certify that:

I have reviewed this annual report on Form 10-K of ONE Gas, Inc.;

Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 22, 2018

/s/ Curtis L. Dinan
Curtis L. Dinan
Chief Financial Officer

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report on Form 10-K of ONE Gas, Inc. (the "Registrant") for the period ending December 31, 2017, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Pierce H. Norton II, Chief Executive Officer of the Registrant, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) the Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition of the Registrant and results of operations of the Registrant.

/s/ Pierce H. Norton II
Pierce H. Norton II
Chief Executive Officer

February 22, 2018

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to ONE Gas, Inc. and will be retained by ONE Gas, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report on Form 10-K of ONE Gas, Inc. (the "Registrant") for the period ending December 31, 2017, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Curtis L. Dinan, Chief Financial Officer of the Registrant, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) the Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and the results of operations of the Registrant.

/s/ Curtis L. Dinan
Curtis L. Dinan
Chief Financial Officer

February 22, 2018

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to ONE Gas, Inc. and will be retained by ONE Gas, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.