

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

FORM 8-K

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

(Date of report)
(Date of earliest event reported)

September 18, 2019
September 18, 2019

ONE Gas, Inc.

(Exact name of registrant as specified in its charter)

Oklahoma
(State or other jurisdiction
of incorporation)

001-36108
(Commission
File Number)

46-3561936
(IRS Employer
Identification No.)

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

74103
(Zip code)

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

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

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

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

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

Title of each class	Trading Symbol	Name of exchange on which registered
Common Stock, par value \$0.01 per share	OGS	New York Stock Exchange

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

☐ Emerging growth company

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

Item 7.01

Regulation FD Disclosure

On September 18-19, 2019, Caron Lawhorn, our Senior Vice President and Chief Financial Officer, will be meeting with members of the investment community in New York City, NY. A copy of the materials utilized is attached as Exhibit 99.1 and is incorporated herein by reference.

The materials utilized will be available on the ONE Gas website, www.onegas.com, on Wednesday, September 18, 2019, beginning at 8:00 a.m. Eastern Daylight Time (7:00 a.m. Central Daylight Time).

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

Item 9.01

Financial Statements and Exhibits

(d) Exhibits

Exhibit
Number

Description

99.1

[Investor presentation issued by ONE Gas, Inc. on September 18, 2019.](#)

104

Cover Page Interactive Data File (embedded within the Inline XBRL document).

SIGNATURE

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

Date: September 18, 2019

ONE Gas, Inc.

By: /s/ Caron A. Lawhorn
Caron A. Lawhorn
Senior Vice President and
Chief Financial Officer



INVESTOR UPDATE

September 2019



Forward-Looking Statements

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

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

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

All future cash dividends discussed in this presentation are subject to the approval of the ONE Gas board of directors.

All references in this presentation to guidance are based on news releases issued on or before July 29, 2019, and are not being updated or affirmed by this presentation.



VALUE CREATION STRATEGY



Sustainable Business Model

Focused Business Strategy	<ul style="list-style-type: none">• Clear vision, mission, strategy and values-driven culture• 100% regulated natural gas distribution utility• Conservative financial profile (“A” rated)• Committed to Safety and Environmental, Social and Governance (ESG) stewardship
Capital Horizon & Clarity	<ul style="list-style-type: none">• 20+ year vintage pipeline replacement program• ~ 90% of capital included in annual filings
Regulatory Construct	<ul style="list-style-type: none">• Territory diversification – 3 states, multiple jurisdictions• Comprehensive recovery mechanisms
Cash Flow Stability	<ul style="list-style-type: none">• Weather normalization• High percentage of fixed charges for revenue recovery• Customer mix is predominantly residential – 93%• Expense control execution through process and technology improvements
Competitive Advantage	<ul style="list-style-type: none">• Proximity to abundant and affordable gas supply• Significant cost advantage over electricity



FOCUSED BUSINESS STRATEGY



Mission, Vision, Strategy and Core Values

Mission – Why we exist

We deliver natural gas for a better tomorrow

Vision – What we want to be

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

Strategy – How we do it

Becoming ONE:

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

Core Values – Our compass



SAFETY

We are committed to operating safely and in an environmentally responsible manner.



ETHICS

We are accountable to the highest ethical standards and are committed to compliance. Honesty, trust and integrity matter.



INCLUSION AND DIVERSITY

We embrace an inclusive and diverse culture that encourages collaboration. Every employee makes a difference and contributes to our success.



SERVICE

We provide exceptional service and make continuous improvements in our pursuit of excellence.



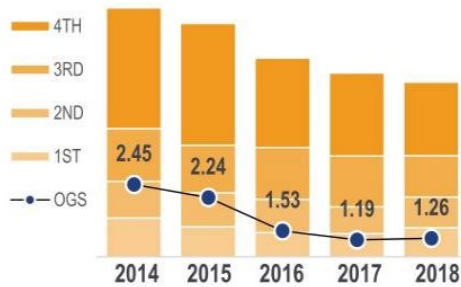
VALUE

We create value for all stakeholders, including our customers, employees, investors and communities.

Operating Safely

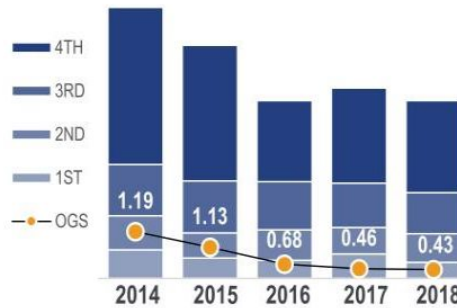
- Focus on culture, engagement, decision-making and processes; drive toward zero harm
- Utilization of AGA peer review safety process
- Ongoing program to replace aging assets and the quality control of those replacements

TRIR AMERICAN GAS ASSOCIATION QUARTILE DATA



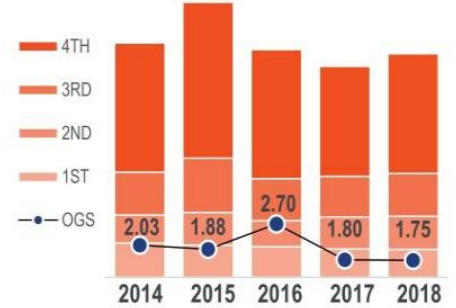
Total Recordable Incident Rate (TRIR) was 1.26 incidents per 200,000 work hours.

DART AMERICAN GAS ASSOCIATION QUARTILE DATA



Days Away, Restricted or Transferred (DART) was 0.43 incidents per 200,000 work hours.

PVIR AMERICAN GAS ASSOCIATION QUARTILE DATA



Preventable Vehicle Incident Rate (PVIR) was 1.75 incidents per million miles driven

First quartile for all 3 AGA industry safety metrics

Safety and ESG (Environmental, Social & Governance)

Stewardship at a Glance...



SAFETY

Safety is our number one core value and the foundation of what we do as a company.



ENVIRONMENTAL

We are thoughtful and proactive in caring for the environment.



SOCIAL RESPONSIBILITY

We use our financial resources responsibly to improve the quality of life for employees and customers in our communities.



GOVERNANCE

We take ownership over our work and do what's right.

ONE Gas Corporate Responsibility Report

www.onegas.com/sustainability

AGA Voluntary Sustainability Metrics

www.onegas.com/aga-metrics

100% Regulated Natural Gas Utility

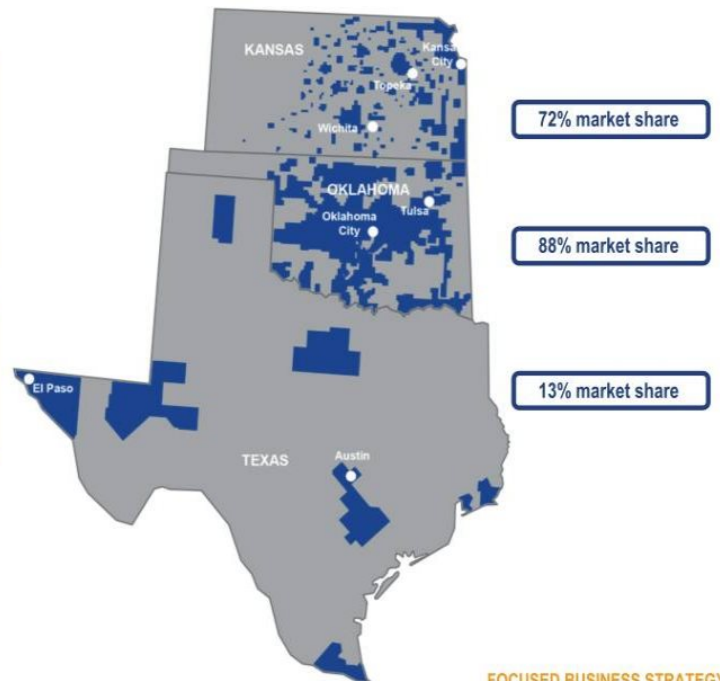
One of the largest publicly traded natural gas distribution companies

- ~ 2.2 million customers
- ~ 3,600 employees
- ~ 61,400 miles of distribution mains, services and transmission pipelines

Estimated 2019 average rate base: \$3.61 billion*

- 42% in Oklahoma
- 29% in Kansas
- 29% in Texas

* For definition of estimated average rate base, see Appendix



Conservative Financial Profile

Strong liquidity position will support capital expenditure and working capital needs

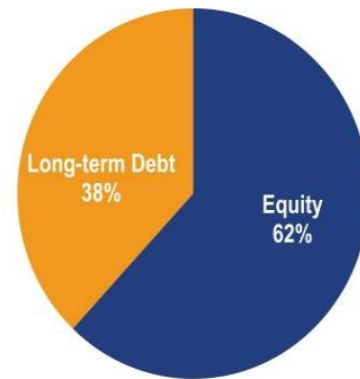
- Stable operating cash flows
- \$700 million revolving credit facility
- Commercial paper program

Investment-grade credit ratings

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

CAPITAL STRUCTURE

JUNE 30, 2019





CAPITAL HORIZON & CLARITY



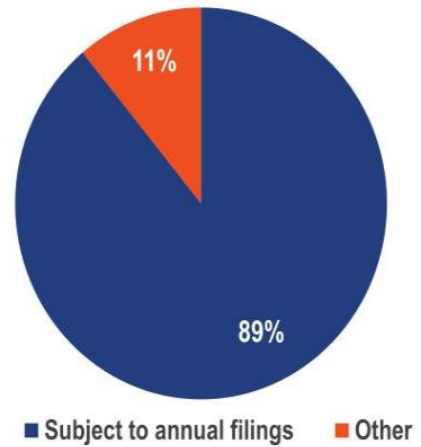
Well-Defined Capital Investment Plan

CAPITAL INVESTMENTS*
(MILLIONS)



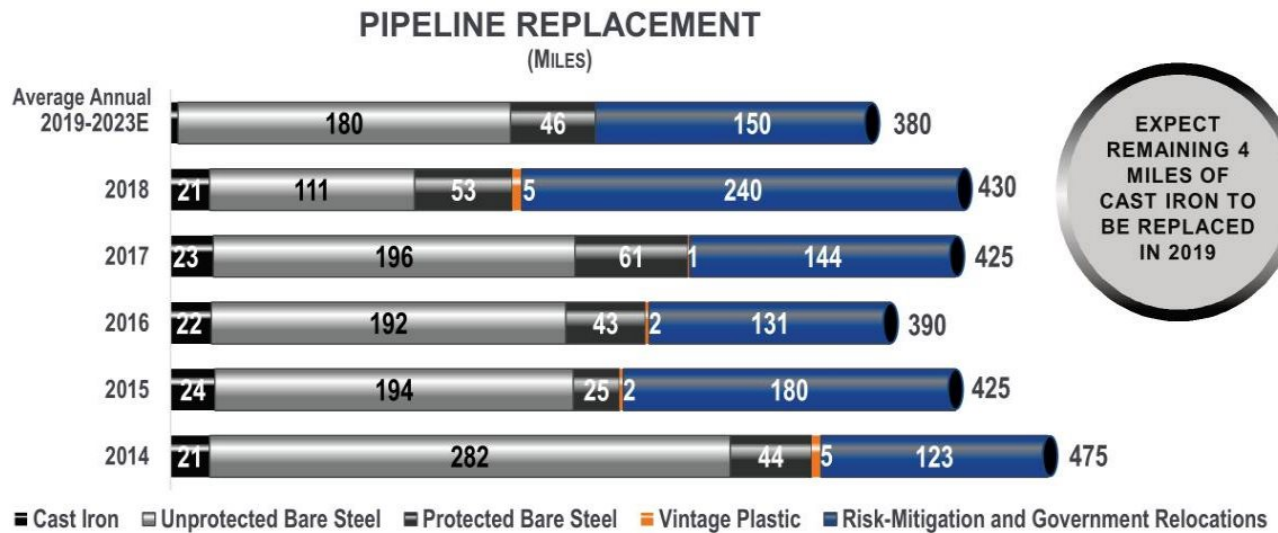
*Totals include capital expenditures and asset removal costs

2019E CAPITAL RECOVERY TIMING



Pipeline Replacement

Focusing on Maintaining Safe and Reliable Operations



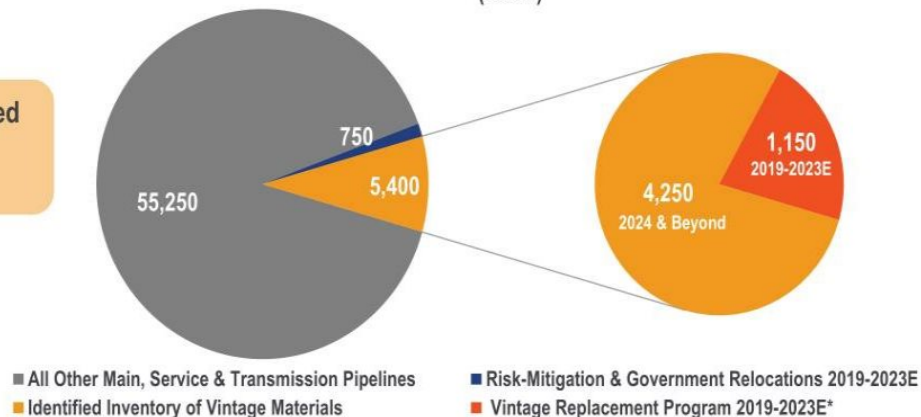
EXPECT
REMAINING 4
MILES OF
CAST IRON TO
BE REPLACED
IN 2019

Note: Pipeline replacement due to future changes in state or federal regulations is not projected in this 5-year replacement estimate.

Vintage Pipeline Replacement Program

VINTAGE PIPE AS PORTION OF TOTAL PIPELINE INVENTORY
(MILES)

Over past 5 years, averaged
~ 265 miles vintage pipe
replaced per year



Note: Pipeline replacement due to future changes in state or federal regulations is not projected in this replacement estimate.

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

Vintage pipeline replacement program represents more than a 20-year investment runway

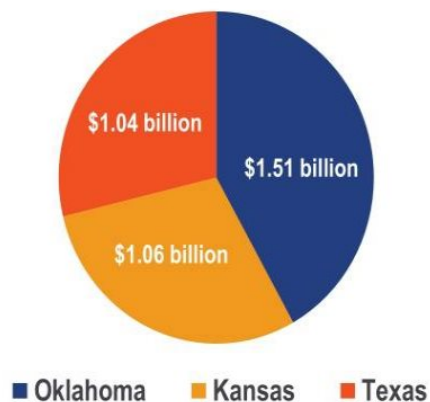
Rate Base Growth

ESTIMATED AVERAGE RATE BASE*
(BILLIONS)



* For definition of estimated average rate base, see Appendix

2019 ESTIMATED AVERAGE RATE BASE
TOTAL: \$3.61 BILLION*



Expected average annual growth of 6 – 7% between 2018 and 2023



REGULATORY CONSTRUCT



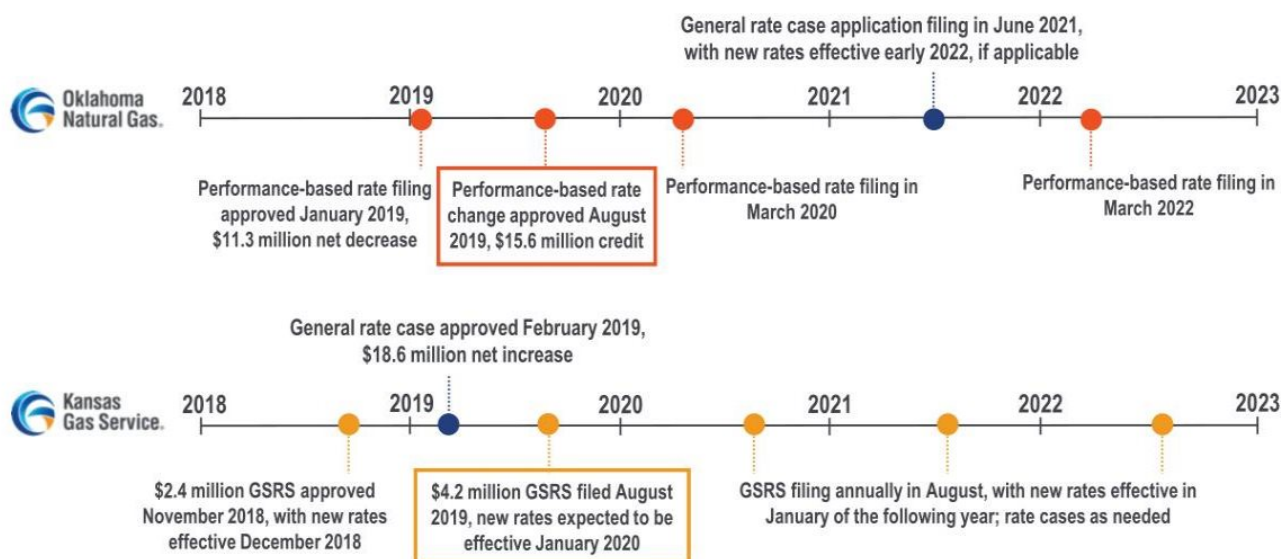
Comprehensive Recovery Mechanisms

DESCRIPTION	KANSAS	OKLAHOMA	TEXAS
Interim capital recovery	✓	✓	✓
Weather normalization	✓	✓	✓
Purchased gas riders (including gas cost portion of bad debts)	✓	✓	✓
Energy efficiency/conservation programs		✓	✓*
Pension and other post-retirement benefits trackers	✓	✓	✓
Cost-of-service adjustment		✓	✓*

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

Filing Timeline

Oklahoma & Kansas



Texas

2019

Central Texas Service Area

- \$5.5 million GRIP filing effective June 2019
- Rate cases as needed

West Texas Service Area

- \$4.1 million GRIP filing effective July 2019
- Rate cases as needed

Remainder of Texas

- Annual cost of service adjustment or GRIP filings
- Rate cases as needed

The treatment of excess ADIT will be determined through regulatory filings

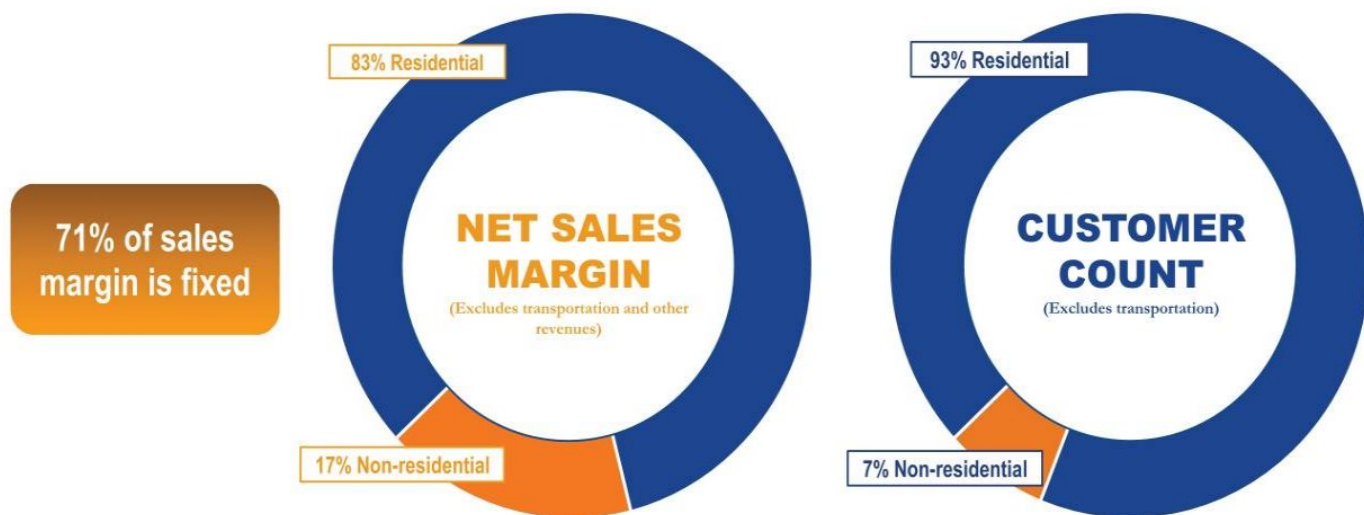




CASH FLOW STABILITY



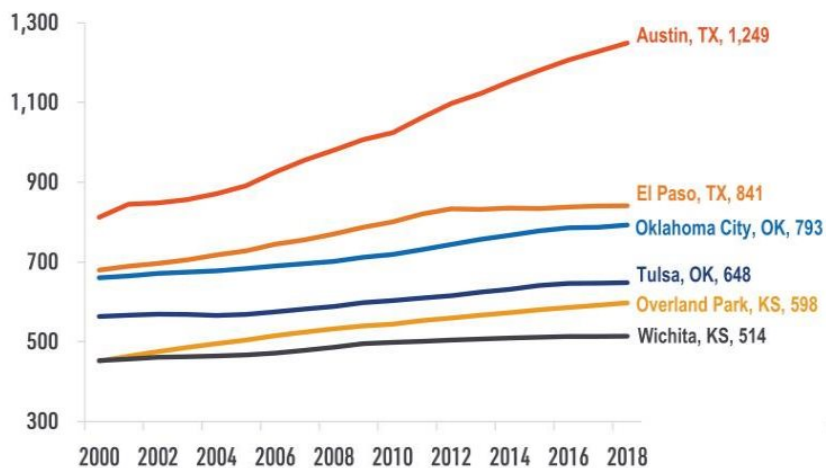
High Percentage of Residential Customers



Note: Based on 2018 annual results. See non-GAAP information in Appendix.

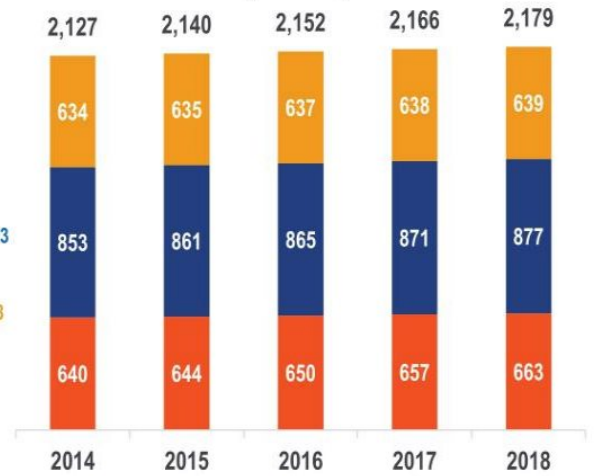
Growth in Service Territories

MAJOR METRO POPULATIONS
(THOUSANDS)



Source: U.S. Census Bureau, annual population estimates by county as of July 2018

AVERAGE CUSTOMER COUNT
(THOUSANDS)



■ Texas ■ Oklahoma ■ Kansas

5-year CAGR:

0.9%

0.7%

0.2%

75% of customer base is in 7 major cities

O&M Expense Control

Building a Foundation for Long-Term Affordability

Expense control execution through:

- Leveraging technology
- Increasing efficiency and optimizing processes
- Making it easier for customers to self-serve

Forecasting average annual O&M increase of 2 – 3% between 2019 and 2023



Average Annual Residential Customer Bill

- Customers are benefiting from low and stable gas prices
- Customers began to see impact of tax reform in 2018
- Average bill estimated to be ~\$50 per month in 2019

AVERAGE ANNUAL RESIDENTIAL CUSTOMER BILL





COMPETITIVE ADVANTAGE



Proximity to Supply

Location Supports Sustainability

Close proximity to significant natural gas reserves and transportation infrastructure

- 58% of all rigs in U.S. operating in Oklahoma and Texas¹

Net natural gas exports²

- Texas: 2.5 Tcf of 8.0 Tcf produced
- Oklahoma: 1.6 Tcf of 2.5 Tcf produced

Estimated future supply of natural gas

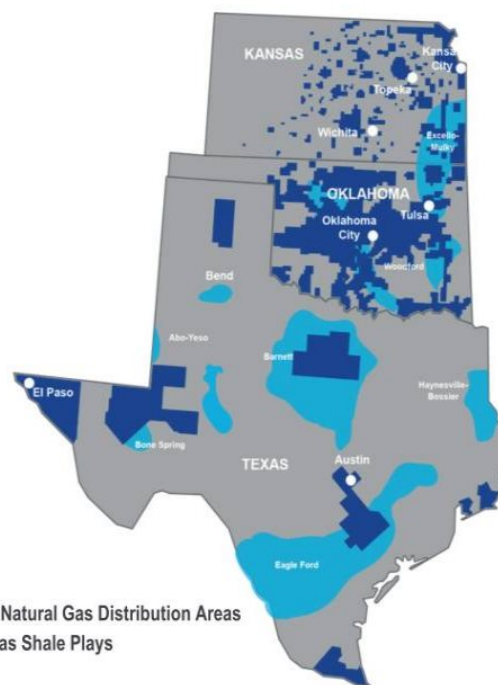
- United States: 3,141 Tcf³
- ~ 39 Tcf annual production⁴

¹ Source: Baker Hughes, as of August 2019

² Source: EIA.gov, as of 2017

³ Source: Potential Gas Committee, reserves plus resources, as of 2016

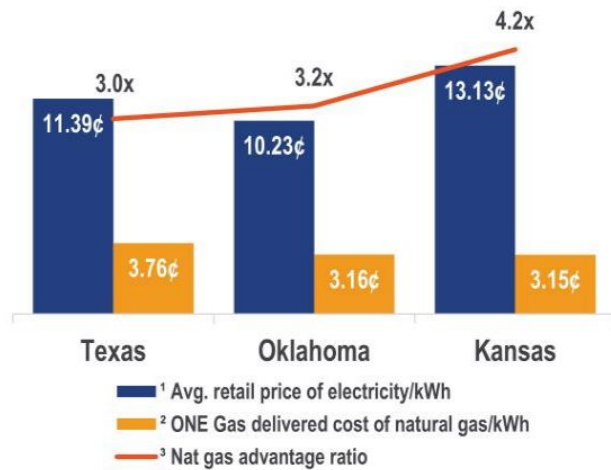
⁴ Source: EIA.gov, trailing 12 months, as of May 2019



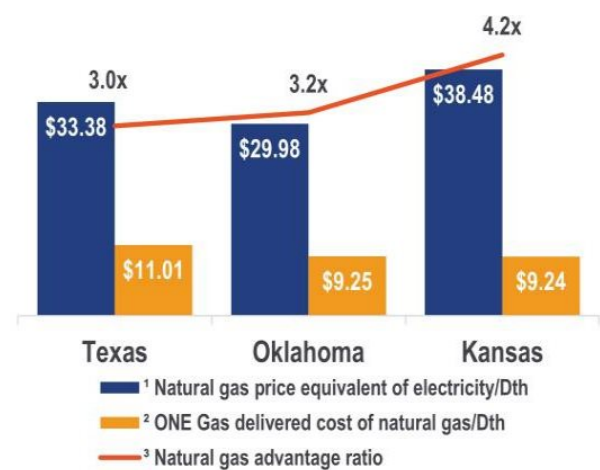
COMPETITIVE ADVANTAGE

3.5-to-1 Average Advantage in ONE Gas Territories

KWH EQUIVALENT ELECTRICITY VS. NATURAL GAS



DTH EQUIVALENT ELECTRICITY VS. NATURAL GAS



¹ Source: United States Energy Information Agency, www.eia.gov, for the twelve-month period ended December 31, 2018.

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, 2018.

³ Calculated as the ratio of the ONE Gas delivered average cost of natural gas per kilowatt hour (kWh) equivalent to the average retail price of electricity per kWh.



FINANCIAL PERFORMANCE & OBJECTIVES



2019 Guidance

Updated July 29, 2019

Net income range of \$180 – \$190 million

EPS range of \$3.39 – \$3.57

ROE of 8.4%, reflecting the midpoint of earnings guidance range of \$3.48 per diluted share and the estimated rate base for 2019 of \$3.61 billion

Rate base expected to grow an average of ~ 6 – 7% per year between 2018 – 2023

DILUTED EPS



*Represents midpoint of guidance range

Expected average annual EPS growth of 6 – 8% between 2018 and 2023

Growing Dividends

Building Shareholder Value

Quarterly dividend of 50 cents per share for 2019

Target dividend payout ratio of 55 – 65% of net income

DIVIDENDS & PAYOUT RATIO

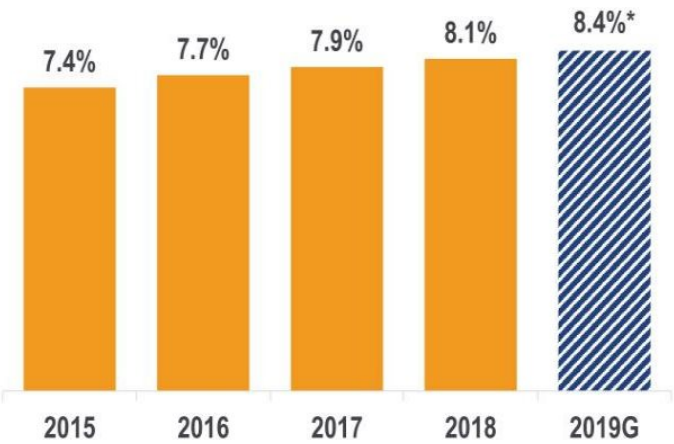


Expected average annual growth of 7 – 9% between 2018 and 2023

Return on Equity

Continue to minimize the gap between allowed and actual returns

- Authorized ROE by state:
- Kansas – Not stated due to black box settlement; KGS estimates ROE embedded in GSRS pre-tax carrying charge is ~ 9.3%
 - Oklahoma – 9% to 10% band, with a 9.5% midpoint
 - Texas – ~ 9.5% weighted average



* Reflects the midpoint of earnings guidance range of \$3.48 per diluted share and the estimated average rate base for 2019 of \$3.61 billion.

2019 Cash Flow

Sources and Uses

Dividends and capital expenditures primarily funded by cash flow from operations

\$700 million revolving credit facility supports financing needs through the commercial paper program

No capital market needs anticipated in 2019

~\$500 – \$550 million net financing needs through 2023

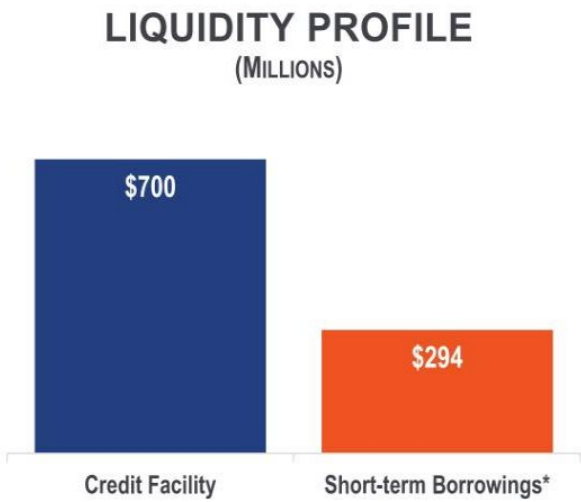
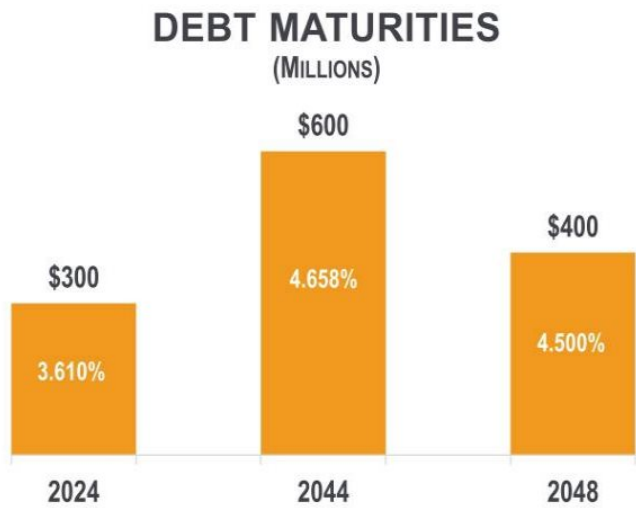
- One-third expected to be equity



* Before changes in working capital. See non-GAAP information in Appendix.

Manageable Debt Profile

Strong Liquidity Position – June 30, 2019



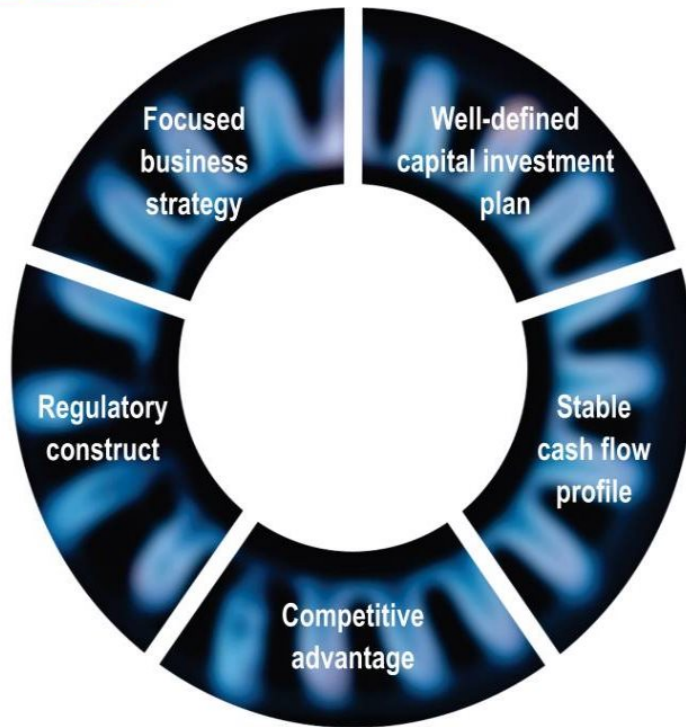
* Includes commercial paper and letters of credit

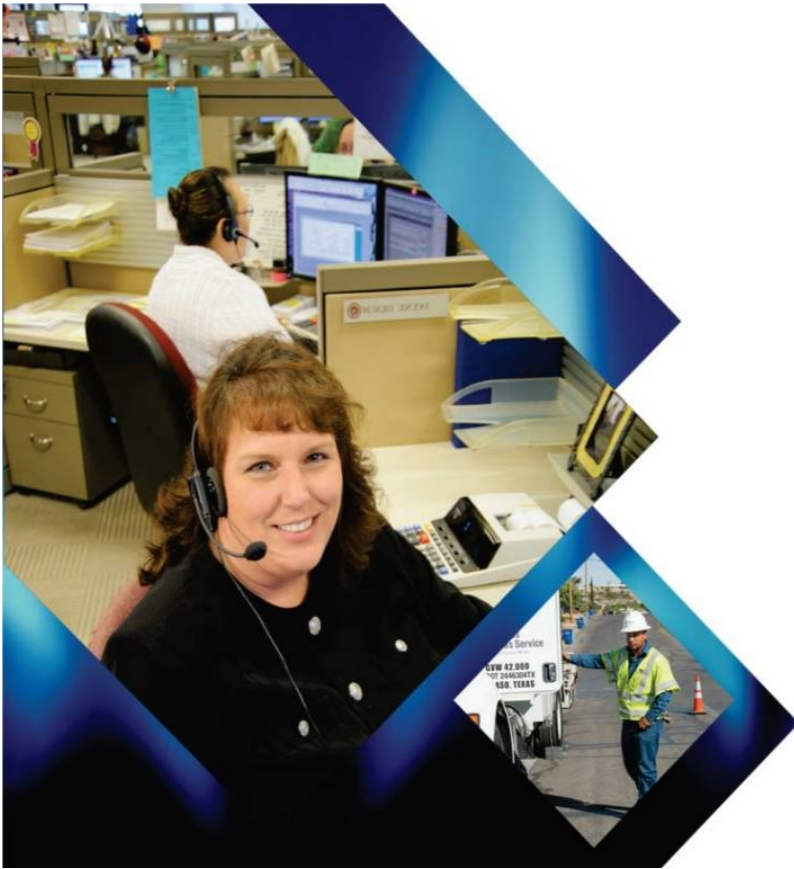


KEY TAKEAWAYS



Key Takeaways





APPENDIX



Corporate Structure



INCORPORATED ENTITY

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



State Statistics

As of December 31, 2018



	OKLAHOMA NATURAL GAS	TEXAS GAS SERVICE	KANSAS GAS SERVICE	TOTAL
Average Number of Customers	876,635	662,496	639,410	2,178,541
Distribution – Miles*	18,600	10,300	11,400	40,300
Transmission – Miles*	700	300	1,600	2,600
Fixed Charges – Sales customers**	86%	68%	54%	71%
Weather Normalization	100%	100%	100%	100%
Average Annual Heating Degree Days – Normal	3,263	1,782	4,914	

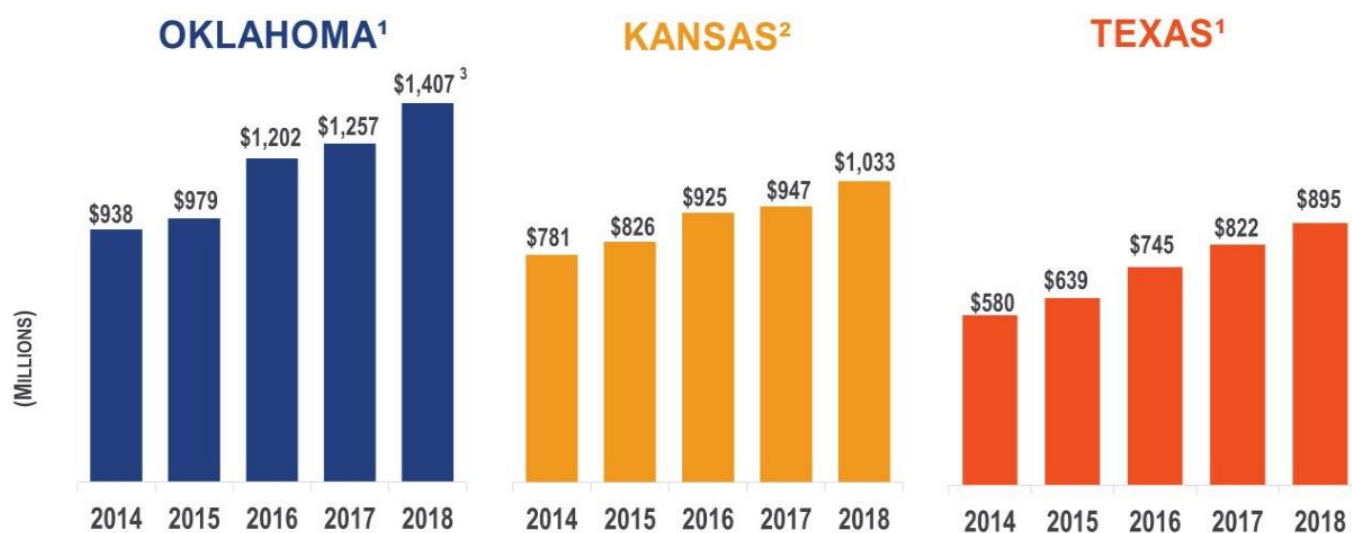
* Totals do not include service lines

** Percentage of total net margin on natural gas sales

Capital Expenditures with Asset Removal Costs



Authorized Rate Base



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

² KGS' most recent rate case, approved in February 2019, was settled without a determination of rate base and reflects Kansas Gas Service's estimate of rate base contained within the settlement; these amounts are not necessarily indicative of current or future rate base.

³ Reflects the 2018 PBRC filing, approved in January 2019

Rate Base Definition

Authorized Rate Base – \$3.49 billion (as of August 2019)

- Includes capital investments authorized in most recent rate case and interim filings
- Does not include any capital investments since last approved rate case or filings

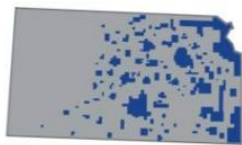
Estimated Average Rate Base – \$3.61 billion

- Average of rate base per book at beginning and end of year
- Includes capital investments and other changes in rate base not yet approved for recovery



Regulatory Construct

Governance

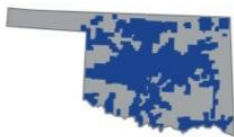


KANSAS

Kansas Corporation Commission

Appointed by the governor to four-year staggered terms

<u>Name</u>	<u>Party</u>	<u>Term Ends</u>
Dwight Keen (Chair)	Rep	March 2022
Shari Feist Albrecht	Ind	March 2020
Susan Duffy	Dem	March 2023



OKLAHOMA

Oklahoma Corporation Commission

Elected to six-year staggered terms

<u>Name</u>	<u>Party</u>	<u>Term Ends</u>
Todd Hiatt (Chair)	Rep	Jan. 2021
Bob Anthony (Vice-Chair)	Rep	Jan. 2025
Dana Murphy	Rep	Jan. 2023



TEXAS

"Home Rule" with six jurisdictions; Texas Railroad Commission has appellate authority

Railroad Commission elected to six-year staggered terms

<u>Name</u>	<u>Party</u>	<u>Term Ends</u>
Wayne Christian (Chair)	Rep	Jan. 2023
Ryan Sitton	Rep	Jan. 2021
Christi Craddick	Rep	Jan. 2025

Kansas Gas Service

Rate Case Concluded in February 2019

HIGHLIGHTS

Base Rates	Effective February 2019, \$21.5 million total increase, \$18.6 million net increase; reflects credit for amortization of excess ADIT, which is offset in income tax expense
Operating Income	~ \$10 million annual impact
Rate Base	\$1,033 million; reflects Kansas Gas Service's estimate of rate base contained within the settlement
Return on Equity	Kansas - Not stated due to black box settlement; KGS estimates ROE embedded in GSRS pre-tax carrying charge is ~ 9.3%
Customer Impact	\$2.40 per month increase for average residential customer
Tax Reform	The KCC ordered Kansas Gas Service to refund to its customers the regulatory liability for the decrease in the federal corporate income tax rate in the form of a one-time bill credit; refund of \$16.6 million was issued in the second quarter 2019

Oklahoma Natural Gas

Recent Regulatory Activity

2018 PBRC – NEW RATES EFFECTIVE FEBRUARY 2019

Amount	\$11.3 million base rate reduction, reflects lower federal corporate income tax rate
Customer Impact	\$1.21 per month reduction (for typical residential customer)
Rate Base	\$1,407 million
Return on Equity	9.5% (midpoint of allowed band)
Common Equity Ratio*	58%
Debt Costs	3.95%
Excess ADIT	\$11.8 million credit (offset in income tax expense)
Other	<ul style="list-style-type: none"> • Expansion of the eligibility for Energy Efficiency rebates to small transportation customers using between 900 and 4,999 Dth per year • Expansion of the amounts and eligibility for compressed natural gas rebates

2019 PBRC – NEW RATES EFFECTIVE SEPTEMBER 2019

Amount	\$15.6 million credit represents earnings over 9.5%
Customer Impact	\$1.47 per month reduction for 12 months (for typical residential customer)
Rate Base	\$1,475 million
Return on Equity	9.5% (midpoint of allowed band)
Common Equity Ratio*	57%
Debt Costs	3.95%
Excess ADIT	\$12.7 million credit (offset in income tax expense)

* The 2015 Oklahoma Natural Gas rate case established a common equity ratio of 60.5%. For each future PBRC filing, the maximum allowed common equity ratio will decrease by 1% beginning with a 59% common equity ratio in the 2017 PBRC review of calendar year 2016, and ending with a 56% common equity ratio in the 2020 PBRC review of calendar year 2019.

Texas Gas Service

Recent Regulatory Activity

HIGHLIGHTS

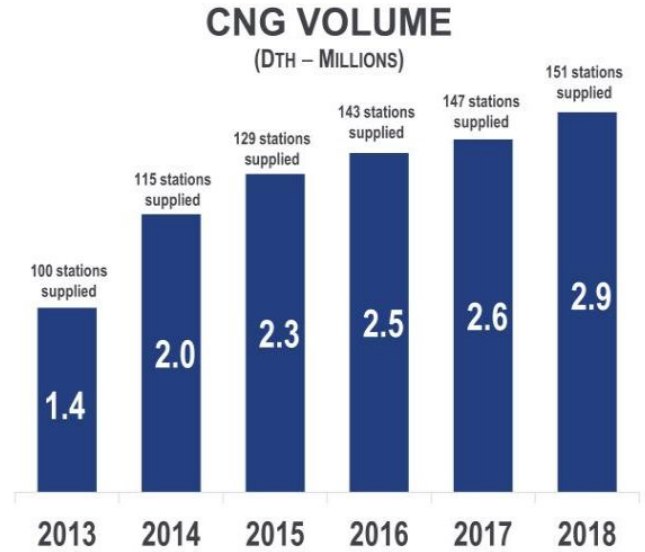
Central Texas	GRIP filing approved for a \$5.5 million increase; new rates effective June 2019
West Texas	GRIP filing approved for a \$4.1 million increase; new rates effective July 2019
Rate Base	\$986 million authorized
Return on Equity	~ 9.5% weighted average
Common Equity Ratio	60.1% – 62.2%
Tax Reform	In 2018, \$11.1 million annual decrease in rates; one-time refunds of \$6.6 million for reduction in federal corporate income tax rate for the period covering Jan. 1, 2018, to the date new rates were implemented in the second half of 2018; excess ADIT to be determined in future filings

Compressed Natural Gas (CNG)

Key Statistics

- Currently operate 27 fueling stations accessible to the public, 6 private stations
- Currently transporting supply to 66 retail and 52 private CNG stations
- Rebate program in Oklahoma; Austin, Texas
- Industry
 - Continued interest in CNG for transportation, particularly by fleet operators
 - Tax incentives and rebates further contribute to positive economics

Note: Updated June 30, 2019



Note: Based on 2018 annual results

Non-GAAP Information

ONE Gas has disclosed in this presentation cash flow from operations before changes in working capital and net margin, which are non-GAAP financial measures.

Cash flow from operations before changes in working capital is used as a measure of the company's financial performance. Cash flow from operations before changes in working capital is defined as net income adjusted for depreciation and amortization, deferred income taxes, and certain other noncash items. This non-GAAP financial measure is useful to investors as an indicator of financial performance of the company to generate cash flows sufficient to support our capital expenditure programs and pay dividends to our investors.

Net margin is defined as 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, as required by our regulators, 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 natural gas that we pass-through to our customers, net margin is not affected by fluctuations in the cost of natural gas. We believe that net margin provides investors a more relevant and useful measure to analyze our financial performance as a 100% regulated natural gas utility than total revenues because the change in the cost of natural gas from period to period does not impact our operating income.

ONE Gas cash flow from operations before changes in working capital and net margin should not be considered in isolation or as substitutes for net income, total revenue or any other measure of financial performance presented in accordance with GAAP.

These non-GAAP financial measures exclude some, but not all, items that affect net income. Additionally, these calculations may not be comparable with similarly titled measures of other companies. Reconciliations of cash flow from operations before changes in working capital and net margin to the most directly comparable GAAP measure are included in this presentation.

Non-GAAP Reconciliation

Cash Flow From Operations Before Changes in Working Capital*

(MILLIONS)	UPDATED 2019 GUIDANCE	PREVIOUS 2019 GUIDANCE	CHANGE
Net Income	\$ 185	\$ 182	\$ 3
Depreciation and amortization	182	182	—
Deferred taxes	12	12	—
Other	14	14	—
Cash flow from operations before changes in working capital	\$ 393	\$ 390	\$ 3

* Amounts shown are midpoints of ranges provided.

Non-GAAP Reconciliation

Net Margin

(MILLIONS)	2018
Total revenues	\$ 1,663.7
Cost of natural gas	714.6
Net margin	\$ 919.1

(MILLIONS)	2018
Natural gas sales	
Residential	\$ 644.1
Commercial and industrial	127.1
Wholesale and public authority	6.6
Net margin on natural gas sales	\$ 777.8
Transportation revenues	109.7
Other revenues	31.6
Net margin	\$ 919.1

