

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

FORM 10-Q

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended June 30, 2024.

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:

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 (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 No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, 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.

Large accelerated filer	<input checked="" type="checkbox"/> Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/> Smaller reporting company	<input type="checkbox"/>
	Emerging growth company	<input type="checkbox"/>

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 Exchange Act). Yes No

On July 29, 2024, the Company had 56,654,351 shares of common stock outstanding.

This page intentionally left blank.

ONE Gas, Inc.
TABLE OF CONTENTS

	Page No.
Part I.	
Financial Information	
<u>Item 1.</u>	<u>6</u>
<u>Consolidated Financial Statements (Unaudited)</u>	<u>6</u>
<u>Consolidated Statements of Income - Three and Six Months Ended June 30, 2024 and 2023</u>	<u>6</u>
<u>Consolidated Statements of Comprehensive Income - Three and Six Months Ended June 30, 2024 and 2023</u>	<u>7</u>
<u>Consolidated Balance Sheets - June 30, 2024 and December 31, 2023</u>	<u>8</u>
<u>Consolidated Statements of Cash Flows - Six Months Ended June 30, 2024 and 2023</u>	<u>10</u>
<u>Consolidated Statements of Equity - Three and Six Months Ended June 30, 2024 and 2023</u>	<u>11</u>
<u>Notes to Consolidated Financial Statements</u>	<u>12</u>
<u>Item 2.</u>	<u>27</u>
<u>Item 3.</u>	<u>37</u>
<u>Item 4.</u>	<u>38</u>
Part II.	
Other Information	
<u>Item 1.</u>	<u>39</u>
<u>Legal Proceedings</u>	<u>39</u>
<u>Item 1A.</u>	<u>39</u>
<u>Risk Factors</u>	<u>39</u>
<u>Item 2.</u>	<u>39</u>
<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>39</u>
<u>Item 3.</u>	<u>39</u>
<u>Defaults Upon Senior Securities</u>	<u>39</u>
<u>Item 4.</u>	<u>39</u>
<u>Mine Safety Disclosures</u>	<u>39</u>
<u>Item 5.</u>	<u>39</u>
<u>Other Information</u>	<u>39</u>
<u>Item 6.</u>	<u>39</u>
Signature	41

As used in this Quarterly 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.

The statements in this Quarterly 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 "will," "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. 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 2, Management's Discussion and Analysis of Financial Condition and Results of Operations, "Forward-Looking Statements," and Part II, Item 1A, "Risk Factors" in this Quarterly Report and under Part I, Item 1A, "Risk Factors," in our Annual Report.

AVAILABLE INFORMATION

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

In addition to filings with the SEC and materials posted on our website, we also use social media platforms as channels of information distribution to reach investors and other stakeholders. Information contained on our website and posted on or disseminated through our social media accounts is not incorporated by reference into this report.

[Table of Contents](#)

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

AAO	Accounting Authority Order
ADIT	Accumulated deferred income taxes
Annual Report	Annual Report on Form 10-K for the year ended December 31, 2023
ASC	Accounting Standards Codification
ASU	Accounting Standards Update
Bcf	Billion cubic feet
CAA	Federal Clean Air Act, as amended
EDIT	Excess deferred income taxes resulting from a change in enacted tax rates
EPS	Earnings per share
Exchange Act	Securities Exchange Act of 1934, as amended
FASB	Financial Accounting Standards Board
GAAP	Accounting principles generally accepted in the United States of America
GRIP	Gas Reliability Infrastructure Program
GSRS	Gas System Reliability Surcharge
HDD	Heating degree day is 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
IT	Information Technology
KCC	Kansas Corporation Commission
KDHE	Kansas Department of Health and Environment
KGSS-I	Kansas Gas Service Securitization I, L.L.C.
LDC	Local distribution company
MGP	Manufactured gas plant
McF	Thousand cubic feet
MMcF	Million cubic feet
Moody's	Moody's Investors Service, Inc.
NYSE	New York Stock Exchange
OCC	Oklahoma Corporation Commission
ONE Gas	ONE Gas, Inc.
ONE Gas Credit Agreement	ONE Gas' \$1.275 billion revolving credit agreement, as amended
PBRC	Performance-Based Rate Change
PHMSA	United States Department of Transportation Pipeline and Hazardous Materials Safety Administration
Quarterly Report(s)	Quarterly Report(s) on Form 10-Q
RRC	Railroad Commission of Texas
S&P	Standard & Poor's Ratings Services
SEC	Securities and Exchange Commission
Securities Act	Securities Act of 1933, as amended
Securitized Utility Tariff Bonds	Series 2022-A Senior Secured Securitized Utility Tariff Bonds, Tranche A
Senior Notes	ONE Gas' registered unsecured notes consisting of \$300 million of 5.10 percent senior notes due April 2029, \$300 million of 2.00 percent senior notes due May 2030, \$300 million of 4.25 percent senior notes due September 2032, \$600 million of 4.66 percent senior notes due February 2044 and \$400 million of 4.50 percent senior notes due November 2048
TCEQ	Texas Commission on Environmental Quality
TNG Corporation	Texas Natural Gas Securitization Finance Corporation
WNA	Weather normalization adjustment(s)
XBRL	eXtensible Business Reporting Language

[Table of Contents](#)

PART I - FINANCIAL INFORMATION

ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS

ONE Gas, Inc.

CONSOLIDATED STATEMENTS OF INCOME

<i>(Unaudited)</i>	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2024	2023	2024	2023
(Thousands of dollars, except per share amounts)				
Total revenues	\$ 354,137	\$ 398,114	\$ 1,112,457	\$ 1,430,257
Cost of natural gas	71,958	130,241	454,961	796,040
Operating expenses				
Operations and maintenance	121,732	118,614	254,515	245,298
Depreciation and amortization	72,549	67,547	149,121	138,811
General taxes	18,473	17,690	38,575	36,856
Total operating expenses	212,754	203,851	442,211	420,965
Operating income	69,425	64,022	215,285	213,252
Other income, net	832	2,174	4,340	4,755
Interest expense, net	(36,970)	(27,485)	(68,327)	(57,600)
Income before income taxes	33,287	38,711	151,298	160,407
Income taxes	(6,044)	(6,022)	(24,738)	(25,097)
Net income	\$ 27,243	\$ 32,689	\$ 126,560	\$ 135,310
Earnings per share				
Basic	\$ 0.48	\$ 0.59	\$ 2.23	\$ 2.43
Diluted	\$ 0.48	\$ 0.58	\$ 2.23	\$ 2.42
Average shares (thousands)				
Basic	56,750	55,566	56,740	55,552
Diluted	56,827	55,914	56,813	55,857
Dividends declared per share of stock	\$ 0.66	\$ 0.65	\$ 1.32	\$ 1.30

See accompanying Notes to Consolidated Financial Statements.

[Table of Contents](#)

ONE Gas, Inc.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

<i>(Unaudited)</i>	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2024	2023	2024	2023
<i>(Thousands of dollars)</i>				
Net income	\$ 27,243	\$ 32,689	\$ 126,560	\$ 135,310
Other comprehensive income, net of tax				
Change in pension and other postemployment benefit plan liability, net of tax of \$—, \$—, \$—, and \$—, respectively	(1)	—	(1)	—
Net unrealized holding gains (losses) on available-for-sale securities, net of tax of \$(2), \$—, \$1, and \$—, respectively	9	—	(1)	—
Total other comprehensive income (loss), net of tax	8	—	(2)	—
Comprehensive income	\$ 27,251	\$ 32,689	\$ 126,558	\$ 135,310

See accompanying Notes to Consolidated Financial Statements.

[Table of Contents](#)

ONE Gas, Inc.

CONSOLIDATED BALANCE SHEETS

	June 30, 2024	December 31, 2023
<i>(Unaudited)</i>		
Assets		<i>(Thousands of dollars)</i>
Property, plant and equipment		
Property, plant and equipment	8,764,153	\$ 8,468,967
Accumulated depreciation and amortization	2,390,978	2,333,755
Net property, plant and equipment	6,373,175	6,135,212
Current assets		
Cash and cash equivalents	10,744	18,835
Restricted cash and cash equivalents	21,722	20,552
Total cash, cash equivalents and restricted cash and cash equivalents	32,466	39,387
Accounts receivable, net	193,261	347,864
Materials and supplies	86,502	77,649
Natural gas in storage	138,290	187,097
Regulatory assets	114,153	75,308
Other current assets	35,553	37,899
Total current assets	600,225	765,204
Goodwill and other assets		
Regulatory assets	276,009	287,906
Securitized intangible asset, net	278,939	293,619
Goodwill	157,953	157,953
Other assets	138,770	131,100
Total goodwill and other assets	851,671	870,578
Total assets	\$ 7,825,071	\$ 7,770,994

See accompanying Notes to Consolidated Financial Statements.

[Table of Contents](#)

ONE Gas, Inc.

CONSOLIDATED BALANCE SHEETS

(Continued)

	June 30, 2024	December 31, 2023
(Unaudited)		
(Thousands of dollars)		
Equity and Liabilities		
Equity and long-term debt		
Common stock, \$0.01 par value: authorized 250,000,000 shares; issued and outstanding 56,650,838 shares at June 30, 2024; issued and outstanding 56,545,924 shares at December 31, 2023	\$ 567	\$ 565
Paid-in capital	2,038,514	2,028,755
Retained earnings	788,976	737,739
Accumulated other comprehensive loss	(1,184)	(1,182)
Total equity	2,826,873	2,765,877
Other long-term debt, excluding current maturities, net of issuance costs	1,878,689	1,877,895
Securitized utility tariff bonds, excluding current maturities, net of issuance costs	268,233	282,506
Total long-term debt, excluding current maturities, net of issuance costs	2,146,922	2,160,401
Total equity and long-term debt	4,973,795	4,926,278
Current liabilities		
Current maturities of other long-term debt	13	772,984
Current maturities of securitized utility tariff bonds	28,183	27,430
Notes payable	1,031,500	88,500
Accounts payable	164,963	278,056
Accrued taxes other than income	56,018	68,793
Regulatory liabilities	39,750	66,901
Customer deposits	60,243	62,187
Other current liabilities	76,303	112,370
Total current liabilities	1,456,973	1,477,221
Deferred credits and other liabilities		
Deferred income taxes	789,628	752,068
Regulatory liabilities	485,172	500,478
Employee benefit obligations	20,178	20,265
Other deferred credits	99,325	94,684
Total deferred credits and other liabilities	1,394,303	1,367,495
Commitments and contingencies		
Total liabilities and equity	\$ 7,825,071	\$ 7,770,994

See accompanying Notes to Consolidated Financial Statements.

[Table of Contents](#)

ONE Gas, Inc.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six Months Ended	
	June 30,	
(Unaudited)	2024	2023
<i>(Thousands of dollars)</i>		
Operating activities		
Net income	\$ 126,560	\$ 135,310
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	149,121	138,811
Deferred income taxes	22,255	11,912
Share-based compensation expense	6,728	6,305
Provision for doubtful accounts	1,775	4,880
Proceeds from government securitization of winter weather event costs	—	197,366
Changes in assets and liabilities:		
Accounts receivable	152,828	314,545
Materials and supplies	(8,853)	(1,721)
Natural gas in storage	48,807	124,463
Asset removal costs	(31,660)	(32,551)
Accounts payable	(101,495)	(198,968)
Accrued taxes other than income	(12,775)	(23,952)
Customer deposits	(1,944)	(3,219)
Regulatory assets and liabilities - current	(75,496)	35,633
Regulatory assets and liabilities - noncurrent	8,826	26,217
Other assets and liabilities - current	(35,126)	12,156
Other assets and liabilities - noncurrent	1,375	1,555
Cash provided by operating activities	250,926	748,742
Investing activities		
Capital expenditures	(342,370)	(322,231)
Other investing expenditures	(2,381)	(1,647)
Other investing receipts	2,975	2,462
Cash used in investing activities	(341,776)	(321,416)
Financing activities		
Borrowings (repayments) of notes payable, net	943,000	(334,900)
Issuance of common stock	3,368	3,175
Repayment of other long-term debt	(773,000)	—
Repayment of securitized utility tariff bonds	(13,780)	—
Dividends paid	(74,672)	(72,006)
Tax withholdings related to net share settlements of stock compensation	(987)	(2,384)
Cash provided by (used in) financing activities	83,929	(406,115)
Change in cash, cash equivalents, restricted cash and restricted cash equivalents	(6,921)	21,211
Cash, cash equivalents, restricted cash and restricted cash equivalents at beginning of period	39,387	18,127
Cash, cash equivalents, restricted cash and restricted cash equivalents at end of period	\$ 32,466	\$ 39,338
Supplemental cash flow information:		
Cash paid for interest, net of amounts capitalized	\$ 70,201	\$ 47,773
Cash paid (received) for income taxes, net	\$ (1,232)	\$ 9,174

See accompanying Notes to Consolidated Financial Statements.

ONE Gas, Inc.

CONSOLIDATED STATEMENTS OF EQUITY

(Unaudited)	Common Stock	Common	Paid-in Capital	Retained Earnings	Accumulated Other	Total Equity
	Issued	Stock			Comprehensive Income/(Loss)	
(Shares)						(Thousands of dollars)
January 1, 2024	56,545,924	\$ 565	\$ 2,028,755	\$ 737,739	\$ (1,182)	\$ 2,765,877
Net income	—	—	—	99,317	—	99,317
Other comprehensive income	—	—	—	—	(10)	(10)
Common stock issued and other	23,472	1	2,136	—	—	2,137
Common stock dividends - \$0.66 per share	—	—	277	(37,613)	—	(37,336)
March 31, 2024	56,569,396	\$ 566	\$ 2,031,168	\$ 799,443	\$ (1,192)	\$ 2,829,985
Net income	—	—	—	27,243	—	27,243
Other comprehensive income	—	—	—	—	8	8
Common stock issued and other	81,442	1	6,971	—	—	6,972
Common stock dividends - \$0.66 per share	—	—	375	(37,710)	—	(37,335)
June 30, 2024	56,650,838	\$ 567	\$ 2,038,514	\$ 788,976	\$ (1,184)	\$ 2,826,873
(Shares)						(Thousands of dollars)
January 1, 2023	55,349,954	\$ 553	\$ 1,932,714	\$ 651,863	\$ (704)	\$ 2,584,426
Net income	—	—	—	102,621	—	102,621
Common stock issued and other	39,096	—	435	—	—	435
Common stock dividends - \$0.65 per share	—	—	319	(36,321)	—	(36,002)
March 31, 2023	55,389,050	\$ 553	\$ 1,933,468	\$ 718,163	\$ (704)	\$ 2,651,480
Net income	—	—	—	32,689	—	32,689
Common stock issued and other	57,791	1	6,660	—	—	6,661
Common stock dividends - \$0.65 per share	—	—	318	(36,322)	—	(36,004)
June 30, 2023	55,446,841	\$ 554	\$ 1,940,446	\$ 714,530	\$ (704)	\$ 2,654,826

See accompanying Notes to Consolidated Financial Statements.

ONE Gas, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation - Our accompanying unaudited consolidated financial statements have been prepared pursuant to the rules and regulations of the SEC. These statements also have been prepared in accordance with GAAP and reflect all adjustments that, in our opinion, are necessary for a fair statement of the results for the interim periods presented. All such adjustments are of a normal recurring nature. The 2023 year-end consolidated balance sheet data was derived from audited consolidated financial statements but does not include all disclosures required by GAAP. These unaudited consolidated financial statements should be read in conjunction with the audited consolidated financial statements and footnotes in our Annual Report. Our significant accounting policies are described in Note 1 of our Notes to Consolidated Financial Statements in our Annual Report. The preparation of these financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts and disclosures in the financial statements. Although management believes these estimates are reasonable, actual results could differ materially from these estimates. Due to the seasonal nature of our business, the results of operations for the six months ended June 30, 2024, are not necessarily indicative of the results that may be expected for a 12-month period.

Organization and Nature of Operations - We provide natural gas distribution services to approximately 2.3 million customers in Oklahoma, Kansas and Texas through our three divisions, Oklahoma Natural Gas, Kansas Gas Service and Texas Gas Service, respectively. We primarily serve residential, commercial and transportation customers in all three states.

Segments - We operate in one reportable business segment: regulated public utilities that deliver natural gas primarily to residential, commercial and transportation customers. Our accounting policies are the same as those described in Note 1 of the Notes to Consolidated Financial Statements in our Annual Report. We evaluate our financial performance principally on net income. For the three and six months ended June 30, 2024 and 2023, we had no single external customer from which we received 10 percent or more of our gross revenues.

Property, Plant and Equipment and Asset Removal Costs - Accounts payable for construction work in progress and asset removal costs decreased by approximately \$11.7 million and \$7.9 million for the six months ended June 30, 2024 and 2023, respectively. Such amounts are not included in capital expenditures or asset removal costs in our consolidated statements of cash flows.

Accounts Receivable, Net - Accounts receivable represent valid claims against nonaffiliated customers for natural gas sold or services rendered. We assess the creditworthiness of our customers. Those customers who do not meet minimum standards may be required to provide security, including deposits and other forms of collateral, when appropriate and allowed by our tariffs. With approximately 2.3 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 environment and other information. We recover natural gas costs related to accounts written off when they are deemed uncollectible through the purchased-gas cost adjustment mechanisms in each of our jurisdictions. At June 30, 2024 and December 31, 2023, our allowance for doubtful accounts was \$14.4 million and \$16.1 million, respectively.

Recently Issued Accounting Standards Update - In December 2023, the FASB issued ASU 2023-09, "Income Taxes (Topic 740): Improvements to Income Tax Disclosures," which is intended to enhance annual income tax disclosures to address investor requests for more information about the tax risks and opportunities present in an entity's operations. The amendments in this standard require disclosure of additional information in specified categories with respect to the reconciliation of the effective tax rate to the statutory rate (the rate reconciliation) for federal, state, and foreign income taxes. They also require greater detail about individual reconciling items in the rate reconciliation to the extent the impact of those items exceeds a specified threshold. In addition to new disclosures associated with the rate reconciliation, the amendments in this update require information pertaining to taxes paid (net of refunds received) to be disaggregated for federal, state, and foreign taxes and further disaggregated for specific jurisdictions to the extent the related amounts exceed a quantitative threshold. The amendments in this update are effective for annual periods beginning after December 15, 2024, and early adoption is permitted. We are currently assessing the timing and impacts of adopting this standard.

In November 2023, the FASB issued ASU 2023-07, "Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures," which is intended to improve annual and interim reportable segment disclosure requirements, primarily through enhanced disclosures about significant segment expenses. The amendments in this standard enhance interim disclosure requirements, clarify circumstances in which an entity can disclose multiple segment measures of profit or loss, provide new segment disclosure requirements for entities with a single reportable segment, and contain other disclosure requirements. The

[Table of Contents](#)

amendments in this update are effective for annual periods beginning after December 15, 2023, and interim periods within annual periods beginning after December 15, 2024. Early adoption is permitted. We are currently assessing the timing and impacts of adopting this standard.

2. REVENUE

The following table sets forth our revenues disaggregated by source for the periods indicated:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
<i>(Thousands of dollars)</i>				
Natural gas sales to customers	\$ 298,351	\$ 346,734	\$ 987,856	\$ 1,313,093
Transportation revenues	29,587	29,022	69,554	67,549
Securitization customer charges (Note 14)	11,555	11,807	23,226	23,740
Miscellaneous revenues	5,757	6,313	12,065	12,211
Total revenues from contracts with customers	345,250	393,876	1,092,701	1,416,593
Other revenues - natural gas sales related	6,227	1,614	14,222	7,404
Other revenues	2,660	2,624	5,534	6,260
Total other revenues	8,887	4,238	19,756	13,664
Total revenues	\$ 354,137	\$ 398,114	\$ 1,112,457	\$ 1,430,257

Accrued unbilled natural gas sales revenues at June 30, 2024 and December 31, 2023, were \$ 75.3 million and \$191.4 million, respectively, and are included in accounts receivable on our consolidated balance sheets.

3. REGULATORY ASSETS AND LIABILITIES

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

	Recovery Period	Current	Noncurrent	June 30, 2024 Total
(Thousands of dollars)				
Winter weather event costs	(a)	\$ 16,758	\$ 15,140	\$ 31,898
Under-recovered purchased-gas costs	1 year	44,529	—	44,529
Pension and postemployment benefit costs	See Note 9	1,947	224,702	226,649
Reacquired debt costs	6 years	723	2,350	3,073
MGP remediation costs	15 years	98	30,362	30,460
Ad-valorem tax	1 year	14,314	—	14,314
WNA	1 year	21,343	—	21,343
Customer credit deferrals	1 year	10,412	1,177	11,589
Other	1 to 18 years	4,029	2,278	6,307
Total regulatory assets, net of amortization		114,153	276,009	390,162
Income tax rate changes	(a)	—	(485,172)	(485,172)
Over-recovered purchased-gas costs	1 year	(39,750)	—	(39,750)
Total regulatory liabilities		(39,750)	(485,172)	(524,922)
Net regulatory assets and liabilities		\$ 74,403	\$ (209,163)	\$ (134,760)

(a) Recovery period varies by jurisdiction. See discussion below for additional information regarding our regulatory assets related to winter weather event costs and regulatory liabilities related to income tax rate changes.

	Recovery Period	Current	Noncurrent	December 31, 2023 Total
(Thousands of dollars)				
Winter weather event costs	(a)	\$ 22,633	\$ 21,495	\$ 44,128
Under-recovered purchased-gas costs	1 year	10,391	—	10,391
Pension and postemployment benefit costs	See Note 9	6,379	228,092	234,471
Reacquired debt costs	6 years	723	2,712	3,435
MGP remediation costs	15 years	98	31,893	31,991
Ad-valorem tax	1 year	14,533	—	14,533
WNA	1 year	11,404	—	11,404
Customer credit deferrals	1 year	6,184	—	6,184
Other	1 to 18 years	2,963	3,714	6,677
Total regulatory assets, net of amortization		75,308	287,906	363,214
Income tax rate changes	(a)	—	(500,478)	(500,478)
Over-recovered purchased-gas costs	1 year	(66,901)	—	(66,901)
Total regulatory liabilities		(66,901)	(500,478)	(567,379)
Net regulatory assets and liabilities		\$ 8,407	\$ (212,572)	\$ (204,165)

(a) Recovery period varies by jurisdiction. See discussion below for additional information regarding our regulatory assets related to winter weather event costs and regulatory liabilities related to income tax rate changes.

Regulatory assets in our consolidated balance sheets, as authorized by various regulatory authorities, are probable of recovery. Base rates and certain riders are designed to provide a recovery of costs during the period such 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 are subject to review by the respective regulatory authorities during future regulatory proceedings.

Winter weather event costs - At June 30, 2024, Texas Gas Service had deferred approximately \$ 14.5 million in extraordinary costs associated with Winter Storm Uri attributable to its former West Texas service area. Pursuant to the approved settlement order, Texas Gas Service began collecting the extraordinary costs, including carrying costs, from those customers in January 2022.

The deferred winter weather event costs also include invoiced costs for natural gas purchases during Winter Storm Uri that have not been paid as we work with our suppliers for Kansas and Texas to resolve discrepancies in invoiced amounts. These amounts may be adjusted as the differences with suppliers are resolved. Settlements of these amounts are recoverable through the purchased gas cost mechanisms in the respective state. Future adjustments to the amounts are not expected to have a material impact on earnings.

GAAP does not provide comprehensive recognition and measurement guidance for many forms of government assistance received by business entities. Accordingly, we have accounted for the proceeds received from the TNG Corporation by analogy to International Accounting Standards No. 20, "Accounting for Government Grants and Disclosure of Government Assistance" consistent with a grant related to income. The proceeds received and the corresponding recognition of the deferred regulatory asset have been reflected in the cost of natural gas in our consolidated statements of income. As the proceeds reflect the recovery of our winter weather event regulatory asset, there was no material impact to earnings.

Other regulatory assets and liabilities - 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.

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 the net periodic benefit cost for defined benefit pension and other postemployment costs. Differences, if any, between the net periodic benefit cost, net of deferrals, and the amount recovered through rates are reflected in earnings. 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.

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

See Note 12 for additional information regarding our regulatory assets for MGP remediation costs.

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

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 customers' bills for 12 months to refund the over-collected revenue or bill the under-collected revenue.

The customer credit deferrals and the noncurrent regulatory liability for income tax rate changes represents deferral of the effects of enacted federal and state income tax rate changes on our ADIT and the effects of these changes on our rates. See Note 10 for additional information regarding the impact of income tax rate changes.

Recovery through rates resulted in amortization of regulatory assets of approximately \$ 2.4 million and \$2.5 million for the three months ended June 30, 2024 and 2023, respectively, and approximately \$9.5 million and \$9.5 million for the six months ended June 30, 2024 and 2023, respectively.

4. CREDIT FACILITY AND SHORT-TERM DEBT

In July 2024, we increased the capacity of the commercial paper program to \$ 1.275 billion from \$1.2 billion. Other than the increased capacity, all other terms and conditions of the commercial paper program remain in full force and effect.

In June 2024, we entered into an agreement that increased the capacity of the ONE Gas Credit Agreement to \$ 1.275 billion from \$1.2 billion with commitments from existing lenders and the addition of a new lender. The maturity date March 16, 2028, remains unchanged.

Other than the increased commitments and the addition of a new lender, all other terms and conditions of the ONE Gas Credit Agreement remain in full force and effect.

The ONE Gas Credit Agreement provides for a \$ 1.275 billion revolving unsecured credit facility and includes a \$ 20 million letter of credit subfacility and a \$60 million swingline subfacility. We can request an increase in commitments of up to an additional \$ 225 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 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. At June 30, 2024, our total debt-to-capital ratio was 53 percent and we were in compliance with all covenants under the ONE Gas Credit Agreement. Excluding the debt of KGSS-I, which is non-recourse to us, our total debt-to-capital ratio was 51 percent. 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, our obligations under the ONE Gas Credit Agreement may be accelerated and the commitments may be terminated.

At June 30, 2024, we had \$1.4 million in letters of credit issued and no borrowings under the ONE Gas Credit Agreement, with approximately \$ 1.27 billion of remaining credit, which is available to repay our commercial paper borrowings.

Under our commercial paper program, we may issue unsecured commercial paper up to a maximum amount of \$ 1.275 billion to fund short-term borrowing needs. The maturities of the commercial paper vary but may not exceed 270 days from the date of issue. Commercial paper is generally sold at par less a discount representing an interest factor. At June 30, 2024 and December 31, 2023, we had \$1.0 billion and \$88.5 million of commercial paper outstanding with a weighted-average interest rate of 5.59 percent and 5.60 percent, respectively.

[Table of Contents](#)**5. LONG-TERM DEBT**

The table below presents a summary of our long-term debt outstanding for the periods indicated:

	Interest Rate	June 30, 2024	December 31, 2023
(Thousands of dollars)			
Senior Notes due:			
February 2024	3.610%	\$ —	\$ 300,000
March 2024	1.100%	—	473,000
April 2029	5.100%	300,000	300,000
May 2030	2.000%	300,000	300,000
September 2032	4.250%	300,000	300,000
February 2044	4.658%	600,000	600,000
November 2048	4.500%	400,000	400,000
Total Senior Notes		1,900,000	2,673,000
KGSS-I Securitized Utility Tariff Bonds	5.486%	301,503	315,284
Other	8.000%	1,232	1,238
Unamortized discounts on long-term debt		(7,356)	(7,615)
Debt issuance costs (a)		(20,261)	(21,092)
Total long-term debt, net		2,175,118	2,960,815
Less: current maturities of KGSS-I securitized utility tariff bonds, net		28,183	27,430
Less: current maturities of other long-term debt, net		13	772,984
Noncurrent portion of long-term debt, net		\$ 2,146,922	\$ 2,160,401

(a) Includes issuance costs and discounts for the KGSS-I Securitized Utility Tariff Bonds of \$1 million and \$5.3 million, at June 30, 2024 and December 31, 2023 respectively.

Senior Notes - 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.

Depending on the series, we may redeem our Senior Notes at par, plus accrued and unpaid interest to the redemption date, starting one month, three months or six months 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 Note plus accrued and unpaid interest to the redemption date. Senior Notes are senior unsecured obligations, ranking equally in right of payment with all of our existing and future unsecured senior indebtedness.

We repaid our \$300 million of 3.61 percent senior notes due February 2024 and our \$ 473 million of 1.10 percent senior notes due March 2024 upon maturity with commercial paper.

Securitized Utility Tariff Bonds - The KGSS-I Securitized Utility Tariff Bonds are governed by an indenture between KGSS-I and the indenture trustee. The indenture contains certain covenants that restrict KGSS-I's ability to sell, transfer, convey, exchange, or otherwise dispose of its assets. KGSS-I's assets cannot be used to settle ONE Gas' obligations and the holders of the Securitized Utility Tariff Bonds have no recourse against ONE Gas. See Note 14 for additional discussion of the Kansas securitization transaction.

6. EQUITY

In February 2023, we entered into an at-the-market equity distribution agreement under which we may issue and sell shares of our common stock with an aggregate offering price up to \$300 million. This at-the-market equity program replaced our previous at-the-market equity program, which began in February 2020, and expired in February 2023. Sales of common stock are made by means of ordinary brokers' transactions on the NYSE, in block transactions or as otherwise agreed to between us and the sales agent. We are under no obligation to offer and sell common stock under the program. At June 30, 2024, we had \$225.5 million of equity available for issuance under the program.

[Table of Contents](#)

The following table summarizes all of our outstanding forward sale agreements at June 30, 2024:

Maturity	Original Shares	Remaining Shares	Net Proceeds Available (in thousands)	Forward Price
December 31, 2024	926,465	926,465 \$	74,874 \$	80.82
December 31, 2024	2,000,000	1,257,000	97,259	77.37
December 31, 2024	1,200,000	1,200,000	89,268	74.39
December 31, 2024	180,000	180,000	13,382	74.34
Total forward sale agreements	4,306,465	3,563,465 \$	274,783 \$	77.11

Dividends Declared - In July 2024, we declared a dividend of \$ 0.66 per share (\$2.64 per share on an annualized basis) for shareholders of record as of August 14, 2024, payable on August 30, 2024.

7. ACCUMULATED OTHER COMPREHENSIVE LOSS

The following table sets forth the effect of reclassifications from accumulated other comprehensive loss in our consolidated statements of income for the periods indicated:

Details About Accumulated Other Comprehensive Loss (Income) Components	Three Months Ended		Six Months Ended		Affected Line Item in the Consolidated Statements of Income	
	June 30,		June 30,			
	2024	2023	2024	2023		
(Thousands of dollars)						
Pension and other postemployment benefit plan obligations (a)						
Amortization of net loss	\$ 1,442	\$ 490	\$ 2,884	\$ 980		
Amortization of unrecognized prior service cost	93	131	186	262		
	1,535	621	3,070	1,242		
Regulatory adjustments (b)	(1,536)	(621)	(3,071)	(1,242)		
Total pension and other postemployment benefit obligations	(1)	—	(1)	—		
Available-for-sale securities						
Unrealized holding gains (losses) on available-for-sale securities	10	—	(2)	—		
Realized gains (losses)	(10)	—	(10)	—		
Amounts reclassified from accumulated other comprehensive income	11	—	10	—		
Total available-for-sale securities	11	—	(2)	—	Income before income taxes	
	10	—	(3)	—	Income tax expense	
Total reclassifications for the period	\$ 8	\$ —	\$ (2)	\$ —	Net income	

(a) These components of accumulated other comprehensive loss are included in the computation of net periodic benefit cost. See Note 9 for additional detail of 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 3 for additional disclosures of regulatory assets and liabilities.

8. EARNINGS PER SHARE

Basic EPS is calculated by dividing net income by the daily weighted-average number of common shares outstanding during the periods presented, which includes fully vested stock awards that have not yet been issued as common stock. Diluted EPS is based on shares outstanding for the calculation of basic EPS, plus unvested stock awards granted under our compensation plans and equity forward sale agreements, but only to the extent these instruments dilute earnings per share.

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

Three Months Ended June 30, 2024			
	Income	Shares	Per Share Amount
(Thousands, except per share amounts)			
Basic EPS Calculation			
Net income available for common stock	\$ 27,243	56,750	\$ 0.48
Diluted EPS Calculation			
Effect of dilutive securities	—	77	
Net income available for common stock and common stock equivalents	\$ 27,243	56,827	\$ 0.48
Three Months Ended June 30, 2023			
	Income	Shares	Per Share Amount
(Thousands, except per share amounts)			
Basic EPS Calculation			
Net income available for common stock	\$ 32,689	55,566	\$ 0.59
Diluted EPS Calculation			
Effect of dilutive securities	—	348	
Net income available for common stock and common stock equivalents	\$ 32,689	55,914	\$ 0.58
Six Months Ended June 30, 2024			
	Income	Shares	Per Share Amount
(Thousands, except per share amounts)			
Basic EPS Calculation			
Net income available for common stock	\$ 126,560	56,740	\$ 2.23
Diluted EPS Calculation			
Effect of dilutive securities	—	73	
Net income available for common stock and common stock equivalents	\$ 126,560	56,813	\$ 2.23
Six Months Ended June 30, 2023			
	Income	Shares	Per Share Amount
(Thousands, except per share amounts)			
Basic EPS Calculation			
Net income available for common stock	\$ 135,310	55,552	\$ 2.43
Diluted EPS Calculation			
Effect of dilutive securities	—	305	
Net income available for common stock and common stock equivalents	\$ 135,310	55,857	\$ 2.42

9. EMPLOYEE BENEFIT PLANS

The following tables set forth the components of net periodic benefit cost for our pension and other postemployment benefit plans for the periods indicated:

	Pension Benefits				
	Three Months Ended		Six Months Ended		
	June 30,		June 30,		(Thousands of dollars)
	2024	2023	2024	2023	
Components of net periodic benefit credit					
Service cost	\$ 1,551	\$ 1,811	\$ 3,102	\$ 3,622	
Interest cost (a)	10,281	10,607	20,562	21,214	
Expected return on assets (a)	(14,757)	(14,879)	(29,514)	(29,758)	
Amortization of unrecognized prior service cost (a)	93	93	186	186	
Amortization of net loss (a)	1,446	502	2,892	1,004	
Net periodic benefit credit	\$ (1,386)	\$ (1,866)	\$ (2,772)	\$ (3,732)	

(a) These amounts, net of any amounts capitalized as a regulatory asset, have been recognized as other income (expense), net in the consolidated statement of income. See Note 11 for additional detail for our other income (expense), net.

	Other Postemployment Benefits				
	Three Months Ended		Six Months Ended		
	June 30,		June 30,		(Thousands of dollars)
	2024	2023	2024	2023	
Components of net periodic benefit cost (credit)					
Service cost	\$ 152	\$ 183	\$ 304	\$ 366	
Interest cost (a)	2,045	2,288	4,090	4,576	
Expected return on assets (a)	(2,284)	(2,432)	(4,568)	(4,864)	
Amortization of unrecognized prior service cost (credit) (a)	—	38	—	76	
Amortization of net gain (a)	(4)	(12)	(8)	(24)	
Net periodic benefit cost (credit)	\$ (91)	\$ 65	\$ (182)	\$ 130	

(a) These amounts, net of any amounts capitalized as a regulatory asset, have been recognized as other income (expense), net in the consolidated statement of income. See Note 11 for additional detail for our other income (expense), net.

We recover qualified pension benefit plan and other postemployment benefit plan costs through rates charged to our customers. Certain regulatory authorities require that the recovery of these costs be based on specific guidelines. The difference between these regulatory-based amounts and the periodic benefit cost calculated pursuant to GAAP is deferred as a regulatory asset or liability and amortized to expense over periods in which this difference will be recovered in rates, as authorized by the applicable regulatory authorities. For the six months ended June 30, 2024 and 2023, regulatory deferrals related to net periodic benefit cost were \$2.4 million and \$2.8 million, respectively.

We capitalize all eligible service cost and non-service cost components under the accounting requirements of ASC Topic 980 (Regulated Operations) for rate-regulated entities. Capitalized non-service costs reflected as a regulatory asset in our consolidated balance sheets were \$4.4 million at June 30, 2024, and \$2.2 million at December 31, 2023. See Note 3 of the Notes to Consolidated Financial Statements in this Quarterly Report for additional information.

10. INCOME TAXES

We use an estimated annual effective tax rate for purposes of determining the income tax provision during interim reporting periods. In calculating our estimated annual effective tax rate, we consider forecasted annual pre-tax income and estimated permanent book versus tax differences, as well as tax credits. Adjustments to the effective tax rate and estimates will occur as information and assumptions change.

At June 30, 2024, we have no uncertain tax positions. Changes in tax laws or tax rates are recognized in the financial reporting period that includes the enactment date. We are no longer subject to income tax examination for years prior to 2019.

Income tax expense reflects credits for the amortization of the regulatory liability associated with EDIT that was returned to customers of \$ 1.8 million and \$3.1 million for the three months ended June 30, 2024 and 2023, respectively, and \$ 11.9 million and \$13.0 million for the six months ended June 30, 2024 and 2023, respectively.

11. OTHER INCOME AND OTHER EXPENSE

The following table sets forth the components of other income and other expense for the periods indicated:

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2024	2023	2024	2023
(Thousands of dollars)				
Net periodic benefit other than service cost	\$ 547	\$ 963	\$ 1,556	\$ 1,871
Earnings on investments associated with nonqualified employee benefit plans	525	1,274	2,701	2,887
Other income (expense), net	(240)	(63)	83	(3)
Total other income, net	\$ 832	\$ 2,174	\$ 4,340	\$ 4,755

12. COMMITMENTS AND CONTINGENCIES

Environmental Matters - We are subject to multiple laws and regulations regarding protection of the environment and natural and cultural resources, 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, plant and wildlife protection, hazardous materials use, storage and 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 or the discovery of presently unknown environmental conditions 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 CAA 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 the three and six months ended June 30, 2024 and 2023.

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 are addressing removal of the source of soil contamination at all 12 sites and continue to monitor groundwater at seven of the 12 sites according to plans approved by the KDHE. Regulatory closure has been achieved at five of the 12 sites, but these sites remain subject to potential future requirements that may result in additional costs.

We have an AAO that allows Kansas Gas Service to defer and seek recovery of costs necessary for investigation and remediation at, and nearby, these 12 former MGP sites that are incurred after January 1, 2017, up to a cap of \$ 15.0 million, net of any related insurance recoveries. Costs approved for recovery 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. Following a determination that future investigation and remediation work approved by the KDHE exceeds \$15.0 million, net of any related insurance recoveries, Kansas Gas Service will be required to file an application with the KCC for approval to increase the \$15.0 million cap. In January 2024, we received \$1.5 million in insurance proceeds for remediation costs related to these sites. At June 30, 2024 and December 31, 2023, we have deferred \$30.5 million and \$32.0 million, respectively, for accrued investigation and remediation costs pursuant to our AAO. Kansas Gas Service expects to file an application for amounts deferred in excess of the cap as soon as practicable.

[Table of Contents](#)

We also own or retain legal responsibility for certain environmental conditions at a former MGP site in Texas. At the request of the TCEQ, we began investigating the level and extent of contamination associated with the site under their Texas Risk Reduction Program. A preliminary site investigation revealed that this site contains contaminants generally associated with MGP sites and is subject to control or remediation under various environmental laws and regulations. At June 30, 2024, estimated costs associated with expected remediation activities for this site are not material.

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 the three and six months ended June 30, 2024 and 2023. The reserve for remediation of our MGP sites was \$13.8 million and \$14.3 million at June 30, 2024 and December 31, 2023, respectively.

Pipeline Safety - We are subject to regulation under federal pipeline safety statutes and any analogous state regulations. These include safety requirements for the design, construction, operation, and maintenance of pipelines, including transmission and distribution pipelines. At the federal level, we are regulated by PHMSA. PHMSA regulations require the following for certain pipelines: inspection and maintenance plans; integrity management programs, including the determination of pipeline integrity risks and periodic assessments on certain pipeline segments; an operator qualification program, which includes certain trainings; a public awareness program that provides certain information; and a control room management plan.

As part of the Consolidated Appropriations Act, 2021, the PIPES Act reauthorized PHMSA through 2023 and directed the agency to move forward with several regulatory actions, including the "Pipeline Safety: Class Location Change Requirements" and the "Pipeline Safety: Safety of Gas Transmission and Gathering Pipelines" proposed rulemakings. Congress has also instructed PHMSA to issue final regulations that will require operators of new and existing transmission and distribution pipeline facilities to conduct certain leak detection and repair programs and to require facility inspection and maintenance plans to align with those regulations. To the extent such rulemakings impose more stringent requirements on our facilities, we may be required to incur expenditures that may be material.

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 outcome of such matters will not have a material adverse effect on our results of operations, financial position or cash flows.

13. DERIVATIVE FINANCIAL INSTRUMENTS AND FAIR VALUE MEASUREMENTS

Accounting Treatment - 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 requirements impose 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. We have not elected to designate any of our derivative instruments as hedges.

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

Accounting Treatment	Recognition and Measurement	
	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

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.

Derivative Instruments - Our derivatives are comprised of over-the-counter natural gas fixed price swaps and call options.

Swaps - At June 30, 2024, we held over-the-counter natural gas fixed-price swaps for the heating season ending March 2025, with a total notional amount of 9.45 Bcf. At December 31, 2023, we held over-the counter natural gas fixed-prices swaps for the heating season ending March 2024 with a total notional amount of 5.1 Bcf.

Options - At June 30, 2024, we held natural gas call options for the heating season ending March 2025, with the total notional amounts of 1.02 Bcf, for which we paid premiums of \$1.0 million. At December 31, 2023, we held purchased natural gas call options for the heating season ended March 2024, with total notional amounts of 0.5 Bcf, for which the premiums paid and the fair value were not material.

We have not designated any of our derivative instruments as accounting hedges. These contracts are included in, and recoverable through, our purchased-gas cost adjustment mechanisms. Additionally, premiums paid, changes in fair value and any settlements received associated with these contracts are deferred as part of our unrecovered purchased-gas costs in our consolidated balance sheets. There were no transfers between levels for the periods presented.

Other Financial Instruments - The approximate fair value of cash and cash equivalents, restricted cash and cash equivalents, accounts receivable and accounts payable is equal to book value, due to the short-term nature of these items. Commercial paper is due upon demand and, therefore, the carrying amounts approximate fair value.

[Table of Contents](#)

The following tables summarize, by level within the fair value hierarchy, our derivative and other assets and liabilities that were accounted for at fair value on a recurring basis at June 30, 2024 and December 31, 2023:

	June 30, 2024				
	Level 1	Level 2	Netting (c)	Total	
(Thousands of dollars)					
Assets:					
Derivative instruments - swaps (a)	\$ —	\$ 378	\$ (378)	\$ —	—
Derivative instruments - options (a)	—	191	—	—	191
United States treasury notes (b)	6,469	—	—	—	6,469
Corporate bonds (b)	—	10,439	—	—	10,439
Total assets	<u>\$ 6,469</u>	<u>\$ 11,008</u>	<u>\$ (378)</u>	<u>\$ 17,099</u>	
Liabilities:					
Derivative instruments - swaps (a)	\$ —	\$ 1,618	\$ (378)	\$ 1,240	—

(a) The fair value is included in other current assets and other current liabilities in our consolidated balance sheets.
 (b) The fair value is included in other current and noncurrent assets and other current and noncurrent liabilities in our consolidated balance sheets.
 (c) Our over-the-counter natural gas fixed-price swaps are presented on a net basis when the right of offset exists.

	December 31, 2023				
	Level 1	Level 2	Total		
(Thousands of dollars)					
Assets:					
United States treasury notes (b)	\$ 6,496	\$ —	\$ 6,496	\$ —	\$ 6,496
Corporate bonds (b)	—	11,080	—	11,080	11,080
Total assets	<u>\$ 6,496</u>	<u>\$ 11,080</u>	<u>\$ —</u>	<u>\$ 17,576</u>	
Liabilities:					
Derivative instruments - swaps (a)	\$ —	\$ 13,920	\$ —	\$ 13,920	\$ 13,920

(a) The fair value is included in other current assets and other current liabilities in our consolidated balance sheets.
 (b) The fair value is included in other current and noncurrent assets and other current and noncurrent liabilities in our consolidated balance sheets.

The estimated fair value of our long-term debt, including current maturities, was \$ 2.0 billion and \$2.8 billion at June 30, 2024 and December 31, 2023, respectively. The estimated fair value of our long-term debt was determined using quoted market prices, and is classified as Level 2.

14. VARIABLE INTEREST ENTITY

KGSS-I is a special-purpose, wholly owned subsidiary of ONE Gas that was formed for the purpose of issuing securitized bonds to recover extraordinary costs incurred by Kansas Gas Service resulting from Winter Storm Uri. On November 18, 2022, the securitized financing was complete. KGSS-I's assets cannot be used to settle ONE Gas' obligations and the holders of the Securitized Utility Tariff Bonds have no recourse against ONE Gas. See Note 5 for additional information about the securitization financing.

KGSS-I is considered to be a variable interest entity. As a result, KGSS-I is included in the consolidated financial statements of ONE Gas. No gain or loss was recognized upon initial consolidation.

The following table summarizes the impact of KGSS-I on our consolidated balance sheets, for the periods indicated:

	June 30, 2024	December 31, 2023
<i>(Thousands of dollars)</i>		
Restricted cash and cash equivalents	\$ 21,722	\$ 20,552
Accounts receivable	4,668	5,133
Securitized intangible asset, net	278,939	293,619
Total assets	\$ 305,329	\$ 319,304
Current maturities of securitized utility tariff bonds	28,183	27,430
Accounts payable	253	393
Accrued interest	6,892	7,207
Securitized utility tariff bonds, excluding current maturities, net of discounts and issuance costs \$.1 million and \$5.3 million, as of June 30, 2024 and December 31, 2023, respectively	268,233	282,506
Equity	1,768	1,768
Total liabilities and equity	\$ 305,329	\$ 319,304

The following table summarizes the impact of KGSS-I on our consolidated statements of income, for the periods indicated:

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2024	2023	2024	2023
<i>(Thousands of dollars)</i>				
Operating revenues	\$ 11,555	\$ 11,807	\$ 23,226	\$ 23,740
Operating expense	(110)	(109)	(221)	(219)
Amortization expense	(7,295)	(7,180)	(14,680)	(14,269)
Interest income	152	226	340	301
Interest expense	(4,266)	(4,744)	(8,593)	(9,553)
Income before income taxes	\$ 36	\$ —	\$ 72	\$ —

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis should be read in conjunction with our unaudited consolidated financial statements and the Notes to Consolidated Financial Statements in this Quarterly Report, as well as our Annual Report. Due to the seasonal nature of our business, the results of operations for the three and six months ended June 30, 2024, are not necessarily indicative of the results that may be expected for a 12-month period.

RECENT DEVELOPMENTS

Senior Notes - We repaid \$300 million of 3.61 percent senior notes due February 2024 and our \$473 million of 1.10 percent senior notes due March 2024 upon maturity with commercial paper.

Dividend - In July 2024, we declared a dividend of \$0.66 per share (\$2.64 per share on an annualized basis) for shareholders of record as of August 14, 2024, payable on August 30, 2024.

REGULATORY ACTIVITIES

Oklahoma - As required by our tariff, PBRC filings are made annually on or before March 15 until the next general rate case, which is required to be filed on or before June 30, 2027. On February 29, 2024, Oklahoma Natural Gas filed its required PBRC application for the year ended December 2023. The filed request included a \$31.8 million base rate revenue increase, \$2.4 million energy efficiency incentive, and \$12.8 million of estimated EDIT to be credited to customers in 2025. On May 31, 2024, a settlement in the case was filed with a proposed revenue increase of \$31.4 million. On June 4, 2024, a hearing was held at the conclusion of which the administrative law judge took the case under advisement. On July 15, 2024, the administrative law judge issued a report to the OCC recommending approval of the settlement agreement. Pursuant to its tariff, Oklahoma Natural Gas placed new rates into effect on June 28, 2024. These rates are interim subject to refund until a commission order is issued in the case. An order is expected in the third quarter of 2024.

Kansas - On March 1, 2024, Kansas Gas Service submitted an application to the KCC requesting an increase to its base rates reflecting investments in its natural gas distribution system, implementation of a performance-based ratemaking mechanism and residential rate design options that align with customer usage. On August 2, 2024, a unanimous settlement agreement was signed by all parties to the rate case and filed with the KCC. A hearing on the unanimous settlement agreement is scheduled for the week of August 12, 2024.

If the unanimous settlement agreement is approved by the KCC as filed, Kansas Gas Service's net base rates would increase \$35 million. Kansas Gas Service was already recovering \$35 million from customers through the GSRS; therefore, this settlement represents a total base rate increase of \$70 million. The unanimous settlement agreement stipulates a GSRS pre-tax carrying charge of 8.97 percent for subsequent GSRS filings. According to the Order Setting Procedural Schedule, the KCC will issue an order by October 25, 2024.

Texas - West-North Service Area - In March 2024, Texas Gas Service made a GRIP filing for all customers in the West-North service area, requesting an \$8.6 million increase to be effective in July 2024. In June of 2024, El Paso and Socorro denied the requested increase. Texas Gas Service filed an appeal of these denials to the RRC on July 8, 2024. All other municipalities, and the RRC, approved an increase of \$8.5 million or allowed it to take effect with no action. Texas Gas Service implemented new rates in July 2024, subject to adjustment depending upon the outcome of the appeal.

Central-Gulf Service Area - In February 2024, Texas Gas Service made a GRIP filing for all customers in the Central-Gulf service area, requesting a \$12.3 million increase to be effective in June 2024. In May 2024, the RRC and municipalities approved an increase of \$12.2 million, and new rates became effective in June 2024.

In June 2024, Texas Gas Service filed a rate case for all customers in the Central-Gulf service area, requesting a \$25.8 million increase. Texas Gas Service has invested approximately \$355 million in its Central-Gulf service area natural gas distribution system since its last Central-Gulf service area rate case was finalized in August 2020. A portion of this investment, approximately \$342 million, is currently recovered through GRIP. This filing is based on a 10.25 percent return on equity and a 59.6 percent common equity ratio. New rates are expected to take effect in late 2024.

Rio Grande Valley Service Area - In May 2024, Texas Gas Service made a GRIP filing for all customers in the Rio Grande Valley service area, requesting a \$3.7 million increase to be effective in August 2024.

FINANCIAL RESULTS AND OPERATING INFORMATION

We operate in one reportable business segment: regulated public utilities that deliver natural gas to residential, commercial and transportation customers. Our accounting policies are the same as described in Note 1 of the Notes to Consolidated Financial Statements in our Annual Report. We evaluate our financial performance principally on net income.

Selected Financial Results - For the three months ended June 30, 2024, net income was \$27.3 million, or \$0.48 per diluted share, compared with \$32.7 million, or \$0.58 per diluted share, in the same period last year. For the six months ended June 30, 2024, net income was \$126.6 million, or \$2.23 per diluted share, compared with \$135.3 million, or \$2.42 per diluted share, in the same period last year.

The following table sets forth certain selected financial results for our operations for the periods indicated:

Financial Results	Three Months Ended		Six Months Ended		Three Months		Six Months	
	June 30,		June 30,		2024 vs. 2023		2024 vs. 2023	
	2024	2023	2024	2023	Increase (Decrease)	Increase (Decrease)		
<i>(Millions of dollars, except percentages)</i>								
Natural gas sales	\$ 306.8	\$ 348.3	\$ 1,000.9	\$ 1,320.0	\$ (41.5)	(12)%	\$ (319.1)	(24)%
Transportation revenues	30.3	29.1	70.7	68.0	1.2	4 %	2.7	4 %
Securitization customer charges	11.5	11.8	23.2	23.7	(0.3)	(3)%	(0.5)	(2)%
Other revenues	5.6	8.9	17.7	18.6	(3.3)	(37)%	(0.9)	(5)%
Total revenues	\$ 354.2	\$ 398.1	\$ 1,112.5	\$ 1,430.3	\$ (43.9)	(11)%	\$ (317.8)	(22)%
Cost of natural gas	72.0	130.2	455.0	796.0	(58.2)	(45)%	(341.0)	(43)%
Operating costs	140.3	136.4	293.1	282.2	3.9	3 %	10.9	4 %
Depreciation and amortization	72.5	67.5	149.1	138.8	5.0	7 %	10.3	7 %
Operating income	\$ 69.4	\$ 64.0	\$ 215.3	\$ 213.3	\$ 5.4	8 %	\$ 2.0	1 %
Capital expenditures and asset removal costs	\$ 194.6	\$ 190.2	\$ 374.0	\$ 354.8	\$ 4.4	2 %	\$ 19.2	5 %

Natural gas sales to customers represent revenue from contracts with customers through implied contracts established by our tariffs and rates approved by regulatory authorities, as well as revenues from regulatory mechanisms related to natural gas sales. Additionally, natural gas sales include recovery of the cost of natural gas.

Our natural gas sales include fixed and variable charges related to the delivery of natural gas and gas costs that are passed through to our customers in accordance with our cost of natural gas regulatory mechanisms. Fixed charges reflect the portion of our natural gas sales attributable to the monthly fixed customer charge component of our rates, which does not fluctuate based on customer usage in each period. Variable charges reflect the portion of our natural gas sales that fluctuate with the volumes delivered and billed and the effects of weather normalization.

Transportation revenues represent revenue from contracts with customers through implied contracts established by our tariffs and rates approved by regulatory authorities, as well as tariff-based negotiated contracts.

Securitization customer charges represent revenue from contracts with customers through implied contracts established by the financing order approved by the KCC, related to the securitization of extraordinary costs incurred during Winter Storm Uri in the state of Kansas. See Note 14 of the Notes to Consolidated Financial Statements in this Quarterly Report for additional discussion of the securitization transaction in Kansas.

Other revenues include primarily miscellaneous service charges, which represent implied contracts with customers established by our tariffs and rates approved by regulatory authorities and other revenues from regulatory mechanisms.

Cost of natural gas includes commodity purchases, fuel, storage, transportation, hedging costs and settlement proceeds for natural gas price volatility mitigation programs approved by our regulators 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. These 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, operating income is not affected by fluctuations in the cost of natural gas.

[Table of Contents](#)

Operating income increased \$5.4 million for the three months ended June 30, 2024, compared with the same period last year, due primarily to the following:

- an increase of \$14.7 million from new rates; and
- an increase of \$1.6 million in residential sales due primarily to net customer growth in Oklahoma and Texas.

These increases were offset partially by:

- an increase of \$5.0 million in depreciation and amortization expense from additional capital investment;
- an increase of \$1.8 million in employee-related costs;
- an increase of \$1.8 million in outside services; and
- a decrease of \$1.3 million due to lower sales volumes, net of the impact of weather normalization mechanisms.

Operating income increased \$2.0 million for the six months ended June 30, 2024, compared with the same period last year, due primarily to the following:

- an increase of \$25.9 million from new rates; and
- an increase of \$3.0 million in residential sales due primarily to net customer growth in Oklahoma and Texas.

These increases were offset by:

- an increase of \$10.3 million of employee-related costs;
- an increase of \$10.3 million in depreciation and amortization expense from additional capital investment; and
- a decrease of \$4.9 million due to lower sales volumes, net of the impact of weather normalization mechanisms.

Weather across our service territories was 36 percent warmer than the prior year for the three months ended June 30, 2024 and 6 percent warmer than the prior year for the six months ended June 30, 2024. The impact on operating income was mitigated by our weather normalization mechanisms.

Other Factors Affecting Net Income - Other factors that affected net income for the three months ended June 30, 2024, compared to the same period last year, include a decrease of \$1.3 million in other income (expense), net due primarily to a \$0.4 million decrease in net periodic benefit costs other than service costs and a \$0.7 million decrease in the market value of investments associated with our nonqualified employee benefit plans.

Other factors that affected net income for the six months ended June 30, 2024, compared with the same period last year, include a decrease of \$0.4 million in other income (expense), net, due primarily to a \$0.3 million decrease in net periodic benefit costs other than service costs and a \$0.2 million decrease in the market value of investments associated with our nonqualified employee benefit plans.

Additionally, net income for the three and six months ended June 30, 2024, includes an increase in interest expense of \$9.5 million and \$10.7 million, respectively. The increase in interest expense is due primarily to the issuance of \$300 million of 5.10 percent senior notes in December 2023 and the repayment of \$300 million of 3.61 percent senior notes due February 2024 and \$473 million of 1.10 percent senior notes due March 2024 upon maturity with commercial paper.

EDIT - Income tax expense reflects credits for the amortization of the regulatory liability associated with EDIT that was returned to customers of \$1.8 million and \$3.1 million for the three months ended June 30, 2024 and 2023, respectively, and \$11.9 million and \$13.0 million for the six months ended June 30, 2024 and 2023, respectively.

Capital Expenditures and Asset Removal Costs - Our capital expenditures program includes expenditures for pipeline integrity, extending service to new areas, increasing system capabilities, pipeline replacements, automated meter reading, government-mandated pipeline relocations, fleet, facilities, IT assets, and cybersecurity. It is our practice to maintain and upgrade our infrastructure, facilities and systems to ensure safe, reliable, and efficient operations. Asset removal costs include expenditures associated with the replacement or retirement of long-lived assets that result from the construction, development and/or normal use of our assets, primarily our pipeline assets.

Capital expenditures and asset removal costs were \$4.4 million and \$19.2 million higher for the three and six months ended June 30, 2024, respectively, compared with the same period last year, due primarily to expenditures for system integrity and

[Table of Contents](#)

extension of service to new areas. Our full-year capital expenditures and asset removal costs are expected to be approximately \$750 million for 2024.

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

(in thousands)	Three Months Ended									Variances		
	June 30,									2024 vs. 2023		
	2024			2023			Increase (Decrease)					
Average Number of Customers	OK	KS	TX	Total	OK	KS	TX	Total	OK	KS	TX	Total
Residential	844	595	667	2,106	837	593	660	2,090	7	2	7	16
Commercial and industrial	77	51	35	163	77	50	36	163	—	1	(1)	—
Other	—	—	3	3	—	—	3	3	—	—	—	—
Transportation	5	6	1	12	5	6	1	12	—	—	—	—
Total customers	926	652	706	2,284	919	649	700	2,268	7	3	6	16

(in thousands)	Six Months Ended									Variances		
	June 30,									2024 vs. 2023		
	2024			2023			Increase (Decrease)					
Average Number of Customers	OK	KS	TX	Total	OK	KS	TX	Total	OK	KS	TX	Total
Residential	844	597	667	2,108	839	596	660	2,095	5	1	7	13
Commercial and industrial	78	51	35	164	78	50	36	164	—	1	(1)	—
Other	—	—	3	3	—	—	3	3	—	—	—	—
Transportation	5	6	1	12	5	6	1	12	—	—	—	—
Total customers	927	654	706	2,287	922	652	700	2,274	5	2	6	13

The increase in the average number of customers for the periods presented is due primarily to the connection of new customers resulting from the extension and expansion of our system in our service areas. For the three months ended June 30, 2024, our average customer count includes approximately 5,300 new customer connections during the period. For the six months ended June 30, 2024, our average customer count includes approximately 10,500 new customer connections during the period. For the year ended December 31, 2023, our average customer count included approximately 23,400 new customer connections.

The following table reflects total volumes delivered, excluding the effects of WNA mechanisms on sales volumes:

Volumes (MMcf)	Three Months Ended				Six Months Ended			
	June 30,		June 30,		2024		2023	
Natural gas sales								
Residential				10,564		12,823		62,917
Commercial and industrial				5,146		5,746		22,191
Other				248		363		1,304
Total sales volumes delivered				15,958		18,932		86,412
Transportation				52,267		52,823		115,666
Total volumes delivered				68,225		71,755		210,523

The impact of weather on residential and commercial natural gas sales is mitigated by WNA mechanisms in all jurisdictions.

[Table of Contents](#)

The following table sets forth the HDDs by state for the periods indicated:

HDDs	Three Months Ended						2024	2023		
	2024		2023		2024 vs. 2023					
	Actual	Normal	Actual	Normal	Actual Variance	Actual as a percent of Normal				
Oklahoma	117	230	234	228	(50) %	51 %	103 %			
Kansas	221	394	316	394	(30) %	56 %	80 %			
Texas	40	45	43	45	(7) %	89 %	96 %			

HDDs	Six Months Ended						2024	2023		
	2024		2023		2024 vs. 2023					
	Actual	Normal	Actual	Normal	Actual Variance	Actual as a percent of Normal				
Oklahoma	1,798	2,030	1,953	2,020	(8) %	89 %	97 %			
Kansas	2,422	2,854	2,567	2,854	(6) %	85 %	90 %			
Texas	899	1,004	945	1,030	(5) %	90 %	92 %			

Normal HDDs are established through rate proceedings in each of our jurisdictions for use primarily in weather normalization billing calculations. See further discussion on weather normalization in our Regulatory Overview section in Part 1, Item 1, "Business," of our Annual Report. Normal HDDs disclosed above are based on:

- *Oklahoma* - A 10-year weighted average as of June 30, 2021, as calculated using 11 weather stations across Oklahoma and weighted on average customer count.
- *Kansas* - A 30-year rolling average for years 1988-2017 calculated using three 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 service area.

Actual HDDs are based on the quarter-to-date weighted average of:

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

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 outcome of such matters will not have a material adverse effect on our results of operations, financial position or cash flows.

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.

Our stable cash flow and earnings profile is due to the significant residential component of our customer base, the fixed-charge component of our natural gas sales revenues and the rate mechanisms that we have in place. Additionally, we have rate mechanisms in place in our jurisdictions that reduce the lag in earning a return on our capital expenditures and provide for recovery of certain changes in our cost of service by allowing for adjustments to rates between rate cases. 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

[Table of Contents](#)

access capital markets for debt and equity financing under reasonable terms depends on market conditions, our financial condition and credit ratings.

Short-term Debt - In July 2024, we increased the capacity of the commercial paper program to \$1.275 billion from \$1.2 billion. We may issue unsecured commercial paper up to a maximum amount of \$1.275 billion to fund short-term borrowing needs. The maturities of the commercial paper vary but may not exceed 270 days from the date of issue. Commercial paper is generally sold at par less a discount representing an interest factor. At June 30, 2024 and December 31, 2023, we had \$1.0 billion and \$88.5 million of commercial paper outstanding with a weighted-average interest rate of 5.59 percent and 5.60 percent, respectively.

In June 2024, we entered into an agreement that increased the capacity of the ONE Gas Credit Agreement to \$1.275 billion from \$1.2 billion with commitments from existing lenders and the addition of a new lender. The ONE Gas Credit Agreement provides for a \$1.275 billion revolving unsecured credit facility and includes a \$20 million letter of credit subfacility and a \$60 million swingline subfacility. We can request an increase in commitments of up to an additional \$225 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 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. At June 30, 2024, our total debt-to-capital ratio was 53 percent and we were in compliance with all covenants under the ONE Gas Credit Agreement. Excluding the debt of KGSS-I, which is non-recourse to us, our total debt-to-capital ratio was 51 percent. 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.

At June 30, 2024, we had \$1.4 million in letters of credit issued and no borrowings under the ONE Gas Credit Agreement, with approximately \$1.27 billion of remaining credit, which is available to repay our commercial paper borrowings.

Senior Notes - We repaid our \$300 million of 3.61 percent senior notes due February 2024 and our \$473 million of 1.10 percent senior notes due March 2024 upon maturity with commercial paper.

At June 30, 2024, we had outstanding \$1.9 billion of Senior Notes with none due within the next year. 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.

Depending on the series, we may redeem our Senior Notes at par, plus accrued and unpaid interest to the redemption date, starting one month, three months or six months 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 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.

At June 30, 2024, our long-term debt-to-capital ratio was 44 percent. Excluding the debt of KGSS-I, which is non-recourse to us, our long-term debt-to-capital ratio was 40 percent. See Note 14 of the Notes to Consolidated Financial Statements in this Quarterly Report for information with respect to KGSS-I.

Credit Ratings - Our credit ratings at June 30, 2024, were:

Rating Agency	Rating	Outlook
Moody's	A3	Stable
S&P	A-	Stable

At June 30, 2024, our commercial paper was rated Prime-2 by Moody's and A-2 by S&P. We intend to maintain credit metrics at a level that supports our 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.

[Table of Contents](#)

Securitized Utility Tariff Bonds - At June 30, 2024, we had outstanding \$301.5 million of 5.486 percent KGSS-I Securitized Utility Tariff Bonds with \$28.2 million due within the next year. The bonds are governed by an indenture between KGSS-I and the indenture trustee. The indenture contains certain covenants that restrict KGSS-I's ability to sell, transfer, convey, exchange, or otherwise dispose of its assets.

Equity Issuances - The following table summarizes all of our outstanding forward sale agreements at June 30, 2024:

Maturity	Original Shares	Remaining Shares	Net Proceeds Available (in thousands)	Forward Price
December 31, 2024	926,465	926,465	\$ 74,874	\$ 80.82
December 31, 2024	2,000,000	1,257,000	97,259	77.37
December 31, 2024	1,200,000	1,200,000	89,268	74.39
December 31, 2024	180,000	180,000	13,382	74.34
Total forward sale agreements	4,306,465	3,563,465	\$ 274,783	77.11

Pension and Other Postemployment Benefit Plans - In 2024, our contributions are expected to be approximately \$1.4 million to our defined benefit pension plans, and no contributions are expected to be made to our other post employment benefit plans. We use a December 31 measurement date for our plans.

Information about our pension and other postemployment benefit plans, including anticipated contributions, is included under Note 11 of the Notes to Consolidated Financial Statements in our Annual Report. See Note 9 of the Notes to Consolidated Financial Statements in this Quarterly Report for additional information.

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:

	Six Months Ended			(Millions of dollars)	
	June 30,		Variance		
	2024	2023			
<i>Total cash provided by (used in):</i>					
Operating activities	\$ 250.9	\$ 748.7	\$ (497.8)		
Investing activities	(341.8)	(321.4)	(20.4)		
Financing activities	83.9	(406.1)	490.0		
Change in cash, cash equivalents, restricted cash and restricted cash equivalents	(7.0)	21.2	(28.2)		
Cash, cash equivalents, restricted cash and restricted cash equivalents at beginning of period	39.4	18.1	21.3		
Cash, cash equivalents, restricted cash and restricted cash equivalents at end of period	\$ 32.4	\$ 39.3	\$ (6.9)		

Operating Cash Flows - Changes in cash flows from operating activities are due primarily to changes in sales revenues, natural gas costs and operating expenses discussed in "Financial Results and Operating Information," the effects of Winter Storm Uri discussed in "Regulatory Activities" and changes in working capital. Changes in natural gas prices and demand for our services or natural gas, whether because of general economic conditions, variations in weather not mitigated by WNA mechanisms, 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.

Operating cash flows were lower for the six months ended June 30, 2024, compared with the prior period, due primarily to proceeds from government securitization of winter weather costs for Texas Gas Service in March 2023 and working capital changes related to accounts receivable and lower gas in storage.

Investing Cash Flows - Cash used in investing activities increased for the six months ended June 30, 2024, compared with the prior period, due primarily to an increase in capital expenditures for system integrity and extension of service to new areas.

Financing Cash Flows - Cash used in financing activities decreased for the six months ended June 30, 2024, compared with the prior period, due primarily to commercial paper borrowing in excess of repayments of long-term debt.

ENVIRONMENTAL, SAFETY AND REGULATORY MATTERS

Environmental Matters - We are subject to multiple laws and regulations regarding protection of the environment and natural and cultural resources, 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, plant and wildlife protection, hazardous materials use, storage and 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 or the discovery of presently unknown environmental conditions 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 CAA 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 the three and six months ended June 30, 2024 and 2023.

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 are addressing removal of the source of soil contamination at all 12 sites and continue to monitor groundwater at seven of the 12 sites according to plans approved by the KDHE. Regulatory closure has been achieved at five of the 12 sites, but these sites remain subject to potential future requirements that may result in additional costs.

We have an AAO that allows Kansas Gas Service to defer and seek recovery of costs necessary for investigation and remediation at, and nearby, these 12 former MGP sites that are incurred after January 1, 2017, up to a cap of \$15.0 million, net of any related insurance recoveries. Costs approved for recovery 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. Following a determination that future investigation and remediation work approved by the KDHE exceeds \$15.0 million, net of any related insurance recoveries, Kansas Gas Service will be required to file an application with the KCC for approval to increase the \$15.0 million cap. In January 2024, we received \$1.5 million in insurance proceeds for remediation costs related to these sites. At June 30, 2024 and December 31, 2023, we have deferred \$30.5 million and \$32.0 million, respectively, for accrued investigation and remediation costs pursuant to our AAO. Kansas Gas Service expects to file an application for amounts deferred in excess of the cap as soon as practicable.

We also own or retain legal responsibility for certain environmental conditions at a former MGP site in Texas. At the request of the TCEQ, we began investigating the level and extent of contamination associated with the site under their Texas Risk Reduction Program. A preliminary site investigation revealed that this site contains contaminants generally associated with MGP sites and is subject to control or remediation under various environmental laws and regulations. At June 30, 2024, estimated costs associated with expected remediation activities for this site are not material.

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 the six months ended June 30, 2024 and 2023. The reserve for remediation of our MGP sites was \$13.8 million and \$14.3 million at June 30, 2024 and December 31, 2023, respectively.

Environmental Footprint - 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 for the six months ended June 30, 2024 and 2023.

Pipeline Safety - We are subject to regulation under federal pipeline safety statutes and any analogous state regulations. These include safety requirements for the design, construction, operation, and maintenance of pipelines, including transmission and distribution pipelines. At the federal level, we are regulated by PHMSA. PHMSA regulations require the following for certain pipelines: inspection and maintenance plans; integrity management programs, including the determination of pipeline integrity risks and periodic assessments on certain pipeline segments; an operator qualification program, which includes certain trainings; a public awareness program that provides certain information; and a control room management plan.

As part of the Consolidated Appropriations Act, 2021, the PIPES Act reauthorized PHMSA through 2023 and directed the agency to move forward with several regulatory actions, including the "Pipeline Safety: Class Location Change Requirements" and the "Pipeline Safety: Safety of Gas Transmission and Gathering Pipelines" proposed rulemakings. Congress has also instructed PHMSA to issue final regulations that will require operators of non-rural gas gathering lines and new and existing transmission and distribution pipeline facilities to conduct certain leak detection and repair programs and to require facility inspection and maintenance plans to align with those regulations. To the extent such rulemakings impose more stringent requirements on our facilities, we may be required to incur expenditures that may be material.

Regulatory - Several regulatory initiatives impacted the earnings and future earnings potential of our business. See additional information regarding our regulatory initiatives in the "Regulatory Activities" section of 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, if any, is included in Note 1 of the Notes to Consolidated Financial Statements in this Quarterly Report.

CRITICAL ACCOUNTING 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 amounts 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 revenues and expenses during the reporting period. Although we believe these estimates and assumptions are reasonable, actual results could differ from our estimates.

Information about our estimates and critical accounting policies is included under Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations, "Critical Estimates and Accounting Policies," in our Annual Report.

FORWARD-LOOKING STATEMENTS

Some of the statements contained and incorporated in this Quarterly 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 and other statements in this Quarterly Report regarding our environmental, social and other sustainability plans and goals are not an indication that these statements are necessarily material to investors or required to be disclosed in our filings with the SEC. In addition, historical, current, and forward-looking environmental, social and sustainability-related statements may be based on standards for measuring progress that are still developing, internal controls and processes that continue to evolve, and assumptions that are subject to change in the future.

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 Quarterly 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 Quarterly 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, costs, liquidity, 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 costs, income taxes and amounts equivalent to the cost of property, plant and equipment, regulatory assets and our allowed rate of return in our regulated rates or other recovery mechanisms;
- cyber-attacks, which, according to experts, continue to increase in volume and sophistication, or breaches of technology systems that could disrupt our operations or result in the loss or exposure of confidential or sensitive customer, employee, vendor, counterparty or Company information; further, increased remote working arrangements have required enhancements and modifications to our IT infrastructure (e.g. Internet, Virtual Private Network, remote collaboration systems, etc.), and any failures of the technologies, including third-party service providers, that facilitate working remotely could limit our ability to conduct ordinary operations or expose us to increased risk or effect of an attack;
- 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 customers;
- the length and severity of a pandemic or other health crisis which could significantly disrupt or prevent us from operating our business in the ordinary course for an extended period;
- competition from alternative forms of energy, including, but not limited to, electricity, solar power, wind power, geothermal energy and biofuels;
- adverse weather conditions and variations in weather, including seasonal effects on demand and/or supply, the occurrence of severe storms in the territories in which we operate, and climate change, and the related effects on supply, demand, and costs;
- 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;
- our ability to complete necessary or desirable expansion or infrastructure development projects, which may delay or prevent us from serving our customers or expanding our business;
- operational and mechanical hazards or interruptions;
- adverse labor relations;
- the effectiveness of our strategies to reduce earnings lag, revenue protection strategies and risk mitigation strategies, which may be affected by risks beyond our control such as commodity price volatility, counterparty performance or creditworthiness and interest rate risk;
- the capital-intensive nature of our business, and the availability of and access to, in general, funds to meet our debt obligations prior to or when they become due and to fund our operations and capital expenditures, either through (i) cash on hand, (ii) operating cash flow, or (iii) access to the capital markets and other sources of liquidity;
- our ability to obtain capital on commercially reasonable terms, or on terms acceptable to us, or at all;
- limitations on our operating flexibility, earnings and cash flows due to restrictions in our financing arrangements;
- cross-default provisions in our borrowing arrangements, which may lead to our inability to satisfy all of our outstanding obligations in the event of a default on our part;
- 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 to execute our business strategy;
- 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 and any related financing required to support our purchase of natural gas supply;
- impact of potential impairment charges;
- volatility and changes in markets for natural gas and our ability to secure additional and sufficient liquidity on reasonable commercial terms to cover costs associated with such volatility;
- 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, including our counterparties maintaining ordinary course terms of supply and payments;
- changes in existing or the addition of new environmental, safety, tax, cybersecurity and other laws or regulations to which we and our subsidiaries are subject, including those that may require significant expenditures, significant increases in operating costs or, in the case of noncompliance, substantial fines or penalties;
- the effectiveness of our risk-management policies and procedures, and employees violating our risk-management policies;
- the uncertainty of estimates, including accruals and costs of environmental remediation;
- advances in technology, including technologies that increase efficiency or that improve electricity's competitive position relative to natural gas;
- population growth rates and changes in the demographic patterns of the markets we serve in Oklahoma, Kansas and Texas, and economic conditions in these areas;
- acts of nature and naturally occurring disasters;
- political unrest and the potential effects of threatened or actual terrorism and war;
- the sufficiency of insurance coverage to cover losses;
- the effects of our strategies to reduce tax payments;
- changes in accounting standards;
- changes in corporate governance standards;
- existence of material weaknesses in our internal controls;
- our ability to comply with all covenants in our indentures and the ONE Gas Credit Agreement, a violation of which, if not cured in a timely manner, could trigger a default of our obligations;
- our ability to attract and retain talented employees, management and directors, and shortage of skilled-labor;
- unexpected increases in the costs of providing health care benefits, along with pension and postemployment health care benefits, as well as 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; and
- our 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.

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 our 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 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our quantitative and qualitative disclosures about market risk are consistent with those discussed in Part II, Item 7A, Quantitative and Qualitative Disclosures About Market Risk, in our Annual Report.

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 through which we pass-through natural gas costs to our customers without profit. We may use fixed-price natural gas contracts or derivative instruments to hedge the cost of a portion of our anticipated natural gas purchases during the winter heating months to reduce the impact on our customers of upward market price volatility of natural gas. Additionally, we inject natural gas into storage during the warmer months, when natural gas prices are typically lower, and withdraw the natural gas during the colder months of the year. Gains or losses associated with these derivative instruments and the costs of our fixed-price natural gas contracts 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 commercial paper borrowings, borrowings under our credit agreement, and new debt financing needed to fund capital requirements, including future contractual obligations and maturities of long-term and short-term debt. We may 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 or other forms of collateral, when appropriate and allowed by tariff. With approximately 2.3 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. We are able to recover the fuel-related portion of bad debts through our purchased-gas cost adjustment mechanisms.

ITEM 4. CONTROLS AND PROCEDURES

Quarterly 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 Rules 13(a)-15(b) of the Exchange Act.

Changes in Internal Control Over Financial Reporting - There have been no changes in our internal control over financial reporting during the quarter ended June 30, 2024, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

ITEM 1. 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.

ITEM 1A. RISK FACTORS

Our investors should consider the risks set forth in Part I, Item 1A, Risk Factors, of our Annual Report 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 discussion of risks and the other information included or incorporated by reference in this Quarterly Report, including "Forward-Looking Statements," which are included in Part I, Item 2, Management's Discussion and Analysis of Financial Condition and Results of Operations.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Not applicable.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

Not applicable.

ITEM 6. EXHIBITS

Readers of this report should not rely on or assume the accuracy of any representation or warranty or the validity of any opinion contained in any agreement filed as an exhibit to this Quarterly Report, because such representation, warranty or opinion may be subject to exceptions and qualifications contained in separate disclosure schedules, may represent an allocation of risk between parties in the particular transaction, may be qualified by materiality standards that differ from what may be viewed as material for securities law purposes, or may no longer continue to be true as of any given date. All exhibits attached to this Quarterly Report are included for the purpose of complying with requirements of the SEC. Other than the certifications made by our officers pursuant to the Sarbanes-Oxley Act of 2002 included as exhibits to this Quarterly Report, all exhibits are included only to provide information to investors regarding their respective terms and should not be relied upon as constituting or providing any factual disclosures about us, any other persons, any state of affairs or other matters.

[Table of Contents](#)

The following exhibits are filed as part of this Quarterly Report:

<u>Exhibit No.</u>	<u>Exhibit Description</u>
3.1	Amended Certificate of Incorporation of ONE Gas, Inc., dated May 24, 2018 (incorporated by reference to Exhibit 3.1 to ONE Gas, Inc.'s Current Report on Form 8-K filed on May 30, 2018 (File No. 1-36108)).
3.2	Amended and Restated By-Laws of ONE Gas, Inc. dated February 21, 2023 (incorporated by reference to Exhibit 3.1 to ONE Gas, Inc.'s Current Report on Form 8-K filed on February 21, 2023 (File No. 1-36108)).
10.1	Lender Joinder and Commitment Agreement, dated as of June 27, 2024, among ONE Gas, Inc., Bank of America, N.A., as administrative agent, swing line lender and letter of credit issuer, Regions Bank, as lender and the letter of credit issuers parties thereto (incorporated by reference to Exhibit 10.1 to ONE Gas, Inc.'s Current Report on Form 8-K filed on June 28, 2024 (File No. 1-36108)).
31.1	Certification of Robert S. McAnnally pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Christopher P. Sighinolfi pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Robert S. McAnnally pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished only pursuant to Rule 13a-14(b)).
32.2	Certification of Christopher P. Sighinolfi pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished only pursuant to Rule 13a-14(b)).
101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL 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.
104	Cover Page Interactive Data File (embedded within the Inline XBRL document and contained in Exhibit 101).

Attached as Exhibit 101 to this Quarterly Report are the following XBRL-related documents: (i) Document and Entity Information; (ii) Consolidated Statements of Income for the six months ended June 30, 2024 and 2023; (iii) Consolidated Statements of Comprehensive Income for the six months ended June 30, 2024 and 2023; (iv) Consolidated Balance Sheets at June 30, 2024 and December 31, 2023; (v) Consolidated Statements of Cash Flows for the six months ended June 30, 2024 and 2023; (vi) Consolidated Statements of Equity for the six months ended June 30, 2024 and 2023; and (vii) Notes to Consolidated Financial Statements.

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

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, thereunto duly authorized.

Date: August 6, 2024

ONE Gas, Inc.
Registrant

By: /s/ Christopher P. Sighinolfi
Christopher P. Sighinolfi
Senior Vice President and
Chief Financial Officer
(Principal Financial Officer)

Certification

I, Robert S. McAnnally, certify that:

I have reviewed this quarterly report on Form 10-Q 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: August 6, 2024

/s/ Robert S. McAnnally

Robert S. McAnnally

Chief Executive Officer

Certification

I, Christopher P. Sighinolfi, certify that:

I have reviewed this quarterly report on Form 10-Q 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: August 6, 2024

/s/ Christopher P. Sighinolfi

Christopher P. Sighinolfi

Chief Financial Officer

**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 Quarterly Report on Form 10-Q of ONE Gas, Inc. (the "Registrant") for the period ending June 30, 2024, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Robert S. McAnnally, 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/ Robert S. McAnnally

Robert S. McAnnally
Chief Executive Officer

August 6, 2024

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.

**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 Quarterly Report on Form 10-Q of ONE Gas, Inc. (the "Registrant") for the period ending June 30, 2024, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Christopher P. Sighinolfi, 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/ Christopher P. Sighinolfi

Christopher P. Sighinolfi
Chief Financial Officer

August 6, 2024

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.