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

FORM 10-K

X ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2018 .
OR
__ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____.

Commission file number 001-36108

ONE Gas, Inc.

(Exact name of registrant as specified in its charter)

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

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

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

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

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

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

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

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

Indicate by check mark whether the registrant has submitted electronically 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 X No _

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

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

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

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

The aggregate market value of the equity securities held by nonaffiliates based on the closing trade price of the registrant on June 30, 2018 , was $3.7 billion .

On February 8, 2019 , we had 52,573,267 shares of common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE:

Portions of the definitive proxy statement to be delivered to shareholders in connection with the Annual Meeting of Shareholders to be held May 23, 2019 , are incorporated by reference in Part III.

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

GLOSSARY

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

AAO	Accounting Authority Order
ADIT	Accumulated deferred income tax
ACA	Annual Cost Adjustment
AFUDC	Allowance for funds used during construction
Annual Report	Annual Report on Form 10-K for the year ended December 31, 2018
ASC	Accounting Standards Codification
ASU	Accounting Standards Update
ATSR	Ad-Valorem Tax Surcharge Rider
Bcf	Billion cubic feet
CERCLA	Federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended
CFTC	Commodities Futures Trading Commission
Clean Air Act	Federal Clean Air Act, as amended
Clean Water Act	Federal Water Pollution Control Amendments of 1972, as amended
CNG	Compressed natural gas
Code	Internal Revenue Code of 1986, as amended
COG	Cost of gas
COGR	Cost of gas rider
COSA	Cost-of-Service Adjustment
DOT	United States Department of Transportation
Dth	Dekatherm
ECP	The ONE Gas, Inc. Amended and Restated Equity Compensation Plan (2018)
EPA	United States Environmental Protection Agency
EPARR	El Paso Annual Rate Review
EPS	Earnings per share
EPSA	El Paso Service Area
ESPP	The ONE Gas, Inc. Employee Stock Purchase Plan
Exchange Act	Securities Exchange Act of 1934, as amended
FASB	Financial Accounting Standards Board
FERC	Federal Energy Regulatory Commission
GAAP	Accounting principles generally accepted in the United States of America
GPAC	Gas Pipeline Advisory Committee
GRIP	Texas Gas Reliability Infrastructure Program
GSRS	Gas System Reliability Surcharge
Heating Degree Day or HDD	A measure designed to reflect the demand for energy needed for heating based on the extent to which the daily average temperature falls below a reference temperature for which no heating is required, usually 65 degrees Fahrenheit
IRS	U.S. Internal Revenue Service
IRS Ruling	Private Letter Ruling from IRS
KCC	Kansas Corporation Commission
KDHE	Kansas Department of Health and Environment
kWh	Kilowatt hour
LDC	Local distribution company
LIBOR	London Interbank Offered Rate
MGP	Manufactured gas plant
MMcf	Million cubic feet
Moody’s	Moody’s Investors Service, Inc.
Net Margin	Non-GAAP measure defined as total revenues less cost of natural gas
NOL	Net operating loss
NPRM	Notice of proposed rulemaking
NYMEX	New York Mercantile Exchange

NYSE	New York Stock Exchange
OCC	Oklahoma Corporation Commission
ONE Gas	ONE Gas, Inc.
ONE Gas Credit Agreement	ONE Gas' $700 million amended and restated revolving credit agreement, which expires on October 5, 2023
ONEOK	ONEOK, Inc. and its subsidiaries
OSHA	Occupational Safety and Health Administration
PBRC	Performance-Based Rate Change
PGA	Purchased Gas Adjustment
PHMSA	United States Department of Transportation Pipeline and Hazardous Materials Safety Administration
Pipeline Safety Improvement Act	Pipeline Safety Improvement Act of 2002, as amended
Pipeline Safety, Regulatory Certainty and Job Creation Act	Pipeline Safety, Regulatory Certainty and Job Creation Act of 2011, as amended
ROE	Return on equity calculated consistent with utility ratemaking principles in each jurisdiction in which we operate
RRC	Railroad Commission of Texas
S&P	Standard and Poor's Rating Services
SAB	Staff Accounting Bulletin
SEC	Securities and Exchange Commission
Securities Act	Securities Act of 1933, as amended
Senior Notes	ONE Gas' registered notes consisting of $300 million of 3.61 percent senior notes due 2024, $600 million of 4.658 percent notes due 2044, and $400 million of 4.50 percent senior notes due 2048
Separation and Distribution Agreement	Separation and Distribution Agreement dated January 14, 2014, between ONEOK and ONE Gas
TAC	Temperature Adjustment Clause
WNA	Weather normalization adjustments
XBRL	eXtensible Business Reporting Language

The statements in this Annual Report that are not historical information, including statements concerning plans and objectives of management for future operations, economic performance or related assumptions, are forward-looking statements. Forward-looking statements may include words such as "anticipate," "estimate," "expect," "project," "intend," "plan," "believe," "should," "goal," "forecast," "guidance," "could," "may," "continue," "might," "potential," "scheduled" and other words and terms of similar meaning. Although we believe that our expectations regarding future events are based on reasonable assumptions, we can give no assurance that such expectations and assumptions will be achieved. Important factors that could cause actual results to differ materially from those in the forward-looking statements are described under Part I, Item 1A, Risk Factors, and Part II, Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operation, Forward-Looking Statements, in this Annual Report.

PART I

ITEM 1. BUSINESS

OUR BUSINESS

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

We provide natural gas distribution services to our 2.2 million customers and are the largest natural gas distributor in Oklahoma and Kansas and the third largest in Texas, in terms of customers. We serve residential, commercial and industrial, transportation and wholesale, and public authority customers in all three states. Our largest natural gas distribution markets in terms of customers are Oklahoma City and Tulsa, Oklahoma; Kansas City, Wichita and Topeka, Kansas; and Austin and El Paso, Texas. Our three divisions, Oklahoma Natural Gas, Kansas Gas Service and Texas Gas Service, distribute natural gas to approximately 88 percent, 72 percent and 13 percent of the natural gas distribution customers in Oklahoma, Kansas and Texas, respectively.

OUR STRATEGY

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

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

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

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

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

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

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

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

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

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

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

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

REGULATORY OVERVIEW

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

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

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

Oklahoma - Oklahoma Natural Gas currently operates under a PBRC mechanism, which provides for streamlined annual rate reviews between rate cases and includes adjustments for incremental capital investment and allowed expenses. Under this mechanism, we have an authorized ROE of 9.5 percent, with a 100 basis point dead-band of 9 to 10 percent. If our achieved ROE is below 9 percent, our base rates are increased upon OCC approval to an amount necessary to restore the ROE to 9.5 percent. If our achieved ROE exceeds 10 percent, the portion of the earnings that exceeds 10 percent is shared with our customers, who receive the benefit of 75 percent of those earnings. We receive the benefit of the remaining 25 percent. Oklahoma Natural Gas is required to file a rate case on or before June 30, 2021, based on a test year consisting of the twelve months ending December 31, 2020. Other regulatory mechanisms in Oklahoma include the following:

- Rate Design for Residential Customers - Oklahoma Natural Gas has an authorized rate structure providing customers with two rate choices. Rate Choice “A” is designed for customers whose annual normalized volume is less than 50 Dth. These customers pay a fixed monthly service charge and a per Dth delivery fee. Although a portion of the delivery charges for customers in Rate Choice “A” is dependent on usage, these customers use relatively small quantities of natural gas and therefore the delivery charge that is dependent on usage is not significant. The fixed monthly residential customer charge is $15.77, with a delivery fee of $4.1143 per Dth for these customers. Rate

Choice “B” is designed for customers whose annual normalized volume is 50 Dth or greater. These customers pay a fixed monthly service charge of $32.91, with no delivery fee. At December 31, 2018 , 71 percent of Oklahoma Natural Gas’ residential customers were on Rate Choice “B.”

- Rate Design for Commercial and Industrial Customers - Oklahoma Natural Gas is authorized to provide two different rate choices for its Small Commercial and Industrial, or SCI, customers. Rate Choice “A” is designed for SCI customers whose annual normalized volume is less than 40 Dth. These customers pay both a fixed monthly service charge of $21.65 and a delivery fee of $4.5599 per Dth. Rate Choice “B” is designed for SCI customers whose annual normalized volume is 40 Dth or greater but less than 150 Dth. These customers pay a fixed monthly service charge of $36.85, with no delivery fee. All of Oklahoma Natural Gas’ Large Commercial and Industrial, or LCI, customers, whose annual volume is 150 Dth or greater, but less than 5,000 Dth, pay a fixed monthly service charge of $88.92. At December 31, 2018 , 80 percent of Oklahoma Natural Gas’ commercial and industrial customers were on either SCI Rate Choice “B” or LCI.
- PGA Clause - Oklahoma Natural Gas’ commodity, transportation, storage and gas purchase operations and maintenance costs are passed through to its sales customers, without profit, via the PGA. Any costs associated with natural gas that is lost, used or unaccounted for in operations and the fuel-related portion of bad debts are also recovered through the PGA.
- TAC - The TAC is a weather normalization mechanism designed to reduce the delivery charge component of customers’ bills for the additional volumes used when actual HDDs exceed normalized HDDs and to increase the delivery charge component of customers’ bills for volumes not used when actual HDDs are less than the normal HDDs. Normalized HDDs established through our most recent rate proceeding are based on 10-year weighted average HDDs as of December 31, 2014, for years 2005-2014, as calculated using 11 weather stations across Oklahoma and weighted on average customer count for Oklahoma. The TAC is in effect from November through April.
- Energy Efficiency Programs - Oklahoma Natural Gas has energy efficiency programs, available to all sales customers. The costs associated with these programs and an incentive to offer these programs are recovered through a monthly surcharge on customer bills. Oklahoma Natural Gas collects approximately $15.4 million each year from sales customers to fund the programs, which provides rebates for energy-efficient natural gas appliances.
- CNG Rebate Program - The CNG rebate program is designed to promote and support the CNG market in the state of Oklahoma by offering rebates to Oklahoma residents and companies who purchase dedicated and bi-fueled natural gas vehicles or install residential CNG fueling stations. The rebates are funded by a $0.25 per gasoline gallon equivalent surcharge that Oklahoma Natural Gas is authorized to collect on fuel purchased from publicly accessible CNG dispensers owned by Oklahoma Natural Gas. Collections from the surcharge to fund the program were not material in 2018 .

For the year ended December 31, 2018 , approximately 86 percent o f Oklahoma Natural Gas’ Net Margin from its sales customers was recovered from fixed charges.

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

- COGR and ACA - These mechanisms allow Kansas Gas Service to recover the actual cost of the natural gas it sells to its customers. The COGR includes a monthly estimate of the cost Kansas Gas Service incurs in transporting, storing and purchasing natural gas supply for its sales customers, the ACA and other charges and credits. The ACA is an annual component of the COGR that compares the cost of gas recovered through the COGR for the preceding year with the actual natural gas supply costs and the fuel-related portion of bad debts for the same period. Any over- or under-recovery is reflected in the subsequent year’s COGR.
- WNA Clause - In 2016, the WNA Clause required Kansas Gas Service to accrue the variation in delivery charges resulting from actual weather differing from normal weather occurring from November through March. Beginning in April 2017, the WNA mechanism requires an accrual each month of the year. The WNA is designed to reduce the delivery charge component of customers’ bills for the additional volumes used when actual HDDs exceed normalized HDDs and to increase the delivery charge component of customers’ bills for the reduction in volumes used when actual HDDs are less than normal HDDs. Normal HDDs are established through rate proceedings and are based on a 30-year average for years 1981-2010 published by the National Oceanic and Atmospheric Administration, as calculated using four weather stations across Kansas and weighted on HDDs by weather station and customers for Kansas. Annually, the amount of the adjustment is determined and is then applied to customers’ bills over the subsequent 12-month period.
- ATSR - This rider requires Kansas Gas Service to recover the difference each year between the property tax costs included in its base rates and its actual property tax costs incurred without having to file a rate case. The amount of

the adjustment is determined annually and recovered over the subsequent 12 months as a change in the delivery charge component of customers' bills.

- Pension and Other Postemployment Benefits Trackers - These trackers require Kansas Gas Service to track and defer for recovery in its next rate case the difference between the pension and other postemployment benefit costs included in base rates and actual expense as determined in accordance with GAAP.
- MGP Remediation Expense Tracker - This tracker allows Kansas Gas Service to record and defer for recovery expenses incurred after January 1, 2017, related to MGP site remediation. Kansas Gas Service is allowed to seek recovery of its costs within a general rate case application. In the first such rate case application, approved MGP costs will be amortized over 15 years.
- GSRS - This surcharge allows Kansas Gas Service to file for a rate adjustment providing a recovery of and return on qualifying infrastructure investments incurred between rate case filings, including all investments to replace, upgrade or modernize obsolete facilities, as well as projects that enhance the integrity of pipeline system components or extend the useful life of such assets. Safety-related investments also include expenditures for physical and cyber security. The filing cannot occur more often than once every 12 months and the rate adjustment cannot increase the monthly charge by more than $0.80 per residential customer per month compared with the most recent GSRS filing. After five annual filings, Kansas Gas Service is required to file a rate case or cease collection of the surcharge.

The fixed monthly residential customer charge for Kansas Gas Service was $16.70, and for the year ended December 31, 2018 , approximately 54 percent of Kansas Gas Service's Net Margin from its sales customers was recovered from fixed charges.

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

- GRIP Statute - For the incorporated cities in three of the service areas and for the environs in all six service areas, comprising 81 percent of Texas Gas Service's customers, Texas Gas Service makes an annual filing under the GRIP statute, which allows it to recover taxes and depreciation and to earn a return on the annual net increase in investment for the service area. After five annual GRIP filings, Texas Gas Service is required to file a full rate case. A full rate case may be filed at shorter intervals if desired by either Texas Gas Service or the regulator.
- COSA Filings - In three of the service areas, comprising 19 percent of its customers, Texas Gas Service makes an annual COSA filing for the incorporated cities. COSA tariffs permit Texas Gas Service to recover return, taxes and depreciation on the annual increases in net investment, as well as annual increases or decreases in certain expenses and revenues. The COSAs have a cap of 3.25 percent to 5 percent on the expense portion of the increase. A full rate case may be filed when desired by Texas Gas Service or the regulator, but is not required.
- WNA Clause - Texas Gas Service employs WNA clauses in all six service areas. The WNA clause is designed to reduce the delivery charge component of customers' bills for the additional volumes used when actual HDDs exceed normalized HDDs and to increase the delivery charge component of customers' bills for the reduction in volumes used when actual HDDs are less than normal HDDs. Normal HDDs are established through rate proceedings in each of our service areas and are generally based on a 10-year average of HDDs in each service area. The WNA clause is in effect from September through May.
- COG Clause - In all service areas, Texas Gas Service recovers 100 percent of its natural gas costs, including transportation and storage costs, interest on natural gas in storage and the natural gas cost component of bad debts, subject to a limitation of 5 percent on lost-and-unaccounted-for natural gas. Annually, natural gas costs recovered through the COG are compared with actual natural gas supply costs. Any over- or under-recovery is refunded or recovered, as applicable, in the subsequent year.
- Pension and Other Postemployment Benefits - Texas Gas Service is authorized by statute to defer pension and other postemployment benefit costs that exceed the amount recovered in base rates and to seek recovery of the deferred costs in a future rate case.
- Pipeline-Integrity Testing Riders - Texas Gas Service recovers 100 percent of its non-labor related pipeline-integrity testing expenses via riders.
- Safety-Related Plant Replacements - Texas Gas Service is authorized by RRC rule to defer interest cost, taxes and depreciation expense on safety-related plant replacements from the time the replacements are in service until the plant is reflected in base rates, and to seek recovery of those accrued amounts in a future rate proceeding.
- Energy Conservation Programs - Texas Gas Service has energy conservation programs in the incorporated cities of our Central Texas and Rio Grande Valley service areas, comprising 46 percent of total customers. Texas Gas Service collects approximately $3.5 million per year from customers to fund the programs, which provide energy audits, weatherization and appliance rebates to promote energy conservation.

The average fixed monthly residential customer charge for Texas Gas Service was $16.85. For the year ended December 31, 2018 , approximately 68 percent of Texas Gas Service's Net Margin from its sales customers was recovered from fixed charges.

MARKET CONDITIONS AND SEASONALITY

Supply - We purchased 180 Bcf and 137 Bcf of natural gas supply in 2018 and 2017 , respectively. Our natural gas supply portfolio consists of long-term, seasonal and short-term contracts from a diverse group of suppliers. We award these contracts through competitive-bidding processes to ensure reliable and competitively priced natural gas supply. We acquire our natural gas supply from natural gas processors, marketers and producers.

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

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

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

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

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

As of December 31, 2018 , we had 48.4 Bcf of natural gas storage capacity under contract with remaining terms ranging from one to ten years and maximum allowable daily withdrawal capacity of approximately 1.3 Bcf. This storage capacity allows us to purchase natural gas during the off-peak season and store it for use in the winter periods. This storage is also needed to assure the reliability of gas deliveries during peak demands for natural gas. Approximately 26 percent of our winter natural gas supply needs for our sales customers is expected to be supplied from storage.

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

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

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

Competition - We encounter competition based on customers' preference for natural gas, compared with other energy alternatives and their comparative prices. We compete primarily to supply energy for space and water heating, cooking and clothes drying. Significant energy usage competition occurs between natural gas and electricity in the residential and small

commercial markets. Customers and builders typically make the decision on the type of equipment, and therefore the energy source, at initial installation, generally locking in the chosen energy source for the life of the equipment. Changes in the competitive position of natural gas relative to electricity and other energy alternatives have the potential to cause a decline in consumption of natural gas or in the number of natural gas customers.

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

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

Natural Gas vs. Electricity	Oklahoma	Kansas	Texas
Average retail price of electricity / kWh [1]	10.34¢	13.23¢	11.40¢
ONE Gas delivered cost of natural gas / kWh [2]	3.16¢	3.15¢	3.76¢
Natural gas advantage ratio [3]	3.3x	4.2x	3.0x

(1) Source: United States Energy Information Agency, www.eia.gov, for the eleven-month period ended November 30, 2018 .
(2) Represents the average delivered cost of natural gas per kWh equivalent to a residential customer, including the cost of the natural gas supplied, fixed customer charge, delivery charges and charges for riders, surcharges and other regulatory mechanisms associated with the services we provide, for the year ended December 31, 2018 .
(3) Calculated as the ratio of the ONE Gas delivered average cost of natural gas per kWh equivalent to the average retail price of electricity per kWh.

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

CNG - In meeting demand for CNG for motor vehicle transportation, particularly from fleet operators, we have continued to invest in our system to support the supply of natural gas to CNG fueling stations. As of December 31, 2018 , we supply 151 fueling stations, 31 of which we operate. Of the 120 remaining stations, 68 are retail and 52 are private stations. We transported 2.9 million Dth to CNG stations in 2018 , which represents an increase of 9 percent compared with 2017 .

We will continue to support industry efforts to continue tax incentives for CNG. Our strategy is to support third-party investment in CNG fueling stations. We deploy a minimum amount of capital to connect CNG stations and allow the free market to build and operate the stations.

ENVIRONMENTAL AND SAFETY MATTERS

See Note 15 of the Notes to Consolidated Financial Statements and Management's Discussion and Analysis of Financial Condition and Results of Operations in this Annual Report for information regarding environmental and safety matters.

EMPLOYEES

We employed approximately 3,500 people at February 1, 2019 , including approximately 700 people at Kansas Gas Service who are subject to collective bargaining agreements. The following table sets forth our contracts with collective bargaining units at February 1, 2019 :

Union	Approximate Employees	Contract Expires
The United Steelworkers	400	October 31, 2019
International Brotherhood of Electrical Workers ("IBEW")	300	June 30, 2021

EXECUTIVE OFFICERS OF THE REGISTRANT

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

Name	Age*		Business Experience in Past Five Years
Pierce H. Norton II	58	2014 to present	President, Chief Executive Officer and Director
Curtis L. Dinan	51	2018 to present	Senior Vice President and Chief Financial Officer
		2014 to 2018	Senior Vice President, Chief Financial Officer and Treasurer
Joseph L. McCormick	59	2014 to present	Senior Vice President, General Counsel and Assistant Secretary
Caron A. Lawhorn	57	2014 to present	Senior Vice President, Commercial
Robert S. McAnnally	55	2015 to present	Senior Vice President, Operations
		2014 to 2015	Senior Vice President, Marketing and Customer Service, Alabama Gas Corporation, a subsidiary of The Laclede Group, Inc. (now Spire Inc.)
Mark A. Bender	54	2015 to present	Senior Vice President, Administration and Chief Information Officer
		2014 to 2015	Vice President and Chief Information Officer
Jeffrey J. Husen	47	2018 to present	Vice President, Chief Accounting Officer and Controller
		2014 to 2018	Controller

* As of January 1, 2019

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

AVAILABLE INFORMATION

We make available, free of charge, on our website (www.onegas.com) copies of our Annual Report, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, amendments to those reports filed or furnished to the SEC pursuant to Section 13(a) or 15(d) of the Exchange Act and reports of holdings of our securities filed by our officers and directors under Section 16 of the Exchange Act as soon as reasonably practicable after filing such material electronically or otherwise furnishing it to the SEC, which also makes these materials available on its website (www.sec.gov) . Copies of 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 Corporate Responsibility 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 public investors. Information contained on our website, posted on or disseminated through our social media accounts are not incorporated by reference into this report.

ITEM 1A. RISK FACTORS

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

RISK FACTORS INHERENT IN OUR BUSINESS

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

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

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

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

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

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

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

The profitability of our operations is dependent on our ability to recover costs, including income taxes, related to providing natural gas to our customers by filing periodic rate cases. The regulatory environment applicable to our operations could impair our ability to recover costs historically included in the rates billed to our customers. In addition, as the regulatory environment applicable to our operations increases in complexity, the risk of inadvertent noncompliance could also increase. Our failure to comply with applicable laws and regulations could result in the imposition of fines, penalties or other enforcement action by the authorities that regulate our operations that would not be recoverable in our rates.

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

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

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

Unfavorable economic and market conditions could adversely affect our earnings.

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

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

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

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

Further, higher and more volatile natural gas prices may adversely impact our customers' perception of natural gas. Substantial fluctuations in natural gas prices can occur from year to year and sustained periods of high natural gas prices or of pronounced natural gas price volatility may lead to customers selecting other energy alternatives, such as electricity, and to increased scrutiny of the prudency of our natural gas procurement strategies and practices by our regulators. It may also cause new home developers, builders and new customers to select alternative sources of energy. Additionally, high natural gas prices may cause customers to conserve more and may also adversely impact our accounts receivable collections, resulting in higher bad debt expense. The occurrence of any of the foregoing could adversely affect our business, financial condition, results of operations and cash flows, as well as our future growth opportunities.

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

We have implemented a set of policies and procedures that involve both our senior management and the Audit Committee of our Board of Directors to assist us in managing risks associated with our business. These risk-management policies and procedures are intended to align strategies, processes, people, information technology and business knowledge so that risk is

managed throughout the organization. However, as conditions change and become more complex, current risk measures may fail to assess adequately the relevant risk due to changes in the market and the presence of risks previously unknown to us. Additionally, if employees fail to adhere to our policies and procedures or if our policies and procedures are not effective, potentially because of future conditions or risks outside of our control, we may be exposed to greater risk than we had intended. Ineffective risk-management policies and procedures or violation of risk-management policies and procedures could have an adverse effect on our earnings, financial condition and cash flows.

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

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

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

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

Our business activities are concentrated in three states.

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

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

In order to meet customers' natural gas demands, we rely on and must obtain sufficient natural gas supplies, pipeline transportation and storage capacity from third parties. We must contract for reliable and adequate delivery capacity for our distribution system, while considering the dynamics of the interstate and intrastate pipeline capacity markets, our own in-system resources, as well as the characteristics of our customer base. If we are unable to obtain these, our ability to meet our customers' natural gas requirements could be impaired and our financial condition, cash flow and results of operations may be impacted adversely. A significant disruption to or reduction in natural gas supply, pipeline capacity or storage capacity due to events including, but not limited to, operational failures or disruptions, hurricanes, tornadoes, floods, freeze off of natural gas wells, terrorist or cyber-attacks or other acts of war, or legislative or regulatory actions, could reduce our normal supply of natural gas and thereby reduce our earnings.

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

Our ability to obtain adequate and cost-effective financing depends in part on our credit ratings. Our credit ratings are subject to change at any time in the discretion of the applicable rating agencies. Numerous factors, including many of which are not within our control, are considered by the rating agencies in connection with assigning credit ratings. A reduction in our ratings

by our rating agencies could adversely affect our costs of borrowing and/or access to sources of liquidity and capital. Such a downgrade could further limit or delay our access to public and private credit markets and increase the costs of borrowing under available credit lines. Should our credit ratings be downgraded, it could limit or delay our ability to obtain additional financing in the future for working capital, capital expenditures and acquisitions when necessary or desirable. In addition, our pool of investors and prospective creditors would likely decrease. An increase in borrowing costs without the ability to recover these higher costs in the rates charged to our customers could adversely affect our results of operations, financial condition and cash flows by limiting our ability to earn our allowed rate of return.

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

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

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

The workplaces associated with our facilities are subject to the requirements of DOT and OSHA, and comparable state statutes that regulate the protection of the health and safety of workers. The failure to comply with DOT, OSHA and state requirements or general industry standards, including keeping adequate records or preventing occupational exposure to regulated substances, could expose us to civil or criminal liability, enforcement actions, and regulatory fines and penalties that may not be recoverable through our rates and could have a material adverse effect on our business, financial condition, results of operations and cash flows.

We are subject to environmental regulations and failure to comply with these regulations could result in significant fines or penalties and could adversely affect our operations or financial results.

We are subject to laws, regulations and other legal requirements enacted or adopted by federal, state and local governmental authorities relating to environmental and health and safety matters, including those legal requirements that govern discharges of substances into the air and water, the management and disposal of hazardous substances and waste, the clean-up of contaminated sites, groundwater quality and availability, plant and wildlife protection, as well as work practices related to employee health and safety. Environmental legislation also requires that our facilities, sites and other properties associated with our operations be operated, maintained, abandoned and reclaimed to the satisfaction of applicable regulatory authorities. The failure to comply with these laws, regulations and other requirements, or the discovery of presently unknown environmental conditions, could expose us to civil or criminal liability, enforcement actions and regulatory fines and penalties that may not be recoverable through our rates and could have a material adverse effect on our business, financial condition, results of operations and cash flows.

We also own or retain legal responsibility for certain environmental conditions at certain former MGP sites. A number of environmental issues may exist with respect to these former MGP sites. Accordingly, future costs are dependent on the final determination and regulatory approval of any remedial actions, the complexity of the site, level of remediation, changing technology and governmental regulations and could be material to our financial condition, results of operations and cash flows.

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

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

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

Carbon neutral, energy-efficiency or other legislation or regulations intended to address climate change could increase our operating costs or restrict our market opportunities, adversely affecting our financial results, growth, cash flows and results of operations.

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

We are subject to physical and financial risks associated with climate change, which may adversely affect our financial results, growth, cash flows and results of operations.

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

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

Our earnings can vary from year to year, depending in part on weather conditions, which directly influence the volume of natural gas delivered to customers. Natural gas sales to residential and commercial customers are seasonal, as a substantial portion of their natural gas requirements are for heating during the winter months. Warmer-than-normal weather can reduce our utility margins as customer consumption declines. We have implemented weather normalization mechanisms for our sales to customers in Oklahoma, Kansas and Texas, which are designed to reduce our earnings sensitivity to weather. Weather normalization mechanisms require us to increase customer billings to offset lower natural gas usage when weather is warmer

than normal and decrease customer billings to offset higher natural gas usage when weather is colder than normal. If our rates and tariffs are modified to curtail such weather protection programs, then we would be exposed to additional risk associated with weather. As a result of occurrences of the foregoing, our results of operations, financial condition and cash flows could vary and be impacted adversely.

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

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

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

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

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

At December 31, 2018 , we had approximately $158 million of goodwill recorded on our Consolidated Balance Sheet. Goodwill is recorded when the purchase price of a business exceeds the fair market value of the tangible and separately measurable intangible net assets. GAAP requires us to test goodwill for impairment on an annual basis or when events or circumstances occur indicating that goodwill might be impaired. Long-lived assets with finite useful lives are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If we determine that impairment is indicated, we would be required to take an immediate noncash charge to earnings with a correlative effect on our equity and balance sheet leverage as measured by debt to total capitalization, which could adversely impact our financial condition and results of operations.

We may be unable to access capital or our cost of capital may increase significantly which may adversely affect our results of operations, cash flows and financial condition.

Our ability to obtain adequate and cost-effective financing is dependent upon the liquidity of the financial markets, in addition to our financial condition and credit ratings. Disruptions in the capital and credit markets could adversely affect our ability to access short-term and long-term capital. Access to funds under our ONE Gas Credit Agreement will be dependent on the ability of the participating banks to meet their funding commitments. Those banks may not be able to meet their funding commitments if they experience shortages of capital and liquidity. Disruptions and volatility in the global credit markets could cause the interest rate we pay on our ONE Gas Credit Agreement, which is based on LIBOR, to increase. This could result in higher interest rates on future financings and could impact the liquidity of the lenders under our ONE Gas Credit Agreement, potentially impairing their ability to meet their funding commitments to us. Disruptions in the capital and credit markets as a result of uncertainty, changing or increased regulation or failures of significant financial institutions could adversely affect our access to capital needed for our business. The inability to access adequate capital or an increase in the cost of capital may require us to conserve cash, prevent or delay us from making capital expenditures, and require us to reduce or eliminate our dividend or other discretionary uses of cash. A significant reduction in our liquidity could cause a negative change in our

ratings outlook or even a reduction in our credit ratings. This could in turn further limit our access to credit markets and increase our costs of borrowing.

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

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

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

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

As a result of cross-default provisions in our borrowing arrangements, we may be unable to satisfy all of our outstanding obligations in the event of a default on our part, which may adversely affect our results of operations, cash flows and financial condition.

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

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

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

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

In addition, the costs of providing health care benefits to our employees could increase over the next five to ten years due in large part to the Patient Protection and Affordable Care Act of 2010, and its potential revision, repeal and/or replacement. The future costs of compliance with the provisions are difficult to measure at this time. Also, our costs of providing such benefits

and related funding requirements could also materially increase in the future, depending on the timing of the recovery, if any, of such costs through our rates, which could adversely impact our financial condition and cash flows.

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

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

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

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

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

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

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

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

Additionally, certain portions of our information technology, customer service, resource management, pipeline and infrastructure installation and maintenance, engineering, payroll and human resources functions that we rely on are provided by third-party vendors. Services provided by third-parties could be disrupted due to events and circumstances beyond our control which could adversely impact our business, financial condition, results of operations and cash flows.

Any cyber or physical security attacks, or threats of such attacks, that affect our distribution facilities, our customers, our suppliers and third-party service providers or any financial data could disrupt normal business operations, expose sensitive information, and/or lead to physical damages that may have a material adverse effect on our businesses. Physical damage due to a cyber security incident or acts of cyber terrorism could impact services and could lead to material liabilities. As potential cyber or physical security attacks become more common and sophisticated, we could be required to incur increased costs to strengthen our systems or to obtain additional insurance coverage against potential losses. Federal and state regulatory agencies are increasingly focused on risk related to physical security and cybersecurity in general, and specifically in critical infrastructure sectors, including natural gas distribution. In addition, cyber or physical attacks or threats on our company, customer and employee data may result in a financial loss and may adversely impact our reputation. Third-party systems on which we rely could also suffer operational system failure.

While we have implemented and continue to evaluate and improve policies, procedures, protective technologies, and controls to prevent and detect cyber or physical security attacks, there is no guarantee that these efforts will protect us from unauthorized access to our systems. A severe attack or security breach could adversely affect our business reputation, diminish customer confidence, disrupt operations, subject us to financial liability or increased regulation, increase our costs and expose us to material legal claims and liability, and our business, financial condition, results of operations and cash flows could be affected adversely.

Our business could be adversely affected by strikes or work stoppages by our unionized employees, which may impact our operations, cash flows and earnings.

At February 1, 2019 , approximately 700 of our estimated 3,500 employees were represented by collective-bargaining units under collective-bargaining agreements. We are involved periodically in discussions with collective-bargaining units representing some of our employees to negotiate or renegotiate labor agreements. We cannot predict the results of these negotiations, including whether any failure to reach new agreements will have a negative effect on our business, financial condition and results of operations or whether we will be able to reach any agreement with the collective-bargaining units. Any failure to reach agreement on new labor contracts might result in a work stoppage. Any future work stoppage could, depending on the operations and the length of the work stoppage, have a material adverse effect on our financial condition, results of operations and cash flows.

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

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

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

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

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

Our financing arrangements subject us to various restrictions that could limit our operating flexibility, earnings and cash flows.

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

The ONE Gas Credit Agreement includes a requirement that our debt to total capital ratio may not exceed 70 percent as of the end of any calendar quarter. Events beyond our control could impair our ability to satisfy this requirement. As long as our indebtedness remains outstanding, these restrictive covenants could impair our ability to expand or pursue our growth strategy. In addition, the breach of any covenants or any payment obligations in any of these debt agreements will result in an event of default under the applicable debt instrument. If there were an event of default under one of our debt agreements, the holders of the defaulted debt may have the ability to cause all amounts outstanding with respect to that debt to be due and payable, subject to applicable grace periods. This could trigger cross-defaults under our other debt agreements, including our Senior Notes. Forced repayment of some or all of our indebtedness would reduce our available cash and have an adverse impact on our financial condition, results of operations and cash flows.

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

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

Emerging technologies may cause disruption in utility services, which may adversely affect our customer growth, earnings and cash flows.

Commercial technologies that advance electrification and increase energy efficiency in some aspects of the economy, such as transportation or heating, could negatively impact the demand for natural gas. We may not be able to quickly adapt to changes resulting from rapidly advancing technologies that may result in a reduction in demand for our services. This could slow customer growth and even cause customers to reduce or cease using natural gas which could have an adverse effect on our financial condition, results of operations and cash flows.

RISKS RELATING TO THE SEPARATION

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

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

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

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

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

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

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

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

The IRS Ruling and the tax opinion rely upon certain assumptions, as well as statements, representations and certain undertakings made by our officers and the officers of ONEOK regarding the past and future conduct of the companies' respective businesses and other matters. If any of those statements, representations or assumptions are incorrect or untrue in any material respect or any of those undertakings are not complied with, the conclusions reached in the IRS Ruling or the opinion could be affected adversely, and ONEOK and/or its shareholders could be subject to significant tax liabilities. Notwithstanding the IRS Ruling and opinion of tax counsel, the IRS could determine on audit that the distribution, together with certain related transactions, was taxable if it determines that any of these statements, representations, assumptions, or undertakings were not correct or have been violated or if it disagrees with the conclusions in the opinion that were not covered by the IRS Ruling, or for other reasons, including as a result of certain significant changes in the stock ownership of ONEOK or us after the distribution.

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

RISKS RELATING TO OUR COMMON STOCK

Provisions in our certificate of incorporation, our bylaws and Oklahoma law as well as regulatory approvals may prevent or delay an acquisition of our company, which could decrease the trading price of our common stock.

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

- rules regarding how shareholders may present proposals or nominate directors for election at shareholder meetings; and
- the right of our Board of Directors to issue preferred stock without shareholder approval.

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

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

Additionally, any acquisition of our company would need to be approved by certain regulatory bodies including the OCC, KCC and various regulators in Texas, which could delay or prevent an acquisition.

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

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

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

The following table sets forth the approximate miles of distribution mains and transmission pipeline as of December 31, 2018 :

Properties (miles)	OK	KS	TX	Total
Distribution	**18,600**	**11,400**	**10,300**	**40,300**
Transmission	**700**	**1,600**	**300**	**2,600**
Total properties	**19,300**	**13,000**	**10,600**	**42,900**

We lease approximately 400 thousand square feet of office space and other facilities for our operations. In addition, we have 48.4 Bcf of natural gas storage capacity under contract, with maximum allowable daily withdrawal capacity of approximately 1.3 Bcf.

ITEM 3. LEGAL PROCEEDINGS

See Note 15 of the Notes to Consolidated Financial Statements in this Annual Report for information regarding legal proceedings.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

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

MARKET HOLDERS AND DIVIDENDS

Our common stock is listed on the NYSE under the trading symbol "OGS."

At February 8, 2019 , there were 12,318 registered shareholders of the company's common stock.

In January 2019 , we declared a dividend of $0.50 per share ($2.00 per share on an annualized basis) for shareholders of record as of February 22, 2019 , payable on March 8, 2019 .

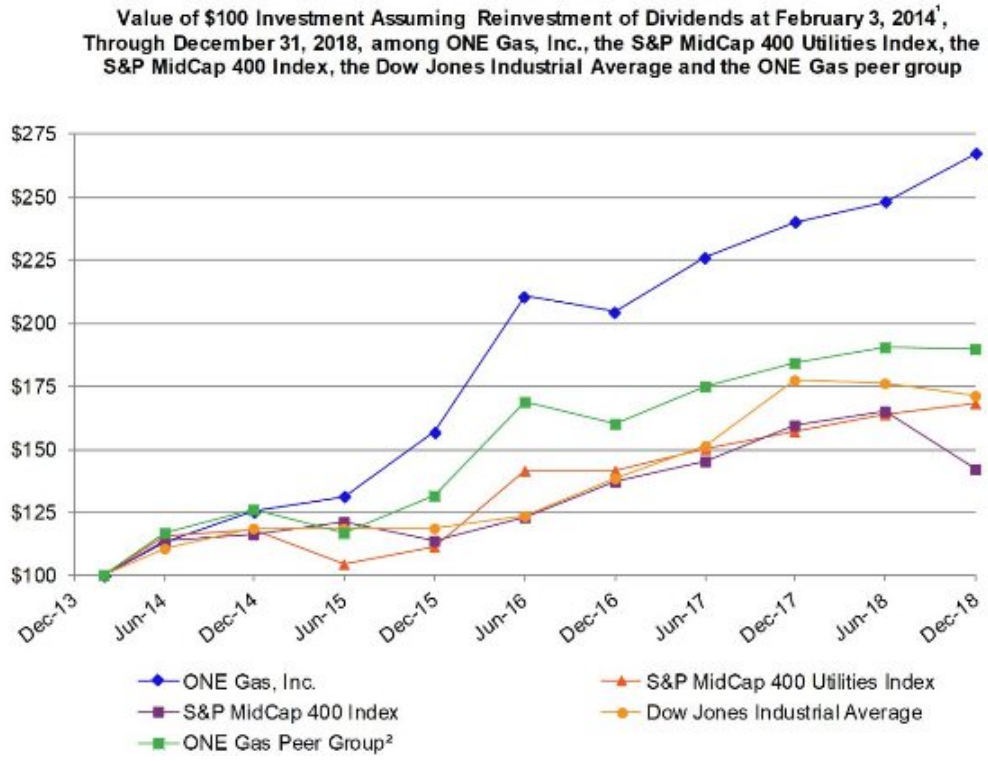
Employee Stock Award Program

Under the Employee Stock Award Program, we issued, for no monetary consideration, one share of our common stock to all eligible employees when the per-share closing price of our common stock on the NYSE closed for the first time at or above each $1.00 increment above $34. The total number of shares of our common stock authorized for issuance under this program was 125,000 . Shares issued to employees under this program during 2017 and 2016 totaled 13,791 and 50,573 , respectively. Compensation expense, before taxes, related to the Employee Stock Award Program was $0.9 million and $3.0 million for 2017 and 2016, respectively. The Employee Stock Award Program was discontinued in May 2017.

The shares issued under this program have not been registered under the Securities Act, in reliance upon the position taken by the SEC (see Release No. 6188, dated February 1, 1980) that the issuance of shares to employees pursuant to a program of this kind does not require registration under the Securities Act. See Note 11 of the Notes to Consolidated Financial Statements in this Annual Report for additional information.

Performance Graph

The following performance graph compares the performance of our common stock with the S&P MidCap 400 Index, the Dow Jones Industrial Average and a ONE Gas peer group during the period beginning February 3, 2014 and ending on December 31, 2018 . February 3, 2014 was the first day of "regular way" trading for ONE Gas common stock on the NYSE. This graph assumes a $100 investment in our common stock and in each of the indices at the beginning of the period and a reinvestment of dividends paid on such investments throughout the period.



Cumulative Total Return

As of Each Semi-Annual Period Ending

	2014		2015		2016		2017		2018	
	6/30	12/31	6/30	12/31	6/30	12/31	6/30	12/31	6/30	12/31
ONE Gas, Inc. [1]	$ 113.12	$ 125.39	$ 131.32	$ 156.83	$ 210.61	$ 204.61	$ 226.17	$ 240.01	$ 248.14	$ 267.36
S&P MidCap 400 Utilities Index	$ 115.89	$ 118.29	$ 104.63	$ 111.26	$ 141.94	$ 141.69	$ 150.20	$ 157.40	$ 163.94	$ 168.12
S&P MidCap 400 Index	$ 113.95	$ 116.36	$ 121.24	$ 113.82	$ 122.85	$ 137.43	$ 145.66	$ 159.75	$ 165.33	$ 142.05
Dow Jones Industrial Average	$ 110.59	$ 118.52	$ 118.56	$ 118.77	$ 123.90	$ 138.37	$ 151.30	$ 177.26	$ 175.97	$ 171.09
ONE Gas Peer Group [2]	$ 116.87	$ 126.01	$ 116.84	$ 131.71	$ 169.03	$ 160.34	$ 175.13	$ 184.58	$ 190.34	$ 189.75

[1] February 3, 2014 was the first day of "regular way" trading for ONE Gas, Inc. on the NYSE.
[2] The ONE Gas peer group used in this graph is the same peer group that will be used in determining our level of performance under our 2018 performance units at the end of the three-year performance period and is comprised of the following companies: Alliant Energy Corporation; Atmos Energy Corporation; Avista Corporation; CenterPoint Energy, Inc.; Chesapeake Utilities Corporation; CMS Energy Corporation; New Jersey Resources Corporation; NiSource Inc.; Northwest Natural Gas Company; NorthWestern Corporation; South Jersey Industries, Inc.; Southwest Gas Corporation; and Spire Inc.

ITEM 6. SELECTED FINANCIAL DATA

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

	Years Ended December 31,				
	2018	**2017**	**2016**	**2015**	**2014**
	(*Millions of dollars except per share data*)				
Consolidated Statements of Income data:					
Total revenues (a)	**$ 1,633.7**	$ 1,539.6	$ 1,427.2	$ 1,547.7	$ 1,818.9
Cost of natural gas	**$ 714.6**	$ 614.5	$ 541.8	$ 706.0	$ 991.9
Net margin (b)	**$ 919.1**	$ 925.1	$ 885.4	$ 841.7	$ 827.0
Operating income (a)	**$ 288.4**	$ 316.7	$ 288.9	$ 265.2	$ 243.2
Net income	**$ 172.2**	$ 163.0	$ 140.1	$ 119.0	$ 109.8
Basic earnings per share	**$ 3.27**	$ 3.10	$ 2.67	$ 2.26	$ 2.10
Diluted earnings per share	**$ 3.25**	$ 3.08	$ 2.65	$ 2.24	$ 2.07
Dividends declared per common share	**$ 1.84**	$ 1.68	$ 1.40	$ 1.20	$ 0.84

(a) Reflects the impact of the adoption of new accounting standards in fiscal year 2018 related to revenue recognition and the presentation of net periodic benefit costs. See Note 1 of the Notes to Consolidated Financial Statements in this Annual Report for additional information regarding our adoption of these standards.
(b) Net margin is considered a non-GAAP financial measure. See additional discussion under Management's Discussion and Analysis of Financial Condition and Results of Operations in this Annual Report.

	December 31,				
	2018	**2017**	**2016**	**2015**	**2014**
	(*Millions of dollars*)				
Consolidated Balance Sheets data:					
Total assets	**$ 5,468.6**	$ 5,206.9	$ 4,942.8	$ 4,634.8	$ 4,638.8
Long-term debt, including current maturities	**$ 1,285.5**	$ 1,193.3	$ 1,192.5	$ 1,191.7	$ 1,190.9

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

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

EXECUTIVE SUMMARY

We are a 100-percent regulated natural gas distribution company. As such, our regulators determine the rates we are allowed to charge for our service based on our revenue requirements needed to achieve our authorized rates of return. We earn revenues from the delivery of natural gas, but do not earn a profit on the natural gas that we deliver, as those costs are passed through to our customers at cost. The primary components of our revenue requirements are the amount of capital invested in our business, which is also known as rate base, our allowed rate of return on our capital investments and our recoverable operating expenses, including depreciation, interest expense and income taxes. Our rates have both a fixed and a variable component, with approximately 71 percent of our natural gas sales Net Margin in 2018 derived from fixed monthly charges to our customers. The variable component of our rates is dependent on the consumption of natural gas, which is impacted primarily by the weather and, to a lesser extent, economic activity. While we have weather normalization mechanisms that adjust customers' bills when actual HDDs differ from normalized HDDs, these mechanisms are in place for only a portion of the year and do not offset all fluctuations in usage resulting from weather variability. Accordingly, the weather can have either a positive or negative impact on our financial performance.

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

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

RECENT DEVELOPMENTS

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

As a result of the enactment of the Tax Cuts and Jobs Act of 2017, we remeasured our ADIT. As a regulated entity, the change in ADIT was recorded as a regulatory liability and is subject to refund to our customers. The Tax Cuts and Jobs Act of 2017 retains the tax normalization provisions of the Code that stipulate how these excess deferred income taxes are to be refunded to customers for certain accelerated tax depreciation benefits. The effect on the net deferred income tax liability for the enacted decrease in the federal income tax rate was $518.7 million , of which $520.9 million was recorded as a reduction to the deferred income tax liabilities and deferred as a regulatory liability for ratemaking purposes, offset by $2.2 million recorded as an increase in deferred income tax expense in 2017 attributable to the remeasured deferred income taxes associated with certain expenses not recovered in our rates. These adjustments had no impact on our 2018 or 2017 cash flows. Our customers will receive refunds as determined by our regulators beginning in 2019. For further discussion see “Liquidity and Capital Resources - Tax Reform” in Management’s Discussion and Analysis of Financial Condition and Results of Operations in this Annual Report.

We are working with our regulators to address the impact of the Tax Cuts and Jobs Act of 2017 on our rates. In each state, we have received accounting orders requiring us to refund the reduction in ADIT due to the remeasurement and to establish a separate regulatory liability for the difference in taxes included in our rates that have been calculated based on a 35 percent federal statutory income tax rate and the new 21 percent federal statutory income tax rate effective in January 2018. The establishment of this separate regulatory liability associated with the change in tax rates collected in our rates resulted in a reduction to our revenues of $36.6 million for the year ended December 31, 2018 . See Regulatory Activities below for information regarding the amount, period and timing of the return of these regulatory liabilities to our customers as well as additional information on the impact of the Tax Cuts and Jobs Act of 2017.

Dividend - In January 2019 , we declared a dividend of $0.50 per share ($2.00 per share on an annualized basis) for shareholders of record as of February 22, 2019 , payable on March 8, 2019 .

REGULATORY ACTIVITIES

Oklahoma - On March 15, 2018, Oklahoma Natural Gas filed its second annual PBRC application following the general rate case that was approved in January 2016. This filing was based on a calendar test year of 2017. On January 8, 2019, the OCC approved an order requiring a reduction in customer base rates of $11.3 million annually beginning in February 2019. This reduction represents a decrease in base rates based on the company’s authorized return on equity of 9.5 percent and includes the reduction in the corporate federal income tax rate pursuant to the Tax Cuts and Jobs Act of 2017. In addition, the order requires that any earnings, including amounts attributable to tax savings, occurring in the 2018 calendar year that are above the authorized return on equity be returned to customers through the PBRC filing to be made on or before March 15, 2019. The order also approved an energy efficiency incentive of $2.1 million and a program true-up adjustment of $0.5 million. As required, PBRC filings are made annually on or before March 15, until the next general rate case, which is currently required to be filed on or before June 30, 2021, based on a calendar 2020 test year.

In March 2017, Oklahoma Natural Gas filed its first annual PBRC following the general rate case that was approved in January 2016. This filing was based on a calendar test year of 2016. The PBRC filing demonstrated that Oklahoma Natural Gas was earning within the 100 basis point dead-band of 9.0 to 10.0 percent. Therefore, Oklahoma Natural Gas did not seek a

modification to base rates. The filing also requested a utility incentive adjustment of approximately $1.9 million and an energy efficiency program true-up adjustment of $2.3 million. A joint stipulation and settlement agreement was approved by the OCC in August 2017.

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

Kansas - In November 2018, Kansas Gas Service submitted an application to the KCC requesting approval of its contract to own, operate and maintain the natural gas distribution system at Fort Riley, a United States Army installation for approximately $5.8 million. The KCC has up to 240 days to consider Kansas Gas Service's filing. If approved, we will start the transition process with an intent to acquire the assets in the second quarter of 2020.

In August 2018, Kansas Gas Service submitted an application to the KCC requesting an increase of approximately $2.4 million related to its GSRS. In November 2018, the KCC approved the increase effective December 2018.

In June 2018, Kansas Gas Service filed a request with the KCC for an increase in base rates, reflecting investments in system improvements and changes in operating costs necessary to maintain the safety and reliability of its natural gas distribution system. In February 2019, the KCC issued an order that included a net base rate increase of $18.6 million and a GSRS pre-tax carrying charge of approximately 9.1%. Kansas Gas Service is already recovering $2.9 million from customers through the GSRS, therefore, this order represents a total base rate increase of $21.5 million. The increase in base rates reflects an amortization credit for the refund of excess ADIT over a period in compliance with the tax normalization rules for the portions stipulated by the Code and five years for all other components of excess ADIT. Additionally, the settlement provides for extending application of the weather normalization adjustment rider to small transportation customers and the implementation of a cybersecurity tracker. The residential service charge will be $18.70 per month and the delivery charge will be $2.3485 per Mcf. Still outstanding is whether Kansas Gas Service should be required to refund to customers the tax reform regulatory liability accrued pursuant to the KCC order. In accordance with Kansas law, the KCC has until February 25, 2019 to rule on the tax refund issue.

In April 2018, a bill amending the GSRS statute was approved. Beginning January 1, 2019, the scope of projects eligible for recovery under the statute will include all investments to replace, upgrade or modernize obsolete facilities, as well as projects that enhance the integrity of pipeline system components or extend the useful life of such assets. Safety-related investments will also include expenditures for physical and cyber security. Additionally, the cap on the monthly residential surcharge will increase to $0.80 from $0.40.

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

In April 2017, Kansas Gas Service filed an application with the KCC seeking approval of an AAO associated with the costs incurred at, and nearby, the 12 former MGP sites which we own or retain responsibility for certain environmental conditions. In October 2017, Kansas Gas Service, the KCC staff and the Citizens' Utility Ratepayer Board filed a unanimous settlement agreement with the KCC. The agreement allows Kansas Gas Service to defer and seek recovery of costs that are necessary for investigation and remediation at the 12 former MGP sites incurred after January 1, 2017, up to a cap of $15.0 million, net of any related insurance recoveries. Costs approved in a future rate proceeding would then be amortized over a 15-year period. The unamortized amounts will not be included in rate base or accumulate carrying charges. At the time future investigation and remediation work, net of any related insurance recoveries, is expected to exceed $15.0 million, Kansas Gas Service will be required to file an application with the KCC for approval to increase the $15.0 million cap. The KCC issued an order approving the settlement agreement in November 2017. A regulatory asset of approximately $5.9 million was recorded for estimated costs that have been accrued at January 1, 2017. See discussion below in Environmental, Safety and Regulatory Matters for additional information concerning the 12 former MGP sites.

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

Texas - *West Texas Service Area* - In March 2018, Texas Gas Service made GRIP filings for all customers in the West Texas service area. In June 2018, the RRC and the cities in the West Texas service area agreed to an increase of $3.5 million, and new rates became effective in July 2018.

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

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

Central Texas Service Area - In March 2018, Texas Gas Service made GRIP filings for all customers in the Central Texas service area. In June 2018, the RRC and the cities in the Central Texas service area agreed to an increase of $3.3 million, and new rates became effective in July 2018.

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

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

Other Texas Service Areas - In the normal course of business, Texas Gas Service has filed rate cases and sought GRIP and COSA increases in various other Texas jurisdictions to address investments in rate base and changes in expenses. Annual rate increases associated with these filings that were approved totaled $1.6 million, $5.0 million and $4.3 million in 2018, 2017 and 2016, respectively.

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

In compliance with the order, Oklahoma Natural Gas' March 15, 2018, PBRC filing contained two deferred liabilities subject to review and potential refund. First, a regulatory liability has been established reflecting the remeasurement of ADIT for the change in the federal corporate income tax rate. In January 2019, the OCC issued an order requiring Oklahoma Natural Gas to credit customers for the reduction in ADIT based upon an amortization period in compliance with the tax normalization rules for the portions of excess ADIT stipulated by the Code and ten years for all other components of excess ADIT.

An additional $15.8 million liability has also been established for the estimated earnings, including amounts attributable to tax savings, above the 9.5 percent approved ROE in the 2018 review period, which are to be returned to customers as part of the 2019 PBRC filing. See "Regulatory Activities - Oklahoma" in Management's Discussion and Analysis of Financial Condition and Results of Operations in this Annual Report.

Kansas - On January 18, 2018, the KCC opened a general investigation for the purposes of examining the financial impact of the Tax Cuts and Jobs Act of 2017 on regulated public utilities operating in Kansas and made the following findings and conclusions: (1) utilities are to track and accumulate, in a deferred revenue account, the portion of their revenue that results from the use of a 35 percent federal corporate tax rate for its last KCC-approved revenue determination instead of the new lower federal corporate tax rate; (2) deferrals are to commence on the effective date of the new federal corporate tax rate;
(3) excess ADIT should be captured in a manner consistent with tax normalization rules; and (4) the portion of current rates affected by the Tax Cuts and Jobs Act of 2017 should be considered interim and subject to refund, with interest compounded monthly at the rate for customer deposits, until the KCC has an opportunity to evaluate the reasonableness of those rates with new lower federal tax rates.

In March 2018, the KCC approved a settlement with Kansas Gas Service, the KCC Staff and the Citizens' Utility Ratepayer Board related to the Tax Cuts and Jobs Act of 2017. The agreement indicates for the period between January 1, 2018, and through the date on which the KCC issues a final order in Kansas Gas Service's next general rate case, Kansas Gas Service agrees to accrue monthly, as a regulatory liability on its general ledger, the portion of its revenue representing the difference between the 21 percent and 35 percent federal corporate tax rate. The annual amount of the regulatory liability is $14.2 million, excluding interest to be applied based on the customer deposit interest rate, currently 1.62 percent. Through this agreement, Kansas Gas Service also established a regulatory liability to account for the remeasurement of ADIT for the change in the federal corporate income tax rate. Issues regarding the treatment of these regulatory liabilities are included in Kansas Gas Service's general rate proceeding filed in June 2018.

The KCC issued an order in February 2019 approving the unanimous settlement agreement regarding Kansas Gas Service's rate case filed in June 2018. As provided for in the agreement, the base rates approved for Kansas Gas Service include an amortization credit associated with the refund of ADIT based on an amortization period in compliance with the tax normalization rules for the portion of excess ADIT stipulated by the Code and five years for all other components of excess ADIT. Still outstanding is whether Kansas Gas Service should be required to refund to customers the amount of the regulatory liability for the difference between the 21 percent and 35 percent federal corporate income tax rate. In accordance with Kansas law, the KCC has until February 25, 2019 to rule on the tax refund issue.

Texas - In February 2018, the RRC issued an accounting order for determining how the impact of the Tax Cuts and Jobs Act of 2017 would be reflected in gas utility rates in Texas. Gas utilities were ordered to either file a new rate case or voluntarily reduce rates by September 1, 2018, to reflect the reduction of the federal corporate income tax rate to 21 percent from 35 percent. Gas utilities were further ordered to calculate, defer and refund rate reductions resulting from changes to the corporate tax rate that occurred between January 1, 2018 and the effective date of new rates. Per the order, the impact of the Tax Cuts and Jobs Act of 2017 on ADIT remeasurement is to be determined in the next rate case in each jurisdiction.

In 2018, Texas Gas Service requested a total of $11.1 million of decreases to rates for customers in its service areas due to the reduction of the federal corporate income tax rate, and one-time refunds totaling $6.6 million for the reduction in the federal corporate income tax rate for the period between January 1, 2018, to the dates new rates were implemented. The requests for the decreases in rates and the one-time refunds were approved and new rates, where applicable, became effective in the second half of 2018.

We continue to work with our regulators in Texas to address our excess ADIT. The treatment of our excess ADIT and the degree to which it impacts us will not be known until we finalize our current regulatory filings and make future regulatory filings.

The treatment of excess ADIT by our regulators is not expected to have a material impact on earnings as any reduction or credit in rates is offset by the amortization of the regulatory liability as a credit in income tax expense. We will begin refunding or

crediting the excess ADIT regulatory liability to customers in 2019. See “Liquidity and Capital Resources - Tax Reform” and Note 13 of the Notes to Consolidated Financial Statements for additional discussion of the Tax Cuts and Jobs Act of 2017.

OTHER

Certain costs to be recovered through the ratemaking process have been capitalized as regulatory assets. Should recovery cease due to regulatory actions, certain of these assets may no longer meet the criteria for recognition and accordingly, a writeoff of regulatory assets and stranded costs may be required. There were no writeoffs of regulatory assets resulting from the failure to meet the criteria for capitalization during 2018, 2017 and 2016 .

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

FINANCIAL RESULTS AND OPERATING INFORMATION

Selected Financial Results - Net income was $172.2 million , or $3.25 per diluted share, $163.0 million , or $3.08 per diluted share, and $140.1 million , or $2.65 per diluted share, for the years ended December 31, 2018, 2017 and 2016 , respectively. We operate in one reportable business segment: regulated public utilities that deliver natural gas to residential, commercial, industrial, wholesale, public authority and transportation customers. We evaluate our financial performance principally on operating income.

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

	Years Ended December 31,			Variances 2018 vs. 2017		Variances 2017 vs. 2016	
Financial Results	**2018**	**2017**	**2016**	**Increase (Decrease)**		**Increase (Decrease)**	
			(*Millions of dollars, except percentages*)				
Natural gas sales	**$ 1,492.4**	$ 1,409.1	$ 1,300.1	**$ 83.3**	**6 %**	$ 109.0	8 %
Transportation revenues	**109.7**	100.9	98.1	**8.8**	**9 %**	2.8	3 %
Other revenues	**31.6**	29.6	29.0	**2.0**	**7 %**	0.6	2 %
Total revenues	**1,633.7**	1,539.6	1,427.2	**94.1**	**6 %**	112.4	8 %
Cost of natural gas	**714.6**	614.5	541.8	**100.1**	**16 %**	72.7	13 %
Net margin	**919.1**	925.1	885.4	**(6.0)**	**(1)%**	39.7	4 %
Operating costs (a)	**470.6**	456.5	452.7	**14.1**	**3 %**	3.8	1 %
Depreciation and amortization	**160.1**	151.9	143.8	**8.2**	**5 %**	8.1	6 %
Operating income (a)	**$ 288.4**	$ 316.7	$ 288.9	**$ (28.3)**	**(9)%**	$ 27.8	10 %
Capital expenditures	**$ 394.5**	$ 356.4	$ 309.0	**$ 38.1**	**11 %**	$ 47.4	15 %
Asset removal costs	**$ 52.9**	$ 52.4	$ 53.4	**$ 0.5**	**1 %**	$ (1.0)	(2)%

(a) Reflects the impact of the adoption of a new accounting standard in fiscal year 2018 related to the presentation of net periodic benefit costs. See Note 1 of the Notes to Consolidated Financial Statements in this Annual Report for additional information regarding our adoption of this standard.

Natural gas sales to customers represent revenue from contracts with customers through implied contracts established by our tariff rates approved by the regulatory authorities, as well as revenues from regulatory mechanisms related to natural gas sales that do not meet the requirements under FASB’s ASU 2014-09, “Revenue from Contracts with Customers” (“ASC 606”), which are included in the consolidated statements of income and in our footnotes as other revenues.

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

Other utility revenues include primarily miscellaneous service charges which represent implied contracts with customers established by our tariff rates approved by the regulatory authorities and other revenues from regulatory mechanisms that do not meet the requirements of ASC 606.

Non-GAAP Financial Measure - We have disclosed Net Margin, which is considered a non-GAAP financial measure, in our selected financial data and selected financial results. Net Margin is comprised of total revenues less cost of natural gas. Cost of natural gas includes commodity purchases, fuel, storage, transportation and other gas purchase costs recovered through our cost of natural gas regulatory mechanisms, as required by our regulators, and does not include an allocation of general operating costs or depreciation and amortization. In addition, our cost of natural gas regulatory mechanisms provide a method

of recovering natural gas costs on an ongoing basis without a profit. Therefore, although our revenues will fluctuate with the cost of natural gas that we pass-through to our customers, Net Margin is not affected by fluctuations in the cost of natural gas. Accordingly, we routinely use Net Margin in the analysis of our financial performance. We believe that Net Margin provides investors a more relevant and useful measure to analyze our financial performance as a 100 percent regulated natural gas utility than total revenues because the change in the cost of natural gas from period to period does not impact our operating income. As such, the following discussion and analysis of our financial performance will reference Net Margin rather than total revenues and cost of natural gas individually.

The following table sets forth reconciliation of Net Margin to the most directly comparable GAAP measure for the periods indicated:

	Years Ended December 31,			Variances 2018 vs. 2017		Variances 2017 vs. 2016	
Non-GAAP Reconciliation	**2018**	**2017**	**2016**	**Increase (Decrease)**		**Increase (Decrease)**	
	(Millions of dollars, except percentages)						
Total revenues	**$ 1,633.7**	$ 1,539.6	$ 1,427.2	**$ 94.1**	**6 %**	$ 112.4	8%
Cost of natural gas	**714.6**	614.5	541.8	**100.1**	**16 %**	72.7	13%
Net margin	**$ 919.1**	$ 925.1	$ 885.4	**$ (6.0)**	**(1)%**	$ 39.7	4%

The following table sets forth our Net Margin by type of customer for the periods indicated:

	Years Ended December 31,			Variances 2018 vs. 2017		Variances 2017 vs. 2016	
Net Margin	**2018**	**2017**	**2016**	**Increase (Decrease)**		**Increase (Decrease)**	
Natural gas sales	(*Millions of dollars, except percentages*)						
Residential	**$ 644.1**	$ 663.8	$ 629.8	**$ (19.7)**	**(3)%**	$ 34.0	5 %
Commercial and industrial	**127.1**	124.2	121.7	**2.9**	**2 %**	2.5	2 %
Wholesale and public authority	**6.6**	6.6	6.8	**—**	**— %**	(0.2)	(3)%
Net margin on natural gas sales	**777.8**	794.6	758.3	**(16.8)**	**(2)%**	36.3	5 %
Transportation revenues	**109.7**	100.9	98.1	**8.8**	**9 %**	2.8	3 %
Other revenues	**31.6**	29.6	29.0	**2.0**	**7 %**	0.6	2 %
Net margin	**$ 919.1**	$ 925.1	$ 885.4	**$ (6.0)**	**(1)%**	$ 39.7	4 %

Our Net Margin on natural gas sales is comprised of two components, fixed and variable margin. Fixed margin reflects the portion of our net margin attributable to the monthly fixed customer charge component of our rates, which does not fluctuate based on customer usage in each period. Variable margin reflects the portion of our net margin that fluctuates with the volumes delivered and billed and the effects of weather normalization. The following table sets forth our Net Margin on natural gas sales by revenue type for the periods indicated:

	Years Ended December 31,			Variances 2018 vs. 2017		Variances 2017 vs. 2016	
Net Margin on Natural Gas Sales	**2018**	**2017**	**2016**	**Increase (Decrease)**		**Increase (Decrease)**	
Net margin on natural gas sales	(*Millions of dollars, except percentages*)						
Fixed margin	**$ 553.9**	$ 567.1	$ 557.5	**$ (13.2)**	**(2)%**	$ 9.6	2%
Variable margin	**223.9**	227.5	200.8	**(3.6)**	**(2)%**	26.7	13%
Net margin on natural gas sales	**$ 777.8**	$ 794.6	$ 758.3	**$ (16.8)**	**(2)%**	$ 36.3	5%

2018 vs. 2017 - Net Margin decreased $6.0 million due primarily to the following:

- an increase of $15.9 million due to new rates in Texas and Kansas;
- an increase of $6.1 million due primarily to higher transportation volumes;
- an increase of $5.7 million due to higher sales volumes, net of weather normalization, primarily from colder weather in 2018 compared with 2017;
- an increase of $4.9 million in residential sales due primarily to net customer growth in Oklahoma and Texas;

- an increase of $1.7 million in rider and surcharge recoveries due to higher ad-valorem surcharge in Kansas, offset by higher regulatory amortization in depreciation and amortization expense below; and
- an increase of $0.9 million due to the benefit of the retroactive 2017 compressed natural gas federal excise tax credit enacted in February 2018; offset by
- a decrease of $42.3 million related to the deferral of potential refund obligations associated with the Tax Cuts and Jobs Act of 2017 and related rate adjustments.

Operating costs increased $14.1 million due primarily to the following:

- an increase of $8.4 million in employee-related costs resulting from higher labor and benefit costs;
- an increase of $5.9 million resulting from the 2017 deferral of MGP costs previously accrued, as discussed further in our Environmental, Safety and Regulatory Matters, which was approved in Kansas as a regulatory asset;
- an increase of $2.4 million in legal-related costs; and
- an increase of $1.2 million in bad debt expense; offset by
- a decrease of $1.9 million in outside service costs as certain pipeline maintenance activities were completed with internal resources; and
- a decrease of $1.0 million in insurance expense.

Depreciation and amortization expense increased $8.2 million due primarily to a $7.5 million increase in depreciation from our capital expenditures being placed into service and an increase in the amortization of the ad-valorem surcharge rider in Kansas.

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

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

Operating costs increased $3.8 million due primarily to the following:

- an increase of $8.4 million in employee-related costs resulting from higher labor and compensation costs;
- an increase of $2.9 million from the deferral in the first quarter of 2016 of certain information technology costs incurred as a result of our separation from ONEOK in 2014, which was approved in Oklahoma as a regulatory asset, and a deferral of regulatory expenses incurred previously in the fourth quarter of 2016, which was approved in the West Texas rate case as a regulatory asset;
- an increase of $2.6 million in net periodic benefit costs other than service costs;
- an increase of $1.9 million in bad debt expense; and
- an increase of $1.2 million in information technology costs; offset by
- a decrease of $5.9 million from the deferral of MGP costs previously accrued, as discussed further in our Environmental, Safety and Regulatory Matters, which was approved in Kansas as a regulatory asset;
- a decrease of $4.0 million related to the higher environmental remediation costs in 2016 discussed further in our Environmental, Safety and Regulatory Matters; and
- a decrease of $3.4 million in legal-related costs.

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

Other Factors Affecting Net Income - Other factors that affect net income include other expenses, interest expense, and income tax expense as follows:

2018 vs. 2017

- a decrease of $3.2 million in other expenses, net, primarily due to lower net periodic benefit costs other than service costs;
- an increase of $5.2 million in interest expense related to additional borrowings to fund capital expenditures; and
- a decrease of $39.6 million in income tax expense primarily associated with the reduction in the federal statutory income tax rate to 21 percent in 2018 from 35 percent in 2017 as a result of the Tax Cuts and Jobs Act of 2017. Tax expense also includes a credit of $2.8 million due to the tax benefits on vested long-term incentive awards in 2018.

2017 vs. 2016

- a decrease of $5.3 million in other expenses, net, primarily due to lower net periodic benefit costs other than service costs;
- an increase of $2.3 million in interest expense related to additional borrowings to fund capital expenditures; and
- an increase of $7.9 million in income tax expense due to higher taxable income, offset by $5.2 million in excess tax benefits due to the change in accounting for tax benefits on vested long-term incentive awards in tax expense in the first quarter of 2017 compared to awards vested in the first quarter of 2016.

Capital Expenditures and Asset Removal Costs - Our capital expenditures program includes expenditures for pipeline integrity, extending service to new areas, modifications to customer service lines, increasing system capabilities, pipeline replacements, automated meter reading, government-mandated pipeline relocations, fleet, facilities and information technology assets. It is our practice to maintain and upgrade our infrastructure, facilities and systems to ensure safe, reliable and efficient operations. 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 increased $38.1 million for 2018, compared with 2017 and $47.4 million for 2017, compared with 2016, due primarily to increased system integrity activities and extending service to new areas. Asset removal costs increased $0.5 million for 2018, compared to 2017 and decreased $1.0 million for 2017, compared to 2016. Our capital expenditures and asset removal costs are expected to be approximately $450.0 million for 2019.

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

	Years Ended December 31,								Variances 2018 vs. 2017			
(in thousands)	2018				2017				Increase (Decrease)			
Average Number of Customers	**OK**	**KS**	**TX**	**Total**	**OK**	**KS**	**TX**	**Total**	**OK**	**KS**	**TX**	**Total**
Residential	**798**	**583**	**624**	**2,005**	793	582	618	1,993	**5**	**1**	**6**	**12**
Commercial and industrial	**74**	**50**	**35**	**159**	73	50	35	158	**1**	—	—	**1**
Wholesale and public authority	—	—	**3**	**3**	—	—	3	3	—	—	—	—
Transportation	**5**	**6**	**1**	**12**	5	6	1	12	—	—	—	—
Total customers	**877**	**639**	**663**	**2,179**	871	638	657	2,166	**6**	**1**	**6**	**13**

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

The following table reflects the total volumes delivered, excluding the effects of weather normalization mechanisms on sales volumes.

	Years Ended December 31,		
Volumes *(MMcf)*	**2018**	**2017**	**2016**
Natural gas sales			
Residential	**128,393**	99,940	101,956
Commercial and industrial	**40,743**	32,242	32,276
Wholesale and public authority	**2,505**	1,933	2,414
Total sales volumes delivered	**171,641**	134,115	136,646
Transportation	**220,884**	209,551	208,141
Total volumes delivered	**392,525**	343,666	344,787

Total sales volumes delivered increased for 2018, compared with 2017, due primarily to colder temperatures in our service areas. Total sales volumes delivered decreased for 2017, compared with 2016, due primarily to warmer temperatures in our service areas. The impact of weather on residential and commercial Net Margin is mitigated by weather normalization mechanisms in all jurisdictions. Transportation volumes increased for 2018 compared with 2017 due to colder temperatures in our service areas. Transportation volumes increased slightly for 2017 compared with 2016 due to higher consumption by our transportation customers in Oklahoma.

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

	Years Ended December 31,						
	2018		**2017**		**2018 vs. 2017**	**2018**	**2017**
HDDs	**Actual**	**Normal**	**Actual**	**Normal**	**Actual Variance**	**Actual as a percent of Normal**	
Oklahoma	**3,771**	**3,263**	2,849	3,264	**32%**	**116%**	87%
Kansas	**5,012**	**4,914**	4,088	4,889	**23%**	**102%**	84%
Texas	**1,738**	**1,782**	1,247	1,785	**39%**	**98%**	70%

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

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

- *Oklahoma* - For years 2016-2018, 10-year weighted average HDDs as of December 31, 2014, for years 2005-2014, as calculated using 11 weather stations across Oklahoma and weighted on average customer count.
- *Kansas* - For years 2018 and 2017, 30-year average for years 1981-2010 published by the National Oceanic and Atmospheric Administration, as calculated using four weather stations across Kansas and weighted on HDDs by weather station and customers, and for 2016, 30-year average for years 1981-2010 published by the National Oceanic

and Atmospheric Administration, as calculated using 13 weather stations across Kansas and weighted on HDDs by weather station and customers.
- *Texas* - An average of HDDs authorized in our most recent rate proceeding in each jurisdiction and weighted using a rolling 10-year average of actual natural gas distribution sales volumes by jurisdiction.

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

- 11 weather stations and customers by month for Oklahoma;
- 4 weather stations and customers by month for 2018 and 2017 for Kansas;
- 13 weather stations and customers by month for 2016 for Kansas; and
- 9 weather stations and natural gas distribution sales volumes by service area for Texas.

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

CONTINGENCIES

We are a party to various litigation matters and claims that have arisen in the normal course of our operations. While the results of litigation and claims cannot be predicted with certainty, we believe the reasonably possible losses from such matters, individually and in the aggregate, are not material. Additionally, we believe the probable final outcome of such matters will not have a material adverse effect on our results of operations, financial position or cash flows. See Note 15 of the Notes to Consolidated Financial Statements in this Annual Report for information with respect to legal proceedings.

LIQUIDITY AND CAPITAL RESOURCES

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

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

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

Tax Reform - The Tax Cuts and Jobs Act of 2017 had an overall negative impact on our operating cash flow due to several dynamics. The reduction in the tax rate resulted in less revenues collected from customers related to the recovery of tax expense included in our rates. Although cash collected from this revenue is ultimately used to remit our income tax expense payments, under the new law, we will lose a portion of the timing benefit when we collect and remit tax payments, thereby reducing cash that may have been retained for several years. Under the new tax law, natural gas utilities are not eligible to take bonus depreciation, but they are also not subject to the new limitations on the deduction of interest expense. The loss of bonus depreciation will result in earlier cash tax payments, as compared to the previous tax law, once accumulated NOLs are utilized. Additionally, the lowering of the tax rate effectively resulted in an over-collection of tax expenses, as customers' rates include tax expenses based on the statutory tax rate.

We have addressed excess ADIT in Oklahoma and Kansas. In Texas, the timing of these changes in our cash flows and the degree to which it impacts us will not be known until we finalize our current regulatory filings and make future regulatory filings. We expect cash flows in 2019 will be reduced by approximately $23.0 million as we begin refunding the excess ADIT regulatory liability to customers.

In Oklahoma and Texas, the manner and timing in which we refund the difference in the 21 percent and 35 percent federal corporate income tax rate to customers has been addressed. Still outstanding is whether Kansas Gas Service will be required to refund to customers the amount of the regulatory liability accrued. In accordance with Kansas law, the KCC has until February 25, 2019 to rule on the tax refund issue. We believe that our capital structure and available liquidity resources will be adequate to adjust for these changes. See additional discussion under Regulatory Activities - Tax Reform and Note 13 of Notes to Consolidated Financial Statements in this Annual Report.

Short-term Financing - In October 2018, we exercised a one-year extension of the ONE Gas Credit Agreement. The ONE Gas Credit Agreement remains a $700.0 million revolving unsecured credit facility and includes a $20.0 million letter of credit subfacility and a $60.0 million swingline subfacility. We are able to request an increase in commitments of up to an additional $500.0 million upon satisfaction of customary conditions, including receipt of commitments from either new lenders or increased commitments from existing lenders. The ONE Gas Credit Agreement expires in October 2023, and is available to provide liquidity for working capital, capital expenditures, acquisitions and mergers, the issuance of letters of credit and for other general corporate purposes.

The ONE Gas Credit Agreement contains 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. The ONE Gas Credit Agreement also contains certain financial, operational and legal covenants. Among other things, these covenants include maintaining ONE Gas' total debt-to-capital ratio of no more than 70 percent at the end of any calendar quarter. The ONE Gas Credit Agreement also contains customary affirmative and negative covenants, including covenants relating to liens, indebtedness of subsidiaries, investments, changes in the nature of business, fundamental changes, transactions with affiliates, burdensome agreements, and use of proceeds. In the event of a breach of certain covenants by ONE Gas, amounts outstanding under the ONE Gas Credit Agreement may become due and payable immediately. At December 31, 2018 , our total debt-to-capital ratio was 44 percent , and we were in compliance with all covenants under the ONE Gas Credit Agreement.

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

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

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

At December 31, 2018 , we had $299.5 million of short-term debt outstanding in the form of commercial paper, $1.2 million in letters of credit outstanding and had approximately $21.3 million of cash and cash equivalents. At December 31, 2018 , we had no borrowings and $399.3 million of credit available under the ONE Gas Credit Agreement. The weighted-average interest rate on our commercial paper was 2.54 percent at December 31, 2018 .

Long-Term Debt - In November 2018, we issued $400 million of 4.50 percent senior notes due 2048. The proceeds from the issuance were used to retire the $300 million 2.07 percent senior notes due 2019, to reduce commercial paper and for general corporate purposes.

The indenture governing our Senior Notes includes an event of default upon the acceleration of other indebtedness of $100 million or more. Such events of default would entitle the trustee or the holders of 25 percent in aggregate principal amount of the outstanding Senior Notes to declare those Senior Notes immediately due and payable in full. At December 31, 2018 , our long-term debt-to-capital ratio was 39 percent.

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

Credit Ratings - Our credit ratings as of December 31, 2018 , were:

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

On January 28, 2019, Moody's affirmed our A2 rating and changed our outlook to stable from negative.

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

Pension and Other Postemployment Benefit Plans - During 2018, we contributed $42.4 million to our defined benefit pension plan and $7.7 million to our other postemployment benefit plans. During 2017, we contributed $111.9 million to our defined benefit pension plan and $6.2 million to our other postemployment benefit plans. Information about our pension and other postemployment benefits plans, including anticipated contributions, is included under Note 12 of the Notes to Consolidated Financial Statements in this Annual Report.

CASH FLOW ANALYSIS

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

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

	Years Ended December 31,			Variances	
	2018	**2017**	**2016**	**2018 vs. 2017**	**2017 vs. 2016**
			(*Millions of dollars*)		
Total cash provided by (used in):					
Operating activities	**$ 467.7**	$ 253.8	$ 290.6	**$ 213.9**	$ (36.8)
Investing activities	**(394.5)**	(355.8)	(308.5)	**(38.7)**	(47.3)
Financing activities	**(66.3)**	101.7	30.2	**(168.0)**	71.5
Change in cash and cash equivalents	**6.9**	(0.3)	12.3	**7.2**	(12.6)
Cash and cash equivalents at beginning of period	**14.4**	14.7	2.4	**(0.3)**	12.3
Cash and cash equivalents at end of period	**$ 21.3**	$ 14.4	$ 14.7	**$ 6.9**	$ (0.3)

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

2018 vs. 2017 - Cash flows from operating activities were higher in 2018 compared with 2017, due in part to working capital changes related to the timing of recoveries of purchased-gas costs, natural gas in storage and weather normalization adjustments which were impacted by higher volumes of natural gas delivered in 2018 compared with 2017 due to colder weather. Cash flows were also higher due to a $68.0 million reduction in contributions to our pension and other postemployment benefit plans. Operating cash flows for 2018 include $30.9 million of revenues that have been collected that are subject to refund due to the impact of the Tax Cuts and Jobs Act of 2017 on our rates billed to customers. Potential refunds of these amounts will be determined by our regulators in our rate proceedings discussed in "Regulatory Activities - Tax Reform" in Management's Discussions and Analysis of Financial Condition and Results in Operations in this Annual Report.

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

Investing Cash Flows - 2018 vs. 2017 - Cash used in investing activities increased for 2018, compared to 2017, due primarily to capital expenditures for increased system integrity activities and extending service to new areas.

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

Financing Cash Flows - 2018 vs. 2017 - Cash provided by financing activities for 2018 decreased, compared with 2017 , due to larger repayments of notes payable and repayment of long-term debt, offset by proceeds from issuance of long-term debt in 2018.

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

ENVIRONMENTAL, SAFETY AND REGULATORY MATTERS

Environmental Matters - We are subject to multiple historical, wildlife preservation and environmental laws and/or regulations, which affect many aspects of our present and future operations. Regulated activities include, but are not limited to, those involving air emissions, storm water and wastewater discharges, handling and disposal of solid and hazardous wastes, wetland preservation, hazardous materials transportation, and pipeline and facility construction. These laws and regulations require us to obtain and/or comply with a wide variety of environmental clearances, registrations, licenses, permits and other approvals. Failure to comply with these laws, regulations, licenses and permits 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 Clean Air Act and other similar federal and state laws could require unexpected capital expenditures. We cannot assure that existing environmental statutes and regulations will not be revised or that new regulations will not be adopted or become applicable to us. Revised or additional statutes or regulations that result in increased compliance costs or additional operating restrictions could have a material adverse effect on our business, financial condition and results of operations. Our expenditures for environmental investigation, and remediation compliance to-date have not been significant in relation to our financial position, results of operations or cash flows, and our expenditures related to environmental matters had no material effects on earnings or cash flows during 2018, 2017 or 2016 .

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. Regulatory closure has been achieved at three of the 12 sites, but these sites remain subject to potential future requirements that may result in additional costs.

We have completed or are addressing removal of the source of soil contamination at all 12 sites and continue to monitor groundwater at eight of the 12 sites according to plans approved by the KDHE. During the fourth quarter of 2018, we began a project to remove the source of contamination and associated contaminated materials at the twelfth site where no active soil remediation had previously occurred. We are also finalizing a study of the feasibility of various options to address the remainder of the site. Costs associated with the remediation at this site are not expected to be material to our results of operations or financial position.

With regard to one of our former MGP sites in Kansas, periodic monitoring and a 2016 interim site investigation indicated elevated levels of contaminants generally associated with MGP sites. In 2016, we estimated the potential costs associated with additional investigation and remediation to be in the range of $4.0 million to $7.0 million . We have submitted a remediation

plan to the KDHE for this site. The KDHE is currently reviewing our plan. In the second quarter of 2018, we revised our estimate of the potential costs associated with additional investigation and remediation to be in the range of $5.6 million to $7.0 million . A single reliable estimate of the remediation costs was not feasible due to the amount of uncertainty in the ultimate remediation approach that will be utilized. Accordingly, we recorded in the second quarter of 2018 an adjustment to the reserve of $1.6 million bringing the total to $5.6 million for this site, which also increased our regulatory asset pursuant to our AAO in Kansas.

In April 2017, Kansas Gas Service filed an application with the KCC seeking approval of an AAO associated with the costs incurred at, and nearby, the 12 former MGP sites which we own or retain responsibility for certain environmental conditions. In October 2017, Kansas Gas Service, the KCC staff and the Citizens' Utility Ratepayer Board filed a unanimous settlement agreement with the KCC. The agreement allows Kansas Gas Service to defer and seek recovery of costs that are necessary for investigation and remediation at the 12 former MGP sites incurred after January 1, 2017, up to a cap of $15.0 million , net of any related insurance recoveries. Costs approved in a future rate proceeding would then be amortized over a 15-year period. The unamortized amounts will not be included in rate base or accumulate carrying charges. At the time future investigation and remediation work, net of any related insurance recoveries, is expected to exceed $15.0 million , Kansas Gas Service will be required to file an application with the KCC for approval to increase the $15.0 million cap. The KCC issued an order approving the settlement agreement in November 2017. A regulatory asset of approximately $5.9 million was recorded for estimated costs that have been accrued at January 1, 2017.

We also own or retain legal responsibility for certain environmental conditions at a former MGP site in Texas. At the request of the Texas Commission on Environmental Quality, 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. Until the investigation is complete, we are unable to determine what, if any, active remediation will be required. A reliable estimate of potential remediation costs is not feasible at this point due to the amount of uncertainty as to the levels and extent of contamination.

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 2018, 2017 or 2016 . A number of environmental issues may exist with respect to MGP sites that are unknown to us. Accordingly, future costs are dependent on the final determination and regulatory approval of any remedial actions, the complexity of the site, level of remediation required, changing technology and governmental regulations, and to the extent not recovered by insurance or recoverable in rates from our customers, could be material to our financial condition, results of operations or cash flows.

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

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

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

In April 2016, PHMSA published a NPRM, the Safety of Gas Transmission & Gathering Lines Rule, in the Federal Register to revise pipeline safety regulations applicable to the safety of onshore natural gas transmission and gathering pipelines.

Proposals include changes to pipeline integrity management requirements and other safety-related requirements. The NPRM comment period ended July 7, 2016, and comments are under review by PHMSA. As part of the comment review process, PHMSA is being advised by the Technical Pipeline Safety Standards Committee, informally known by PHMSA as the GPAC, a statutorily mandated advisory committee that advises PHMSA on proposed safety policies for natural gas pipelines. The GPAC reviews PHMSA's proposed regulatory initiatives to assure the technical feasibility, reasonableness, cost-effectiveness and practicality of each proposal. The GPAC has met five times since January 2017 to review public comments and make recommendations to PHMSA. The GPAC completed their review of the NPRM on March 28, 2018, except for gas gathering. The next GPAC meeting will focus on gas gathering. In addition to reviewing public and committee comments, PHMSA announced they will split this NPRM into three separate final rulemakings:

- the first final rule will address the legislative mandates from the Pipeline Safety, Regulatory Certainty and Jobs Creation Act and will be called the Safety of Gas Transmission Pipelines: Maximum Allowable Operating Pressure Reconfirmation, Expansion of Assessment Requirements, and Other Related Amendments;
- the second final rule will be called the Safety of Gas Transmission Pipelines: Repair Criteria, Integrity Management Improvements, Cathodic Protection, Management of Change, and Other Related Amendments and will cover all remaining elements of the NPRM (except for gas gathering); and
- the third final rule will be called the Safety of Gas Gathering Pipelines and will address gas gathering.

A significant number of recommendations have been made to PHMSA to improve the NPRM. The industry trade associations filed joint comments to the "legislative mandates" rulemaking to amend the federal safety regulations applicable to gas transmission and gathering pipelines. The timing of each final rule being published is unknown, but they are expected to be published during 2019. The potential capital and operating expenditures associated with compliance with the proposed rules are currently being evaluated and could be significant depending on the final regulations.

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

International, federal, regional and/or state legislative and/or regulatory initiatives may attempt to regulate greenhouse gas emissions. We monitor relevant legislation and regulatory initiatives to assess the potential impact on our operations. The EPA's Mandatory Greenhouse Gas Reporting Rule requires annual greenhouse gas emissions reporting as carbon dioxide equivalents from affected facilities and for the natural gas delivered by us to our natural gas distribution customers who are not otherwise required to report their own emissions. The additional cost to gather and report this emission data did not have, and we do not expect it to have, a material impact on our results of operations, financial position or cash flows. In addition, Congress has considered, and may consider in the future, legislation to reduce greenhouse gas emissions, including carbon dioxide and methane. Likewise, the EPA may institute additional regulatory rulemaking associated with greenhouse gas emissions. At this time, no rule or legislation has been enacted for natural gas distribution that assesses any costs, fees or expenses on any of these emissions.

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

Pipeline Security - The U.S. Department of Homeland Security's Transportation Security Administration issued updated pipeline security guidelines in March 2018. Our pipeline facilities have been reviewed according to the current guidelines and no material changes have been required to date.

Environmental Footprint - Our environmental and climate change strategy focuses on taking steps to minimize the impact of our operations on the environment. These strategies include: (1) developing and maintaining an accurate greenhouse gas

emissions inventory according to current rules issued by the EPA; (2) improving the integrity of our various pipelines; (3) following developing technologies for emission control; and (4) utilizing practices to reduce the loss of methane from our facilities.

We participate in the EPA's Natural Gas STAR Program to voluntarily reduce methane emissions. We continue to focus on maintaining low rates of lost-and-unaccounted-for natural gas through expanded implementation of best practices to limit the release of natural gas during pipeline and facility maintenance and operations. Additionally, in March 2016, we were one of 40 founding partners to launch the EPA's Natural Gas STAR Methane Challenge Program, whereby oil and natural gas companies agree to promote and track commitments to reduce methane emissions beyond what is federally required. Our Methane Challenge Program commitment to annually replace or rehabilitate at least two percent of our combined inventory of cast iron and noncathodically-protected steel pipe aligns with our planned system integrity expenditures for infrastructure replacements. We exceeded our goal by achieving an overall replacement rate between six and seven percent in both 2017 and 2016. We anticipate reporting in 2019 our calendar year 2018 performance relative to our commitment.

Additional information about our environmental matters is included in the section entitled Environmental Matters in Note 15 of the Notes to Consolidated Financial Statements in this Annual Report. We cannot assure that existing environmental statutes and regulations will not be revised or that new regulations will not be adopted or become applicable to us. Revised or additional regulations that result in increased compliance costs or additional operating restrictions could have a material adverse effect on our business, financial condition and results of operations. Our expenditures for environmental investigation, and remediation compliance to-date have not been significant in relation to our financial position, results of operations or cash flows, and our expenditures related to environmental matters had no material effects on earnings or cash flows during 2018, 2017 or 2016 .

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

IMPACT OF NEW ACCOUNTING STANDARDS

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

ESTIMATES AND CRITICAL ACCOUNTING POLICIES

The preparation of our consolidated financial statements and related disclosures in accordance with GAAP requires us to make estimates and assumptions with respect to values or conditions that cannot be known with certainty that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements. These estimates and assumptions also affect the reported amounts of revenue and expenses during the reporting period. Although we believe these estimates and assumptions are reasonable, actual results could differ from our estimates. See our Risk Factors and/or Forward-Looking Statements for factors which could impact our estimates.

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

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

For further discussion of regulatory assets and liabilities, see Note 9 of the Notes to Consolidated Financial Statements in this Annual Report.

Impairment of Goodwill - We assess our goodwill for impairment at least annually as of July 1. Our goodwill impairment analysis performed in 2018 and 2017 , utilized a qualitative assessment and did not result in any impairment indicators. Subsequent to July 1, 2018 , no event has occurred indicating that our fair value is less than the carrying value of our net assets.

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

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

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

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

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

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

During 2018 , we contributed approximately $42.4 million to our defined benefit pension plan and $7.7 million to our other postemployment benefit plans. In 2019 , we expect to contribute approximately $1.0 million to our defined benefit pension plan and $3.0 million to our other postemployment benefit plans. In 2017, we purchased group annuity contracts and transferred approximately $46.7 million of the assets and liabilities related to certain participants in our defined benefit pension plan to a third-party insurance company.

During 2018, we recorded net periodic benefit costs of $29.1 million and a credit of $3.5 million related to our pension plans and other postemployment benefit plans, respectively, prior to regulatory deferrals. We estimate that in 2019 we will record expenses of approximately $23.8 million related to pension plans prior to regulatory deferrals.

The following table sets forth the significant assumptions used to determine our estimated 2019 net periodic benefit cost related to our defined pension and other postemployment benefit plans, and sensitivity to changes with respect to these assumptions:

	Rate Used	Cost Sensitivity (a)	Obligation Sensitivity (b)
		(*Millions of dollars*)	
Discount rate for pension	**4.40%**	**$ 3.0**	**$ 29.7**
Discount rate for other postemployment benefits	**4.40%**	**$ 0.5**	**$ 5.4**
Expected long-term return on plan assets (c)	**7.20%/7.35%**	**$ 2.6**	**$ —**

(a) Approximate impact a quarter percentage point decrease in the assumed rate would have on net periodic pension costs.
(b) Approximate impact a quarter percentage point decrease in the assumed rate would have on defined benefit pension obligation.
(c) Expected long-term return on plan assets for pension and other postemployment benefits are 7.20 percent and 7.35 percent, respectively.

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

	One Percentage Point Increase	One Percentage Point Decrease
	(*Millions of dollars*)	
Effect on total of service and interest cost	**$ 0.2**	**$ (0.2)**
Effect on other postemployment benefit obligation	**$ 2.3**	**$ (2.4)**

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

We adopted ASC 606 which clarifies and converges the revenue recognition principles under GAAP and International Financial Reporting Standards, for our interim and annual reports beginning in the first quarter 2018, using the modified retrospective method. We evaluated all of our sources of revenue to determine the potential effect of the new standard on our financial position, results of operations, cash flows and the related accounting policies and business processes. Upon adoption, there was no cumulative adjustment to our opening retained earnings. The only impact of adopting ASC 606 is that we reclassified certain revenues that do not meet the requirements under ASC 606 as revenues from contracts with customers, but will continue to be reflected as other revenues in determining total revenue. The items we reclassified relate primarily to the weather normalization mechanism in Kansas, where the KCC determines how we reflect variations in weather in our rates billed to customers.

We have determined the majority of our natural gas sales and transportation tariffs to be implied contracts with customers, which are settled over time, where our performance obligation is settled with our customer when natural gas is delivered and simultaneously consumed by the customer. In addition, we used the invoice method practical expedient, where we recognized revenue for volumes delivered for which we have a right to invoice. For our other utility revenue, which are primarily one-time service fees that meet the requirements under ASC 606, the performance obligation is satisfied at a point in time when services are rendered to the customer. As a result, we estimated unbilled revenues at the end of each accounting period consistent with past practice. The accrued unbilled natural gas sales revenue at December 31, 2018 and 2017 was $127.6 million and $138.5 million, respectively, and is included in accounts receivable on our Consolidated Balance Sheets. See Note 2 of the Notes to Consolidated Financial Statements in this Annual Report for additional information regarding our revenues.

Contingencies - Our accounting for contingencies covers a variety of business activities, including contingencies for legal and environmental exposures. We accrue these contingencies when our assessments indicate that it is probable that a liability has been incurred or an asset will not be recovered and an amount can be reasonably estimated. We expense legal fees as incurred and base our legal liability estimates on currently available facts and our assessments of the ultimate outcome or resolution. Accruals for estimated losses from environmental remediation obligations generally are recognized no later than the completion of a remediation feasibility study. Recoveries of environmental remediation costs from other parties are recorded as assets when their receipt is deemed probable. In 2016, we recorded a reserve of $4.0 million for potential costs associated with further investigation and remediation at one of the former MGP sites in Kansas. In 2017, we recorded a regulatory asset of approximately $5.9 million for estimated costs incurred at, and nearby, our 12 former MGP sites in Kansas that was accrued at January 1, 2017. In the second quarter of 2018, we revised our estimate of the potential costs associated with additional

investigation and remediation of this Kansas site to be in the range of $5.6 million to $7.0 million . Accordingly, we recorded in the second quarter of 2018 an adjustment to the reserve of $1.6 million bringing the total to $5.6 million for this site. Our expenditures for environmental evaluation, mitigation, remediation and compliance to date have not been significant in relation to our financial position or results of operations, and our expenditures related to environmental matters had no material effect on earnings or cash flows for 2018, 2017 or 2016 . Actual results may differ from our estimates resulting in an impact, positive or negative, on earnings.

See Note 15 of the Notes to Consolidated Financial Statements in this Annual Report for additional discussion of contingencies.

CONTRACTUAL OBLIGATIONS

The following table sets forth our contractual obligations at December 31, 2018 :

	Contractual Obligations						
	(*Millions of dollars*)						
	2019	**2020**	**2021**	**2022**	**2023**	**Thereafter**	**Total**
Long-term debt, including current maturities	$ —	$ —	$ —	$ —	$ —	$ 1,301.3	$ 1,301.3
Commercial paper	299.5	—	—	—	—	—	299.5
Interest payments on debt	56.9	56.9	56.9	56.9	56.9	1,012.7	1,297.2
Firm transportation and storage capacity contracts	184.0	172.3	151.9	117.1	89.4	55.8	770.5
Natural gas purchase commitments	168.6	0.1	0.1	0.1	0.1	0.1	169.1
Employee benefit plans	4.0	3.0	3.0	3.0	3.0	—	16.0
Operating leases	6.3	5.1	4.5	4.3	4.2	3.8	28.2
Total	$ 719.3	$ 237.4	$ 216.4	$ 181.4	$ 153.6	$ 2,373.7	$ 3,881.8

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

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

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

Employee benefit plans - Employee benefit plans include our anticipated contribution to maintain the minimum required funding level for our pension and other postemployment benefit plans. See Note 12 of the Notes to Consolidated Financial Statements in this Annual Report for discussion of employee benefit plans.

Operating leases - Our operating leases consist primarily of office facilities and information technology leases.

FORWARD-LOOKING STATEMENTS

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

Forward-looking statements include the items identified in the preceding paragraph, the information concerning possible or assumed future results of our operations and other statements contained or incorporated in this Annual Report identified by words such as "anticipate," "estimate," "expect," "project," "intend," "plan," "believe," "should," "goal," "forecast,"

“guidance,” “could,” “may,” “continue,” “might,” “potential,” “scheduled,” “likely,” and other words and terms of similar meaning. One should not place undue reliance on forward-looking statements, which are applicable only as of the date of this Annual Report. Known and unknown risks, uncertainties and other factors may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by forward-looking statements. Those factors may affect our operations, markets, products, services and prices. In addition to any assumptions and other factors referred to specifically in connection with the forward-looking statements, factors that could cause our actual results to differ materially from those contemplated in any forward-looking statement include, among others, the following:

- our ability to recover operating costs and amounts equivalent to income taxes, costs of property, plant and equipment and regulatory assets in our regulated rates;
- our ability to manage our operations and maintenance costs;
- changes in regulation of natural gas distribution services, particularly those in Oklahoma, Kansas and Texas;
- the economic climate and, particularly, its effect on the natural gas requirements of our residential and commercial industrial customers;
- competition from alternative forms of energy, including, but not limited to, electricity, solar power, wind power, geothermal energy and biofuels;
- conservation and energy storage efforts of our customers;
- variations in weather, including seasonal effects on demand, the occurrence of storms and disasters, and climate change;
- indebtedness could make us more vulnerable to general adverse economic and industry conditions, limit our ability to borrow additional funds and/or place us at competitive disadvantage compared with competitors;
- our ability to secure reliable, competitively priced and flexible natural gas transportation and supply, including decisions by natural gas producers to reduce production or shut-in producing natural gas wells and expiration of existing supply, and transportation and storage arrangements that are not replaced with contracts with similar terms and pricing;
- the mechanical integrity of facilities operated;
- operational hazards and unforeseen operational interruptions;
- adverse labor relations;
- the effectiveness of our strategies to reduce earnings lag, margin protection strategies and risk mitigation strategies, which may be affected by risks beyond our control such as commodity price volatility and counterparty creditworthiness;
- our ability to generate sufficient cash flows to meet all our liquidity needs;
- changes in the financial markets during the periods covered by the forward-looking statements, particularly those affecting the availability of capital and our ability to refinance existing debt and fund investments and acquisitions;
- actions of rating agencies, including the ratings of debt, general corporate ratings and changes in the rating agencies’ ratings criteria;
- changes in inflation and interest rates;
- our ability to recover the costs of natural gas purchased for our customers;
- impact of potential impairment charges;
- volatility and changes in markets for natural gas;
- possible loss of LDC franchises or other adverse effects caused by the actions of municipalities;
- payment and performance by counterparties and customers as contracted and when due;
- changes in existing or the addition of new environmental, safety, tax and other laws to which we and our subsidiaries are subject;
- the uncertainty of estimates, including accruals and costs of environmental remediation;
- advances in technology, 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;
- acts of nature and the potential effects of threatened or actual terrorism and war;
- cyber attacks or breaches of technology systems that could disrupt our operations or result in the loss or exposure of confidential or sensitive customer, employee or company information;
- the sufficiency of insurance coverage to cover losses;
- the effects of our strategies to reduce tax payments;
- the effects of litigation and regulatory investigations, proceedings, including our rate cases, or inquiries and the requirements of our regulators as a result of the Tax Cuts and Jobs Act of 2017;
- changes in accounting standards;
- changes in corporate governance standards;
- discovery of material weaknesses in our internal controls;

- our ability to 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;
- 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;
- the ability to successfully complete merger, acquisition or divestiture plans, regulatory or other limitations imposed as a result of a merger, acquisition or divestiture, and the success of the business following a merger, acquisition or divestiture;
- the final resolutions or outcomes with respect to our contingent and other corporate liabilities related to the natural gas distribution business and any related actions for indemnification made pursuant to the Separation and Distribution Agreement with ONEOK; and
- the costs associated with increased regulation and enhanced disclosure and corporate governance requirements pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010.

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

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

Commodity Price Risk

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

Interest-Rate Risk

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

Counterparty Credit Risk

We assess the creditworthiness of our customers. Those customers who do not meet minimum standards are required to provide security, including deposits and other forms of collateral, when appropriate and allowed by tariff. With 2.2 million customers across three states, we are not exposed materially to a concentration of credit risk. We maintain a provision for doubtful accounts based upon factors surrounding the credit risk of customers, historical trends, consideration of the current credit environment and other information. We are able to recover natural gas costs related to uncollectible accounts through our purchased-gas cost adjustment mechanisms.

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ITEM 8. CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Report of Independent Registered Public Accounting Firm

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

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of ONE Gas, Inc. and its subsidiaries (the "Company") as of December 31, 2018 and December 31, 2017, and the related consolidated statements of income, comprehensive income, equity and cash flows for each of the three years in the period ended December 31, 2018, including the related notes (collectively referred to as the "consolidated financial statements"). We also have audited the Company's internal control over financial reporting as of December 31, 2018, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and December 31, 2017, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2018 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2018, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the COSO.

Basis for Opinions

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

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

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

Definition and Limitations of Internal Control over Financial Reporting

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

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

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

/s/PricewaterhouseCoopers, LLP

Tulsa, Oklahoma
February 20, 2019

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

ONE Gas, Inc.

CONSOLIDATED STATEMENTS OF INCOME

	Years Ended December 31,		
	2018	**2017**	**2016**
	(*Thousands of dollars, except per share amounts*)		
Total revenues	**$ 1,633,731**	$ 1,539,633	$ 1,427,232
Cost of natural gas	**714,636**	614,501	541,797
Operating expenses			
Operations and maintenance	**411,702**	399,290	397,315
Depreciation and amortization	**160,086**	151,889	143,829
General taxes	**58,878**	57,225	55,344
Total operating expenses	**630,666**	608,404	596,488
Operating income	**288,429**	316,728	288,947
Other expense, net	**(11,359)**	(14,525)	(19,870)
Interest expense, net	**(51,305)**	(46,065)	(43,739)
Income before income taxes	**225,765**	256,138	225,338
Income taxes	**(53,531)**	(93,143)	(85,243)
Net income	**$ 172,234**	$ 162,995	$ 140,095
Earnings per share			
Basic	**$ 3.27**	$ 3.10	$ 2.67
Diluted	**$ 3.25**	$ 3.08	$ 2.65
Average shares (*thousands*)			
Basic	**52,693**	52,527	52,453
Diluted	**53,029**	52,979	52,963
Dividends declared per share of stock	**$ 1.84**	$ 1.68	$ 1.40

See accompanying Notes to Consolidated Financial Statements.

ONE Gas, Inc.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31,		
	2018	**2017**	**2016**
	(*Thousands of dollars*)		
Net income	**$ 172,234**	$ 162,995	$ 140,095
Other comprehensive income (loss), net of tax			
Change in pension and other postemployment benefit plans liability, net of tax of $(848), $486, and $197, respectively	**1,407**	(778)	(314)
Total other comprehensive income (loss), net of tax	**1,407**	(778)	(314)
Comprehensive income	**$ 173,641**	$ 162,217	$ 139,781

See accompanying Notes to Consolidated Financial Statements.

ONE Gas, Inc.
CONSOLIDATED BALANCE SHEETS

	December 31, 2018	December 31, 2017
Assets	(*Thousands of dollars*)	
Property, plant and equipment		
Property, plant and equipment	**$ 6,073,143**	$ 5,713,912
Accumulated depreciation and amortization	**1,789,431**	1,706,327
Net property, plant and equipment	**4,283,712**	4,007,585
Current assets		
Cash and cash equivalents	**21,323**	14,413
Accounts receivable, net	**295,421**	298,768
Materials and supplies	**44,333**	39,672
Natural gas in storage	**107,295**	130,154
Regulatory assets	**54,420**	88,180
Other current assets	**20,495**	17,807
Total current assets	**543,287**	588,994
Goodwill and other assets		
Regulatory assets	**437,479**	405,189
Goodwill	**157,953**	157,953
Other assets	**46,211**	47,157
Total goodwill and other assets	**641,643**	610,299
Total assets	**$ 5,468,642**	$ 5,206,878

See accompanying Notes to Consolidated Financial Statements.

ONE Gas, Inc.

CONSOLIDATED BALANCE SHEETS

(Continued)

	December 31, 2018	December 31, 2017
Equity and Liabilities	(*Thousands of dollars*)	
Equity and long-term debt		
Common stock, $0.01 par value: authorized 250,000,000 shares; issued 52,598,005 shares and outstanding 52,564,902 shares at December 31, 2018; issued 52,598,005 shares and outstanding 52,312,516 shares at December 31, 2017	**$ 526**	$ 526
Paid-in capital	**1,727,492**	1,737,551
Retained earnings	**320,869**	246,121
Accumulated other comprehensive loss	**(4,086)**	(5,493)
Treasury stock, at cost: 33,103 shares at December 31, 2018 and 285,489 shares at December 31, 2017	**(2,145)**	(18,496)
Total equity	**2,042,656**	1,960,209
Long-term debt, excluding current maturities, and net of issuance costs of $11,457 and $8,033, respectively	**1,285,483**	1,193,257
Total equity and long-term debt	**3,328,139**	3,153,466
Current liabilities		
Notes payable	**299,500**	357,215
Accounts payable	**174,510**	143,681
Accrued interest	**18,924**	18,776
Accrued taxes other than income	**47,640**	41,324
Accrued liabilities	**30,294**	30,058
Regulatory liabilities	**48,394**	9,438
Customer deposits	**61,183**	60,811
Other current liabilities	**18,446**	12,027
Total current liabilities	**698,891**	673,330
Deferred credits and other liabilities		
Deferred income taxes	**652,426**	599,945
Regulatory liabilities	**520,866**	519,421
Employee benefit obligations	**178,720**	172,938
Other deferred credits	**89,600**	87,778
Total deferred credits and other liabilities	**1,441,612**	1,380,082
Commitments and contingencies		
Total liabilities and equity	**$ 5,468,642**	$ 5,206,878

See accompanying Notes to Consolidated Financial Statements.

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ONE Gas, Inc.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31,		
	2018	**2017**	**2016**
	(*Thousands of dollars*)		
Operating activities			
Net income	**$ 172,234**	$ 162,995	$ 140,095
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	**160,086**	151,889	143,829
Deferred income taxes	**53,242**	92,393	86,788
Share-based compensation expense	**8,195**	8,876	11,219
Provision for doubtful accounts	**8,506**	7,323	5,427
Changes in assets and liabilities:			
Accounts receivable	**(5,159)**	(15,147)	(80,028)
Materials and supplies	**(4,661)**	(5,588)	(759)
Income tax receivable	**—**	—	37,480
Natural gas in storage	**22,859**	(4,722)	16,721
Asset removal costs	**(52,855)**	(52,376)	(53,430)
Accounts payable	**36,885**	1,945	27,596
Accrued interest	**148**	(78)	(19)
Accrued taxes other than income	**6,316**	(1,247)	5,322
Accrued liabilities	**236**	7,127	(8,539)
Customer deposits	**372**	(398)	884
Regulatory assets and liabilities	**109,437**	29,250	(49,472)
Employee benefit obligation	**(50,100)**	(118,095)	(25,666)
Other assets and liabilities	**1,953**	(10,347)	33,141
Cash provided by operating activities	**467,694**	253,800	290,589
Investing activities			
Capital expenditures	**(394,450)**	(356,361)	(309,071)
Other	**—**	618	492
Cash used in investing activities	**(394,450)**	(355,743)	(308,579)
Financing activities			
Borrowings (repayment) on notes payable, net	**(57,715)**	212,215	132,500
Repurchase of common stock	**—**	(17,512)	(24,066)
Issuance of debt, net of discounts	**395,648**	—	—
Long-term debt financing costs	**(4,324)**	—	—
Issuance of common stock	**4,803**	4,457	4,017
Repayment of long-term debt	**(300,000)**	—	—
Dividends paid	**(96,594)**	(87,951)	(73,209)
Tax withholdings related to net share settlements of stock compensation	**(8,152)**	(9,516)	(9,022)
Cash provided by (used in) financing activities	**(66,334)**	101,693	30,220
Change in cash and cash equivalents	**6,910**	(250)	12,230
Cash and cash equivalents at beginning of period	**14,413**	14,663	2,433
Cash and cash equivalents at end of period	**$ 21,323**	$ 14,413	$ 14,663
Supplemental cash flow information:			
Cash paid for interest, net of amounts capitalized	**$ 49,371**	$ 44,436	$ 42,129
Cash paid (received) for income taxes, net	**$ 800**	$ (1,389)	$ (35,702)

See accompanying Notes to Consolidated Financial Statements.

ONE Gas, Inc.

CONSOLIDATED STATEMENTS OF EQUITY

	Common Stock Issued	Common Stock	Paid-in Capital
	(Shares)	(*Thousands of dollars*)	
January 1, 2016	52,598,005	$ 526	$ 1,764,875
Net income	—	—	—
Other comprehensive loss	—	—	—
Repurchase of common stock	—	—	—
Common stock issued	—	—	(16,212)
Common stock dividends - $1.40 per share	—	—	911
December 31, 2016	52,598,005	526	1,749,574
Cumulative effect of accounting change	—	—	—
Net income	—	—	—
Other comprehensive loss	—	—	—
Repurchase of common stock	—	—	—
Common stock issued and other	—	—	(12,949)
Common stock dividends - $1.68 per share	—	—	926
December 31, 2017	52,598,005	526	1,737,551
Net income	—	—	—
Other comprehensive income	—	—	—
Common stock issued and other	—	—	**(10,951)**
Common stock dividends - $1.84 per share	—	—	**892**
December 31, 2018	**52,598,005**	**$ 526**	**$ 1,727,492**

See accompanying Notes to Consolidated Financial Statements.

ONE Gas, Inc.

CONSOLIDATED STATEMENTS OF EQUITY

(Continued)

	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Loss	Total Equity
		(*Thousands of dollars*)		
January 1, 2016	$ 95,046	$ (14,491)	$ (4,401)	$ 1,841,555
Net income	140,095	—	—	140,095
Other comprehensive loss	—	—	(314)	(314)
Repurchase of common stock	—	(24,066)	—	(24,066)
Common stock issued	—	20,431	—	4,219
Common stock dividends - $1.40 per share	(74,120)	—	—	(73,209)
December 31, 2016	161,021	(18,126)	(4,715)	1,888,280
Cumulative effect of accounting change	10,982	—	—	10,982
Net income	162,995	—	—	162,995
Other comprehensive loss	—	—	(778)	(778)
Repurchase of common stock	—	(17,512)	—	(17,512)
Common stock issued and other	—	17,142	—	4,193
Common stock dividends - $1.68 per share	(88,877)	—	—	(87,951)
December 31, 2017	246,121	(18,496)	(5,493)	1,960,209
Net income	**172,234**	—	—	**172,234**
Other comprehensive income	—	—	**1,407**	**1,407**
Common stock issued and other	—	**16,351**	—	**5,400**
Common stock dividends - $1.84 per share	**(97,486)**	—	—	**(96,594)**
December 31, 2018	**$ 320,869**	**$ (2,145)**	**$ (4,086)**	**$ 2,042,656**

See accompanying Notes to Consolidated Financial Statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Operations - We provide natural gas distribution services to our 2.2 million customers through our divisions in Oklahoma, Kansas and Texas through Oklahoma Natural Gas, Kansas Gas Service and Texas Gas Service, respectively. We serve residential, commercial, industrial and transportation customers in all three states. In addition, we also provide natural gas distribution services to wholesale and public authority customers. We are a corporation incorporated under the laws of the state of Oklahoma, and our common stock is listed on the NYSE under the trading symbol "OGS." In 2017, we formed a wholly-owned captive insurance company in the state of Oklahoma to provide insurance to our divisions.

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

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

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

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

Cost of Natural Gas - Cost of natural gas includes commodity purchases, fuel, storage, transportation and other gas purchase costs recovered through our cost of natural gas regulatory mechanisms and does not include an allocation of general operating costs or depreciation and amortization. In addition, our cost of natural gas regulatory mechanisms provide a method of recovering natural gas costs on an ongoing basis without a profit. See Note 9 for additional discussion of purchased gas cost recoveries.

Accounts Receivable - Accounts receivable represent valid claims against nonaffiliated customers for natural gas sold or services rendered, net of allowances for doubtful accounts. We assess the creditworthiness of our customers. Those customers who do not meet minimum standards are required to provide security, including deposits and other forms of collateral, when appropriate. With 2.2 million customers across three states, we are not exposed materially to a concentration of credit risk. We maintain an allowance for doubtful accounts based upon factors surrounding the credit risk of customers, historical trends, consideration of the current credit environment and other information. We are able to recover natural gas costs related to doubtful accounts through purchased-gas cost adjustment mechanisms. At December 31, 2018 and 2017 , our allowance for doubtful accounts was $4.7 million and $4.8 million , respectively.

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

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

Derivatives and Risk Management Activities - We record all derivative instruments at fair value, with the exception of normal purchases and normal sales that are expected to result in physical delivery. The accounting for changes in the fair value

of a derivative instrument depends on whether it has been designated and qualifies as part of a hedging relationship and, if so, the reason for holding it, or if regulatory rulings require a different accounting treatment.

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

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

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

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

See Note 8 for additional information regarding our hedging activities using derivatives.

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

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

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

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

Determining the appropriate classification of our fair value measurements within the fair value hierarchy requires management's judgment regarding the degree to which market data is observable or corroborated by observable market data. We categorize derivatives for which fair value is determined using multiple inputs within a single level, based on the lowest level input that is significant to the fair value measurement in its entirety. See Note 8 for additional information regarding our fair value measurements.

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

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

Our properties are depreciated using the straight-line method over their estimated useful lives. Generally, we apply composite depreciation rates to functional groups of property having similar economic circumstances. We periodically conduct depreciation studies to assess the economic lives of our assets. These depreciation studies are completed as a part of our

regulatory proceedings, and the changes in economic lives, if applicable, are implemented prospectively when the new rates are approved by our regulators and become effective. Changes in the estimated economic lives of our property, plant and equipment could have a material effect on our financial position, results of operations or cash flows.

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

See Note 10 for additional information regarding our property, plant and equipment.

Impairment of Goodwill and Long-Lived Assets - We assess our goodwill for impairment at least annually as of July 1. Our goodwill impairment analysis performed in 2018, 2017 and 2016 , utilized a qualitative assessment and did not result in any impairment indicators. Subsequent to July 1, 2018 , no event has occurred indicating that it is more likely than not that our fair value is less than the carrying value of our net assets.

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

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

We assess our long-lived assets for impairment whenever events or changes in circumstances indicate that an asset's carrying amount may not be recoverable. An impairment is indicated if the carrying amount of a long-lived asset exceeds the sum of the undiscounted future cash flows expected to result from the use and eventual disposition of the asset. If an impairment is indicated, we record an impairment loss equal to the difference between the carrying value and the fair value of the long-lived asset. We determined that there were no asset impairments in 2018, 2017 or 2016 .

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

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

See Note 9 for additional information regarding our regulatory assets and liabilities disclosures.

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

projected benefit obligations and costs, assumptions can change from period to period and may result in material changes in the cost and liabilities we recognize.

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

A valuation allowance for deferred income tax assets is recognized when it is more likely than not that some or all of the benefit from the deferred income tax asset will not be realized. To assess that likelihood, we use estimates and judgment regarding our future taxable income, as well as the jurisdiction in which such taxable income is generated, to determine whether a valuation allowance is required. Such evidence can include our current financial position, our results of operations, both actual and forecasted, the reversal of deferred income tax liabilities, as well as the current and forecasted business economics of our industry. We had no valuation allowance at December 31, 2018 and 2017 .

We utilize a more-likely-than-not recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position that is taken or expected to be taken in a tax return. We reflect penalties and interest as part of income tax expense as they become applicable for tax provisions that do not meet the more-likely-than-not recognition threshold and measurement attribute. There were no material uncertain tax positions at December 31, 2018 and 2017 .

See Note 13 for additional information regarding income taxes.

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

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

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

See Note 15 for additional information regarding contingencies.

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

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

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

In 2018 , 2017 and 2016 , we had no single external customer from which we received 10 percent or more of our gross revenues.

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

Recently Issued Accounting Standards Update - In August 2018, the FASB issued ASU 2018-15, "Intangibles - Goodwill and Other - Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract (a consensus of the FASB Emerging Issues Task Force)." Under this guidance, a company should defer implementation costs that it incurs if the company would capitalize those same costs under the internal-use software guidance for an arrangement that is a software license. This standard is effective for interim and annual periods in fiscal years beginning after December 15, 2019, and early adoption is permitted. We are currently assessing the timing and impacts of adopting this standard.

In March 2018, the FASB issued ASU 2018-05, "Income Taxes (Topic 740): Amendments to SEC Paragraphs Pursuant to SEC Staff Accounting Bulletin No. 118," which updates the FASB's Accounting Standards Codification to reflect the guidance in SAB 118, which adds Section EE, "Income Tax Accounting Implications of the Tax Cuts and Jobs Act," to SAB Topic 5, "Miscellaneous Accounting." SAB 118 also provides guidance on applying ASC 740, Income Taxes, if the accounting for certain income tax effects of the Tax Cuts and Jobs Act of 2017 is incomplete when the financial statements are issued for a reporting period. See Note 13 for additional discussion regarding SAB 118.

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

In March 2017, the FASB issued ASU 2017-07, "Compensation - Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost," which requires (1) separation of net periodic service costs for pension and other postemployment benefits into service cost and other components, (2) presentation of the service cost component in the same line as other compensation costs rendered by pertinent employees during the period, and (3) reporting the other components of net periodic benefit costs separately from the service cost component and outside a subtotal of income from operations. Additionally, only the service cost component is eligible for capitalization for GAAP, when applicable. However, all of our cost components remain eligible for capitalization under the accounting requirements for rate regulated entities. We adopted this guidance in the first quarter of 2018. The presentation changes required for net periodic benefit costs did not impact previously reported net income; however, the reclassification of the other components of benefits

costs resulted in an increase in operating income and an increase in other expenses of $8.8 million , $17.3 million , and $19.8 million for the years ended December 31, 2018, 2017, and 2016, respectively. We elected the practical expedient to use the retroactive presentation of the amounts disclosed for the various components of net benefit cost in our Employee Benefit Plans footnote as the basis for the retrospective application. In addition, we updated our information systems for the capitalization of service costs to property, plant and equipment and non-service costs to a regulatory asset on a prospective basis, as well as the appropriate accounts for non-service costs to apply retroactive reclassification.

In June 2016, the FASB issued ASU 2016-13, “Financial Instruments - Credit Losses: Measurement of Credit Losses on Financial Instruments,’’ which introduces new guidance to the accounting for credit losses on instruments within its scope, including trade receivables. It is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years, and early adoption is permitted for fiscal years beginning after December 15, 2018. The new guidance will be initially applied through a cumulative-effect adjustment to retained earnings as of the beginning of the period of adoption. We are currently assessing the timing and impacts of adopting this standard, which must be adopted by the first quarter of 2020.

In February 2016, the FASB issued ASU 2016-02, “Leases (Topic 842),” as amended, which prescribes recognizing lease assets and liabilities on the balance sheet and includes disclosure of key information about leasing arrangements. We will adopt this new guidance effective January 1, 2019, and apply the modified retrospective approach to all existing leases. We do not expect a material impact to our results of operations or cash flows. We plan to utilize the practical expedients that allow us to: (1) not reassess expired or existing contracts to determine whether they are subject to lease accounting guidance, (2) not reconsider lease classification at transition, and (3) not evaluate previously capitalized initial direct costs under the revised requirements. We also plan to utilize the practical expedients that allow us to: (1) not evaluate under Topic 842 existing or expired land easements that were not previously accounted for as leases under the current lease guidance in Topic 840 and (2) use an additional transition method in which an entity initially applies the new leases standard at the adoption date and recognizes a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption.

Our population of leases consists primarily of operating leases for office facilities, information technology, and right-of-way contracts. We expect that upon adoption we will recognize lease liabilities of approximately $32 million , with corresponding right-of-use assets of the same amount based on the present value of the remaining minimum rental payments for existing operating leases. The operating lease right-of-use assets include any lease payments made and excludes lease incentives. Our lease terms may include options to extend or terminate the lease when it is reasonably certain that we will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term. We have lease agreements with lease and non-lease components, which are generally accounted for separately. Additionally, for certain office equipment leases, we apply a portfolio approach to effectively account for the operating lease right-of-use assets and liabilities. We will adopt an accounting policy that exempts leases with terms of less than one year from the recognition requirements of ASC Topic 842, and disclose such leases in our interim and annual disclosures upon adoption.

In May 2014, the FASB issued ASU 2014-09, “Revenue from Contracts with Customers” (“ASC 606”), which clarifies and converges the revenue recognition principles under GAAP and International Financial Reporting Standards. We adopted this new guidance in the first quarter 2018, using the modified retrospective method. We evaluated all of our sources of revenue to determine the potential effect of the new standard on our financial position, results of operations, cash flows and the related accounting policies and business processes. Our adoption did not result in a cumulative adjustment to our opening retained earnings. Our adoption resulted in a reclassification of certain revenues associated with certain regulatory mechanisms that do not meet the requirements under ASC 606 as revenue from contracts with customers, but will continue to be reflected as other revenues in determining total revenues. The reclassified revenues relate primarily to the weather normalization mechanism in Kansas, where the KCC determines how we reflect variations in weather in our rates billed to customers. See Note 2 for additional information regarding our revenues.

2. REVENUE

We recognize revenue from contracts with customers to depict the transfers of goods and services to customers at an amount that we expect to be entitled to receive in exchange for these goods and services. Our sources of revenue are disaggregated by natural gas sales, transportation revenues, and miscellaneous revenues, which are primarily one-time service fees, that meet the requirements of ASC 606. Certain revenues that do not meet the requirements of ASC 606 are classified as other revenues in our Notes to Consolidated Financial Statements in this Annual Report.

Our natural gas sales to customers represent revenue from contracts with customers through implied contracts established by our tariff rates approved by the regulatory authorities. For natural gas sales, the customer receives the benefits of our performance when the commodity is received and simultaneously consumed by the customer. The performance obligation is satisfied over time as the customer consumes the natural gas.

Our transportation revenues represent revenue from contracts with customers through implied contracts established by our tariff rates approved by the regulatory authorities and tariff-based negotiated contracts. The customer receives the benefits of our performance when the commodity is delivered to the customer and the performance obligation is satisfied over time as the customer receives the natural gas.

For regulated deliveries of natural gas, we read meters and bill customers on a monthly cycle. We recognize revenues upon the delivery of natural gas commodity or services rendered to customers. The billing cycles for customers do not necessarily coincide with the accounting periods used for financial reporting purposes. We accrue unbilled revenues for natural gas that has been delivered but not yet billed at the end of an accounting period. We use the invoice method practical expedient, where we recognize revenue for volumes delivered for which we have a right to invoice. As a result, we estimated unbilled revenues at the end of each accounting period consistent with past practice. Accrued unbilled revenue is based on a percentage estimate of amounts unbilled each month, which is dependent upon a number of factors, some of which require management's judgment. These factors include customer consumption patterns and the impact of weather on usage. The accrued unbilled natural gas sales revenue at December 31, 2018 and 2017 was $127.6 million and $138.5 million , respectively, and is included in accounts receivable on our Consolidated Balance Sheets.

Our miscellaneous revenues from contracts with customers represent implied contracts established by our tariff rates approved by the regulatory authorities and includes miscellaneous utility services with the performance obligation satisfied at a point in time when services are rendered to the customer.

Total other revenues consist of revenues associated with regulatory mechanisms that do not meet the requirements of ASC 606 as revenue from contracts with customers, but authorize us to accrue revenues earned based on tariffs approved by the regulatory authorities. Total other revenues primarily reflect our natural gas sales related weather normalization mechanism in Kansas. This mechanism adjusts our revenues earned for the variance between actual and normal HDDs. This mechanism can have either positive (warmer than normal) or negative (colder than normal) effects on revenues.

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

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

		Year Ended December 31, 2018
		(Thousands of dollars)
Natural gas sales to customers	**$**	**1,495,250**
Transportation revenues		**109,658**
Miscellaneous revenues		**21,710**
Total revenues from contracts with customers		**1,626,618**
Other revenues - natural gas sales related		**(2,806)**
Other revenues		**9,919**
Total other revenues		**7,113**
Total revenues	**$**	**1,633,731**

3. CREDIT FACILITY AND SHORT-TERM NOTES PAYABLE

In October 2018, we exercised a one-year extension of the ONE Gas Credit Agreement. The ONE Gas Credit Agreement remains a $700 million revolving unsecured credit facility and includes a $20 million letter of credit subfacility and a $60 million swingline subfacility. We are able to request an increase in commitments of up to an additional $500 million upon satisfaction of customary conditions, including receipt of commitments from either new lenders or increased commitments from existing lenders. The ONE Gas Credit Agreement expires in October 2023 , and is available to provide liquidity for working capital, capital expenditures, acquisitions and mergers, the issuance of letters of credit and for other general corporate purposes.

The ONE Gas Credit Agreement contains 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. The ONE Gas Credit Agreement also contains certain financial, operational and legal covenants. Among other things, these covenants include maintaining ONE Gas' total debt-to-capital ratio of no more than 70 percent at the end of any calendar quarter. The ONE Gas Credit Agreement also contains customary affirmative and negative covenants, including covenants relating to liens, indebtedness of subsidiaries, investments, changes in the nature of business, fundamental changes, transactions with affiliates, burdensome agreements, and use of proceeds. In the event of a breach of certain covenants by ONE Gas, amounts outstanding under the ONE Gas Credit Agreement may become due and payable immediately. At December 31, 2018 , our total debt-to-capital ratio was 44 percent and we were in compliance with all covenants under the ONE Gas Credit Agreement.

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

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

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

At December 31, 2018 , we had $299.5 million of commercial paper, $1.2 million in letters of credit issued under the ONE Gas Credit Agreement, with no borrowings and $399.3 million of remaining credit available under the ONE Gas Credit Agreement. The weighted-average interest rate on our commercial paper was 2.54 percent and 1.55 percent at December 31, 2018 and 2017 , respectively.

4. LONG-TERM DEBT

In November 2018, ONE Gas issued $400 million of 4.50 percent senior notes due 2048 . The proceeds from the issuance were used to retire the $300 million of 2.07 percent senior notes due 2019, to reduce the commercial paper and for general corporate purposes.

Our senior notes consist of $300 million of 3.61 percent senior notes due 2024 , $600 million of 4.658 percent senior notes due 2044 , and $400 million of 4.50 percent senior notes due 2048 . The indenture governing our Senior Notes includes an event of default upon the acceleration of other indebtedness of $100 million or more. Such events of default would entitle the trustee or the holders of 25 percent in the aggregate principal amount of the outstanding Senior Notes to declare those senior notes immediately due and payable in full.

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

5. EQUITY

Preferred Stock - At December 31, 2018 , we had 50 million , $0.01 par value, authorized shares of preferred stock available. We have not issued or established any classes or series of shares of preferred stock.

Common Stock - At December 31, 2018 , we had approximately 197.4 million shares of authorized common stock available for issuance.

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

Dividends Declared - In 2018 and 2017, we declared and paid dividends of $1.84 per share ($0.46 per share quarterly) and $1.68 per share ($0.42 per share quarterly), respectively. In January 2019, we declared a dividend of $0.50 per share ($2.00 per share on an annualized basis) for shareholders of record on February 22, 2019, payable March 8, 2019.

6. ACCUMULATED OTHER COMPREHENSIVE LOSS

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

		Accumulated Other Comprehensive Loss
		(Thousands of dollars)
January 1, 2017	$	(4,715)
Pension and other postemployment benefit plans obligations		
Other comprehensive loss before reclassification, net of tax of $808		(1,293)
Amounts reclassified from accumulated other comprehensive income, net of tax of $(322)		515
Other comprehensive loss		(778)
December 31, 2017		(5,493)
Pension and other postemployment benefit plans obligations		
Other comprehensive income before reclassification, net of tax of $(577)		**596**
Amounts reclassified from accumulated other comprehensive loss, net of tax of $(271)		**811**
Other comprehensive income		**1,407**
December 31, 2018	**$**	**(4,086)**

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

Details about Accumulated Other Comprehensive Loss Components	Years Ended December 31, 2018	2017	2016	Affected Line Item in the Consolidated Statements of Income
		(*Thousands of dollars*)		
Pension and other postemployment benefit plan obligations (a)				
Amortization of net loss	**$ 43,800**	$ 42,591	$ 40,912	
Amortization of unrecognized prior service cost	**(4,567)**	(4,597)	(3,316)	
	39,233	37,994	37,596	
Regulatory adjustments (b)	**(38,151)**	(37,157)	(36,845)	
	1,082	837	751	Income before income taxes
	(271)	(322)	(289)	Income tax expense
Total reclassifications for the period	**$ 811**	$ 515	$ 462	Net income

(a) These components of accumulated other comprehensive loss are included in the computation of net periodic benefit cost. See Note 12 for additional information regarding our net periodic benefit cost.
(b) Regulatory adjustments represent pension and other postemployment benefit costs expected to be recovered through rates and are deferred as part of our regulatory assets. See Note 9 for additional information regarding our regulatory assets and liabilities.

7. EARNINGS PER SHARE

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

	Year Ended December 31, 2018		
	Income	Shares	Per Share Amount
	(*Thousands, except per share amounts*)		
Basic EPS Calculation			
Net income available for common stock	**$ 172,234**	**52,693**	**$ 3.27**
Diluted EPS Calculation			
Effect of dilutive securities	—	**336**	
Net income available for common stock and common stock equivalents	**$ 172,234**	**53,029**	**$ 3.25**

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

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

8. DERIVATIVE FINANCIAL INSTRUMENTS AND FAIR VALUE MEASUREMENTS

Derivative Instruments - At December 31, 2018 , we held purchased natural gas call options for the heating season ending March 2019, with total notional amounts of 14.3 Bcf, for which we paid premiums of $4.1 million , and which had a fair value of $2.1 million . At December 31, 2017 , we held purchased natural gas call options for the heating season ended March 2018 , with total notional amounts of 14.1 Bcf, for which we paid premiums of $5.5 million , and which had a fair value of $1.1 million . The premiums paid and any cash settlements received are recorded as part of our unrecovered purchased-gas costs in current regulatory assets as these contracts are included in, and recoverable through, the purchased-gas cost adjustment mechanisms. Additionally, changes in fair value associated with these contracts are deferred as part of our unrecovered purchased-gas costs in our Consolidated Balance Sheets. Our natural gas call options are classified as Level 1 as fair value amounts are based on unadjusted quoted prices in active markets including NYMEX-settled prices. There were no transfers between levels for the periods presented.

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

Short-term notes payable and commercial paper are due upon demand and, therefore, the carrying amounts approximate fair value and are classified as Level 1. The book value of our long-term debt, including current maturities, was $1.3 billion and $1.2 billion at December 31, 2018 and 2017 , respectively. The estimated fair value of our long-term debt, including current maturities, was $1.4 billion and $1.3 billion at December 31, 2018 and 2017 , respectively. The estimated fair value of our Senior Notes was determined using quoted market prices and are considered Level 2.

9. REGULATORY ASSETS AND LIABILITIES

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

		December 31, 2018		
	Remaining Recovery Period	Current	Noncurrent	Total
		(*Thousands of dollars*)		
Under-recovered purchased-gas costs	1 year	**$ 25,083**	**$ —**	**$ 25,083**
Pension and other postemployment benefit costs	See Note 12	**23,384**	**421,726**	**445,110**
Reacquired debt costs	9 years	**812**	**6,487**	**7,299**
MGP remediation costs	15 years	**—**	**7,724**	**7,724**
Ad-valorem tax	1 year	**1,070**	**—**	**1,070**
Other	1 to 20 years	**4,071**	**1,542**	**5,613**
Total regulatory assets, net of amortization		**54,420**	**437,479**	**491,899**
Federal income tax rate changes (a)	See Note 13	**(30,934)**	**(520,866)**	**(551,800)**
Over-recovered purchased-gas costs	1 year	**(13,668)**	**—**	**(13,668)**
Weather normalization	1 year	**(3,792)**	**—**	**(3,792)**
Total regulatory liabilities		**(48,394)**	**(520,866)**	**(569,260)**
Net regulatory assets and liabilities		**$ 6,026**	**$ (83,387)**	**$ (77,361)**

(a) See Note 13 for additional information regarding our federal income tax rate changes regulatory liabilities.

		December 31, 2017		
	Remaining Recovery Period	Current	Noncurrent	Total
		(*Thousands of dollars*)		
Under-recovered purchased-gas costs	1 year	$ 41,238	$ —	$ 41,238
Pension and other postemployment benefit costs	See Note 12	25,156	387,582	412,738
Weather normalization	1 year	17,461	—	17,461
Reacquired debt costs	10 years	812	7,298	8,110
MGP remediation costs	15 years	—	6,104	6,104
Other	1 to 21 years	3,513	4,205	7,718
Total regulatory assets, net of amortization		88,180	405,189	493,369
Federal income tax rate changes (a)	See Note 13	—	(519,421)	(519,421)
Over-recovered purchased-gas costs	1 year	(9,434)	—	(9,434)
Ad-valorem tax	1 year	(4)	—	(4)
Total regulatory liabilities		(9,438)	(519,421)	(528,859)
Net regulatory assets and liabilities		$ 78,742	$ (114,232)	$ (35,490)

(a) See Note 13 for additional information regarding our federal income tax rate changes regulatory liabilities.

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

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

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

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

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

Recovery through rates resulted in amortization of regulatory assets of approximately $1.7 million , $1.0 million and $3.8 million for the years ended December 31, 2018, 2017 and 2016 , respectively.

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

10. PROPERTY, PLANT AND EQUIPMENT

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

	December 31, 2018	December 31, 2017
	(*Thousands of dollars*)	
Natural gas distribution pipelines and related equipment	**$ 4,861,340**	$ 4,572,343
Natural gas transmission pipelines and related equipment	**517,697**	497,791
General plant and other	**567,580**	513,445
Construction work in process	**126,526**	130,333
Property, plant and equipment	**6,073,143**	5,713,912
Accumulated depreciation and amortization	**(1,789,431)**	(1,706,327)
Net property, plant and equipment	**$ 4,283,712**	$ 4,007,585

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

We recorded capitalized interest of $3.4 million , $3.0 million and $3.6 million for the years ended December 31, 2018, 2017 and 2016 , respectively. We incurred liabilities for construction work in process and asset removal costs that had not been paid at December 31, 2018, 2017 and 2016 of $15.6 million , $21.7 million and $11.9 million , respectively. Such amounts are not included in capital expenditures or in the change of working capital items on our Consolidated Statements of Cash Flows.

11. SHARE-BASED PAYMENTS

The ECP provides for the granting of stock-based compensation, including incentive stock options, nonstatutory stock options, stock bonus awards, restricted stock awards, restricted stock unit awards, performance stock awards and performance unit awards to eligible employees and the granting of stock awards to nonemployee directors. At December 31, 2018, we have 4.3 million shares of common stock reserved for issuance under the ECP. In May 2018, shareholders approved making an additional 1.8 million shares available under the ECP, less the number of shares remaining available for future grants on the effective date. At December 31, 2018 , we had approximately 2.1 million shares available for issuance under the ECP, which reflect shares issued and estimated shares expected to be issued upon vesting of outstanding awards granted under the plan, less forfeitures. The plan allows for the deferral of awards granted in stock or cash, in accordance with Internal Revenue Code section 409A requirements.

Compensation cost expensed for our share-based payment plans was $6.1 million , net of tax benefits of $2.1 million , for 2018 , $4.9 million , net of tax benefits of $3.0 million , for 2017 , and $7.0 million , net of tax benefits of $4.3 million , for 2016 .

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

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

If paid, the outstanding performance stock unit awards entitle the grantee to receive shares of our common stock. The outstanding performance stock unit awards are equity awards with a market-based condition, which results in the compensation expense for these awards being recognized on a straight-line basis over the requisite service period, provided that the requisite service period is fulfilled, regardless of when, if ever, the market condition is satisfied. The performance stock unit awards granted accrue dividend equivalents in the form of additional performance stock units prior to vesting. The fair value of these

performance stock units was estimated on the grant date based on a Monte Carlo model. The compensation expense on these awards will only be adjusted for changes in forfeitures. A forfeiture rate of 3 percent per year based on historical forfeitures under our share-based payment plans was used.

Restricted Stock Unit Award Activity

As of December 31, 2018 , there was $2.6 million of total unrecognized compensation costs related to the nonvested restricted stock unit awards, which is expected to be recognized over a weighted-average period of 1.7 years. The following tables set forth activity and various statistics for restricted stock unit awards outstanding under the respective plans for the period indicated:

	Number of Units	Weighted-Average Price
Nonvested at December 31, 2017	140,665	$ 51.97
Granted	**37,893**	**$ 68.17**
Vested	**(66,543)**	**$ 41.92**
Forfeited	**(2,509)**	**$ 62.44**
Nonvested at December 31, 2018	**109,506**	**$ 63.45**

	2018	2017	2016
Weighted-average grant date fair value (per share)	**$ 68.17**	$ 63.97	$ 58.30
Fair value of shares granted (thousands of dollars)	**$ 2,583**	$ 2,420	$ 2,503

The fair value of restricted stock vested was $4.7 million and $5.5 million in 2018 and 2017 , respectively.

Performance Stock Unit Award Activity

As of December 31, 2018 , there was $5.8 million of total unrecognized compensation cost related to the nonvested performance stock unit awards, which is expected to be recognized over a weighted-average period of 1.8 years. The following tables set forth activity and various statistics related to our performance stock unit awards and the assumptions used by us in the valuations of the 2018, 2017 and 2016 grants at the grant date:

	Number of Units	Weighted-Average Price
Nonvested at December 31, 2017	237,324	$ 57.78
Granted	**79,447**	**$ 74.04**
Vested	**(93,976)**	**$ 44.48**
Forfeited	**(3,464)**	**$ 67.97**
Nonvested at December 31, 2018	**219,331**	**$ 69.21**

	2018	2017	2016
Volatility (a)	**18.80%**	20.70%	18.20%
Dividend yield	**2.70%**	2.63%	2.40%
Risk-free interest rate	**2.38%**	1.48%	0.91%

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

	2018	2017	2016
Weighted-average grant date fair value (per share)	**$ 74.04**	$ 68.94	$ 64.06
Fair value of shares granted (thousands of dollars)	**$ 5,882**	$ 5,110	$ 4,766

The fair value of performance stock vested was $13.7 million and $15.6 million in 2018 and 2017 , respectively.

Employee Stock Purchase Plan

We have reserved a total of 700 thousand shares of common stock for issuance under our ESPP. Subject to certain exclusions, all employees who work more than 20 hours per week are eligible to participate in the ESPP. Employees can choose to have up

to 10 percent of their annual base pay withheld to purchase our common stock, subject to terms and limitations of the plan. The purchase price of the stock is 85 percent of the lower of the average market price of our common stock on the grant date or exercise date. Approximately 45 percent , 43 percent and 41 percent of employees participated in the plan in 2018, 2017 and 2016 , respectively, and purchased 76,231 shares at $63.01 in 2018 , 78,472 shares at $56.80 in 2017 , and 83,431 shares at $54.51 in 2016 . Compensation expense, before taxes, was $1.0 million , $1.2 million and $1.4 million in 2018, 2017 and 2016 , respectively.

Employee Stock Award Program

Under the Employee Stock Award Program, we issued, for no monetary consideration, one share of our common stock to all eligible employees when the per-share closing price of our common stock on the NYSE closed for the first time at or above each $1.00 increment above $34. The total number of shares of our common stock authorized for issuance under this program was 125,000 . Shares issued to employees under this program during 2017 and 2016 totaled 13,791 and 50,573 , respectively. Compensation expense, before taxes, related to the Employee Stock Award Program was $0.9 million and $3.0 million for 2017 and 2016, respectively. The Employee Stock Award Program was discontinued in May 2017.

12. EMPLOYEE BENEFIT PLANS

Retirement and Other Postemployment Benefit Plans

Retirement Plans - We have a defined benefit pension plan covering nonbargaining-unit employees hired before January 1, 2005, and certain bargaining-unit employees hired before December 15, 2011. Nonbargaining-unit employees hired after December 31, 2004; employees represented by Local No. 304 of the International Brotherhood of Electrical Workers (“IBEW”) hired on or after July 1, 2010; employees represented by the United Steelworkers hired on or after December 15, 2011; and employees who accepted a one-time opportunity to opt out of the defined benefit pension plan are covered by a profit-sharing plan. Certain employees of the Texas Gas Service division are entitled to benefits under a frozen cash-balance pension plan. In addition, we have a supplemental executive retirement plan for the benefit of certain officers. No new participants in the supplemental executive retirement plan have been approved since 2005, and it was formally closed to new participants as of January 1, 2014. We fund our defined benefit pension costs at a level needed to maintain or exceed the minimum funding levels required by the Employee Retirement Income Security Act of 1974, as amended, and the Pension Protection Act of 2006.

Other Postemployment Benefit Plans - We sponsor health and welfare plans that provide postemployment medical and life insurance benefits to certain employees who retire with at least five years of service. The postemployment medical plan is contributory based on hire date, age and years of service, with retiree contributions adjusted periodically, and contains other cost-sharing features such as deductibles and coinsurance.

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

	December 31,	
	2018	**2017**
Discount rate - pension plans	**4.40%**	3.80%
Discount rate - other postemployment plans	**4.40%**	3.70%
Compensation increase rate	**3.20% - 4.00%**	3.25% - 3.35%

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

	Years Ended December 31,			
	2018	**2017**	**2016**	
Discount rate - pension plans	**3.80%**	4.30%	4.75%	
Discount rate - other postemployment plans	**3.70%**	4.20%	4.75%/3.75%	(a)
Expected long-term return on plan assets - pension plans	**7.25%**	7.75%	7.75%	
Expected long-term return on plan assets - other postemployment plans	**7.60%**	7.60%	8.00%/7.75%	(b)
Compensation increase rate	**3.25% - 3.35%**	3.25% - 3.40%	3.35% - 3.40%	

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

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

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

Regulatory Treatment - The OCC, KCC and regulatory authorities in Texas have approved the recovery of pension costs and other postemployment benefits costs through rates for Oklahoma Natural Gas, Kansas Gas Service and Texas Gas Service, respectively. The costs recovered through rates are based on current funding requirements and the net periodic benefit cost for defined benefit pension and other postemployment costs. Differences, if any, between the expense and the amount recovered through rates would be reflected in earnings, net of authorized deferrals.

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

Upon adoption of FASB's ASU 2017-07, we recognized a regulatory asset of $1.5 million , which includes the non-service costs incurred on our pension and other postemployment benefit plans that were capitalized as regulatory assets defined by Topic 980 (Regulated Operations).

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

	Pension Benefits		Other Postemployment Benefits	
	December 31,		December 31,	
	2018	2017	2018	2017
Changes in Benefit Obligation		*(Thousands of dollars)*		
Benefit obligation, beginning of period	**$ 993,891**	$ 966,531	**$ 255,040**	$ 243,548
Service cost	**12,919**	12,176	**2,354**	2,509
Interest cost	**36,801**	40,453	**9,117**	9,890
Plan participants' contributions	**—**	—	**3,563**	3,483
Actuarial loss (gain)	**(42,540)**	76,325	**(31,607)**	12,129
Benefits paid	**(50,561)**	(55,107)	**(18,323)**	(16,690)
Plan amendment	**—**	—	**—**	171
Settlements	**—**	(46,487)	**—**	—
Benefit obligation, end of period	**950,510**	993,891	**220,144**	255,040
Change in Plan Assets				
Fair value of plan assets, beginning of period	**884,804**	739,586	**190,226**	166,046
Actual return (loss) on plan assets	**(62,752)**	135,056	**(6,325)**	31,228
Employer contributions	**42,386**	111,936	**7,718**	6,159
Plan participants' contributions	**—**	—	**3,563**	3,483
Benefits paid	**(50,561)**	(55,107)	**(18,323)**	(16,690)
Settlements	**235**	(46,667)	**—**	—
Fair value of assets, end of period	**814,112**	884,804	**176,859**	190,226
Balance at December 31	**$ (136,398)**	$ (109,087)	**$ (43,285)**	$ (64,814)
Current liabilities	**$ (962)**	$ (963)	**$ —**	$ —
Noncurrent liabilities	**(135,436)**	(108,124)	**(43,285)**	(64,814)
Balance at December 31	**$ (136,398)**	$ (109,087)	**$ (43,285)**	$ (64,814)

During 2017, we purchased group annuity contracts for $46.7 million , and transferred to a third-party insurance company liabilities of approximately $46.5 million related to certain participants in our defined benefit pension plan.

The accumulated benefit obligation for our defined benefit pension plans was $890.4 million and $936.7 million at December 31, 2018 and 2017 , respectively.

In 2019, we expect to contribute $1.0 million to our defined benefit pension plans and expect to contribute $3.0 million to our other postemployment benefit plans. There are no plan assets expected to be withdrawn and returned to us in 2019 .

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

	Pension Benefits		
	Year Ended December 31,		
	2018	**2017**	**2016**
	(Thousands of dollars)		
Components of net periodic benefit cost			
Service cost	**$ 12,919**	$ 12,176	$ 12,055
Interest cost (a)	**36,801**	40,453	45,550
Expected return on assets (a)	**(60,579)**	(58,496)	(61,183)
Amortization of net loss (a)	**39,913**	36,107	35,543
Net periodic benefit cost	**$ 29,054**	$ 30,240	$ 31,965

(a) These amounts, net of any amounts capitalized as a regulatory asset since adoption of ASU 2017-07 on January 1, 2018, have been recognized as other income (expense), net in the Consolidated Statements of Income. See Note 14 for additional detail of our other income (expense), net.

	Other Postemployment Benefits		
	Year Ended December 31,		
	2018	**2017**	**2016**
	(Thousands of dollars)		
Components of net periodic benefit cost			
Service cost	**$ 2,354**	$ 2,509	$ 2,675
Interest cost (a)	**9,117**	9,890	10,235
Expected return on assets (a)	**(14,284)**	(12,590)	(12,370)
Amortization of unrecognized prior service cost (a)	**(4,567)**	(4,597)	(3,316)
Amortization of net loss (a)	**3,887**	6,484	5,369
Net periodic benefit cost (credit)	**$ (3,493)**	$ 1,696	$ 2,593

(a) These amounts, net of any amounts capitalized as a regulatory asset since adoption of ASU 2017-07 on January 1, 2018, have been recognized as other income (expense), net in the Consolidated Statements of Income. See Note 14 for additional detail of our other income (expense), net.

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

	Pension Benefits		
	Year Ended December 31,		
	2018	**2017**	**2016**
	(Thousands of dollars)		
Net gain (loss) arising during the period	**$ 1,173**	$ (2,101)	$ (1,262)
Amortization of loss	**1,082**	837	751
Deferred income taxes	**(848)**	486	197
Total recognized in other comprehensive income (loss)	**$ 1,407**	$ (778)	$ (314)

Due to our regulatory deferrals, there were no amounts recognized in other comprehensive income (loss) related to our other postemployment benefits for the periods presented.

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

	Pension Benefits	
	December 31,	
	2018	2017
	(Thousands of dollars)	
Accumulated loss	**$ (419,238)**	$ (378,595)
Accumulated other comprehensive loss before regulatory assets	**(419,238)**	(378,595)
Regulatory asset for regulated entities	**412,545**	369,647
Accumulated other comprehensive loss after regulatory assets	**(6,693)**	(8,948)
Deferred income taxes	**2,607**	3,455
Accumulated other comprehensive loss, net of tax	**$ (4,086)**	$ (5,493)

	Other Postemployment Benefits	
	December 31,	
	2018	2017
	(Thousands of dollars)	
Prior service credit (cost)	**$ 875**	$ 5,442
Accumulated loss	**(34,144)**	(49,030)
Accumulated other comprehensive loss before regulatory assets	**$ (33,269)**	$ (43,588)
Regulatory asset for regulated entities	**33,269**	43,588
Accumulated other comprehensive loss after regulatory assets	**$ —**	**$ —**

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

	Pension Benefits	Other Postemployment Benefits
Amounts to be recognized in 2019	*(Thousands of dollars)*	
Prior service credit (cost)	$ —	$ (673)
Actuarial net loss	$ 33,039	$ 2,244

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

	2018	2017
Health care cost-trend rate assumed for next year	**7.00%**	7.00%
Rate to which the cost-trend rate is assumed to decline (the ultimate trend rate)	**5.00%**	5.00%
Year that the rate reaches the ultimate trend rate	**2024**	2023

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

	One Percentage Point Increase	One Percentage Point Decrease
	(Millions of dollars)	
Effect on total of service and interest cost	**$ 0.2**	**$ (0.2)**
Effect on other postemployment benefit obligation	**$ 2.3**	**$ (2.4)**

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

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

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

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

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

	Pension Benefits			
	December 31, 2018			
Asset Category	**Level 1**	**Level 2**	**Level 3**	**Total**
	(Thousands of dollars)			
Investments:				
Equity securities (a)	**$ 282,668**	**$ 35,870**	**$ —**	**$ 318,538**
Government obligations	**—**	**69,475**	**—**	**69,475**
Corporate obligations (b)	**—**	**240,900**	**—**	**240,900**
Cash and money market funds (c)	**2,419**	**71,991**	**—**	**74,410**
Insurance contracts and group annuity contracts	**—**	**—**	**30,445**	**30,445**
Other investments (d)	**—**	**1,139**	**79,205**	**80,344**
Total assets	**$ 285,087**	**$ 419,375**	**$ 109,650**	**$ 814,112**

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

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

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

	Other Postemployment Benefits December 31, 2018			
Asset Category	**Level 1**	**Level 2**	**Level 3**	**Total**
		(Thousands of dollars)		
Investments:				
Equity securities (a)	**$ 58,087**	**$ 2,382**	**$ —**	**$ 60,469**
Government obligations	**—**	**74**	**—**	**74**
Corporate obligations (b)	**—**	**25,857**	**—**	**25,857**
Cash and money market funds (c)	**1,249**	**300**	**—**	**1,549**
Insurance contracts and group annuity contracts (d)	**—**	**88,910**	**—**	**88,910**
Total assets	**$ 59,336**	**$ 117,523**	**$ —**	**$ 176,859**

(a) - This category represents securities of the various market sectors from diverse industries.
(b) - This category represents bonds from diverse industries.
(c) - This category is primarily money market funds.
(d) - This category includes equity securities and bonds held in a captive insurance product.

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

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

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

	Pension Benefits		
	Insurance Contracts	**Other Investments**	**Total**
		(Thousands of dollars)	
January 1, 2017	$ 45,140	$ 57,352	$ 102,492
Net realized and unrealized gains (losses)	2,569	5,055	7,624
Purchases	—	16,300	16,300
Settlements	(12,551)	—	(12,551)
December 31, 2017	$ 35,158	$ 78,707	$ 113,865
Net realized and unrealized gains (losses)	**(611)**	**496**	**(115)**
Purchases	**—**	**—**	**—**
Sales and settlements	**(4,100)**	**—**	**(4,100)**
December 31, 2018	**$ 30,445**	**$ 79,205**	**$ 109,650**

Pension and Other Postemployment Benefit Payments - Benefit payments for our defined benefit pension and other postemployment benefit plans for the period ended December 31, 2018 were $50.6 million and $18.3 million , respectively. The following table sets forth the pension benefits and other postemployment benefits payments expected to be paid in 2019-2028:

	Pension Benefits	Other Postemployment Benefits
Benefits to be paid in:	*(Thousands of dollars)*	
2019	$ 52,368	$ 16,746
2020	$ 53,332	$ 16,737
2021	$ 54,245	$ 16,632
2022	$ 55,474	$ 16,603
2023	$ 56,477	$ 16,424
2024 through 2028	$ 295,565	$ 77,769

The expected benefits to be paid are based on the same assumptions used to measure our benefit obligation at December 31, 2018 and include estimated future employee service.

Other Employee Benefit Plans

401(k) Plan - We have a 401(k) Plan which covers all full-time employees, and employee contributions are discretionary. We match 100 percent of each participant's eligible contribution up to 6 percent of eligible compensation, subject to certain limits. Our contributions made to the plan were $12.1 million , $11.7 million and $10.8 million in 2018, 2017 and 2016 , respectively.

Profit Sharing Plan - We have a profit sharing plan for all employees who do not participate in our defined benefit pension plan. We plan to make a contribution to the profit sharing plan each quarter equal to 1 percent of each participant's eligible compensation during the quarter. Additional discretionary employer contributions may be made at the end of each year. Employee contributions are not allowed under the plan. Our contributions made to the plan were $7.4 million , $8.1 million and $6.0 million in 2018, 2017 and 2016 , respectively.

13. INCOME TAXES

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

The staff of the SEC issued guidance in SAB 118 which clarifies accounting for income taxes under ASC 740 if information is not yet available or complete and provides for up to a one-year period in which to complete the required analyses and accounting. We have completed or made a reasonable estimate for the measurement and accounting of the effects of the Tax Cuts and Jobs Act of 2017, which were reflected in our December 31, 2017, consolidated financial statements. While we still expect additional guidance from the U.S. Department of the Treasury and the IRS, we have finalized our calculations using available guidance. Any additional issued guidance or future actions of our regulators could potentially affect the final determination of the accounting effects arising from the implementation of the Tax Cuts and Jobs Act of 2017.

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

	Years Ended December 31,		
	2018	2017	2016
	(*Thousands of dollars*)		
Current income tax provision			
Federal	**$ —**	$ —	$ (2,016)
State	**289**	750	471
Total current income tax provision	**289**	750	(1,545)
Deferred income tax provision			
Federal	**42,413**	83,138	76,247
State	**10,829**	9,255	10,541
Total deferred income tax provision	**53,242**	92,393	86,788
Total provision for income taxes	**$ 53,531**	$ 93,143	$ 85,243

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

	Years Ended December 31,		
	2018	2017	2016
	(*Thousands of dollars*)		
Income before income taxes	**$ 225,765**	$ 256,138	$ 225,338
Federal statutory income tax rate	**21%**	35%	35%
Provision for federal income taxes	**47,411**	89,648	78,868
State income taxes, net of federal tax benefit	**8,783**	6,503	7,158
Nonregulated deferred tax rate decrease	**74**	2,162	—
Tax benefit of employee share-based compensation	**(2,770)**	(5,162)	—
Other, net	**33**	(8)	(783)
Total provision for income taxes	**$ 53,531**	$ 93,143	$ 85,243

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

	December 31,	
	2018	2017
	(*Thousands of dollars*)	
Deferred tax assets		
Employee benefits and other accrued liabilities	**$ 48,243**	$ 40,277
Regulatory adjustments for enacted tax rate changes	**129,201**	129,421
Net operating loss	**2,778**	24,712
Other	**34**	2,984
Total deferred tax assets	**180,256**	197,394
Deferred tax liabilities		
Excess of tax over book depreciation	**717,903**	677,249
Purchased-gas cost adjustment	**8,981**	13,805
Other regulatory assets and liabilities, net	**105,798**	106,285
Total deferred tax liabilities	**832,682**	797,339
Net deferred tax liabilities	**$ 652,426**	$ 599,945

As a result of the enactment of the Tax Cuts and Jobs Act of 2017, we remeasured our ADIT. As a regulated entity, the change in ADIT was recorded as a regulatory liability and is subject to refund to our customers. The Tax Cuts and Jobs Act of 2017 retains the tax normalization provisions of the Code that stipulate how these excess deferred income taxes are to be refunded to customers for certain accelerated tax depreciation benefits. Our customers will receive refunds as determined by our regulators beginning in 2019. The effect on the net deferred income tax liability for the enacted decrease in the federal income tax rate was $518.7 million , of which $520.9 million was recorded as a reduction to the deferred income tax liabilities and deferred as a regulatory liability for ratemaking purposes, offset by $2.2 million recorded as an increase in deferred income tax expense in

2017 attributable to the remeasured deferred income taxes associated with certain expenses not recovered in our rates. These adjustments had no impact on our 2018 or 2017 cash flows.

We are working with our regulators to address the impact of the Tax Cuts and Jobs Act of 2017 on our rates. In each state, we have received accounting orders requiring us to refund the reduction in ADIT due to the remeasurement and to establish a separate regulatory liability for the difference in taxes included in our rates that have been calculated based on a 35 percent federal statutory income tax rate and the new 21 percent federal statutory income tax rate effective in January 2018. In January 2019, the OCC issued an order in Oklahoma Natural Gas' March 2018 PBRC filing requiring Oklahoma Natural Gas to credit customers for the reduction in ADIT based upon an amortization period in compliance with the tax normalization rules for the portions of excess ADIT stipulated by the Code and ten years for all other components of excess ADIT. In February 2019, the KCC issued an order adjusting base rates, which included an amortization credit associated with the refund of ADIT based on an amortization period in compliance with the tax normalization rules for the portion of excess ADIT stipulated by the Code and five years for all other components of excess ADIT. In Texas, we continue to work with our regulators to address the reduction in ADIT due to the remeasurement. The treatment of our excess ADIT and the degree to which it impacts us will not be known until we finalize our current regulatory filings and make future regulatory filings.

In 2018, we accrued a separate regulatory liability associated with the change in tax rates collected in our rates resulting in a reduction to our revenues of $36.6 million for the year ended December 31, 2018 . In January 2019, the OCC issued an order that resulted in the establishment of a $15.8 million liability, including interest, for the estimated impact on customer rates of earnings, including amounts attributable to tax savings, above the 9.5 percent approved ROE in the 2018 review period to be returned to customers within the 2019 PBRC filing. In March 2018, the KCC issued an order requiring Kansas Gas Service to accrue a regulatory liability for the portion of its revenue representing the difference between the 21 percent and 35 percent federal corporate tax rate totaling, $14.2 million , excluding interest in 2018. Still outstanding is whether Kansas Gas Service should be required to refund to customers the amount of the regulatory liability accrued. In accordance with Kansas law, the KCC has until February 25, 2019 to rule on the tax refund issue. In 2018, Texas Gas Service issued one-time refunds totaling $6.6 million for the reduction in the federal corporate income tax rate for the period between January 1, 2018, to the dates new rates were implemented.

As of December 31, 2018, we have no federal income tax NOL carryforwards and state income tax NOL carryforwards of $50.2 million , which will expire at various dates from 2025 through 2037. We believe that it is more likely than not that the tax benefits of the NOL carryforwards will be utilized prior to their expirations; therefore, no valuation allowance is necessary.

We have filed our consolidated federal and state income tax returns for years 2015, 2016 and 2017. We are no longer subject to income tax examination for years prior to 2015.

14. OTHER INCOME AND OTHER EXPENSE

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

	Years Ended December 31,		
	2018	**2017**	**2016**
	(*Thousands of dollars*)		
Net periodic benefit cost other than service cost	**$ (8,824)**	$ (17,252)	$ (19,827)
Other, net	**(2,535)**	2,727	(43)
Total other expense, net	**$ (11,359)**	$ (14,525)	$ (19,870)

15. COMMITMENTS AND CONTINGENCIES

Commitments - Operating leases represent future minimum lease payments under noncancelable leases covering office space, facilities and information technology hardware and software. Rental expense was $8.2 million , $8.7 million and $8.6 million in 2018, 2017 and 2016 , respectively. The following table sets forth our operating lease payments for the periods indicated:

Operating Leases		
(*Millions of dollars*)		
2019	$	6.3
2020		5.1
2021		4.5
2022		4.3
2023		4.2
Thereafter		3.8
Total	$	28.2

Environmental Matters - We are subject to multiple historical, wildlife preservation and environmental laws and/or regulations, which affect many aspects of our present and future operations. Regulated activities include, but are not limited to, those involving air emissions, storm water and wastewater discharges, handling and disposal of solid and hazardous wastes, wetland preservation, hazardous materials transportation, and pipeline and facility construction. These laws and regulations require us to obtain and/or comply with a wide variety of environmental clearances, registrations, licenses, permits and other approvals. Failure to comply with these laws, regulations, licenses and permits 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 Clean Air Act and other similar federal and state laws could require unexpected capital expenditures. We cannot assure that existing environmental statutes and regulations will not be revised or that new regulations will not be adopted or become applicable to us. Revised or additional statutes or regulations that result in increased compliance costs or additional operating restrictions could have a material adverse effect on our business, financial condition and results of operations. Our expenditures for environmental investigation and remediation compliance to-date have not been significant in relation to our financial position, results of operations or cash flows, and our expenditures related to environmental matters had no material effects on earnings or cash flows during 2018, 2017 or 2016 .

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. Regulatory closure has been achieved at three of the 12 sites, but these sites remain subject to potential future requirements that may result in additional costs.

We have completed or are addressing removal of the source of soil contamination at all 12 sites and continue to monitor groundwater at eight of the 12 sites according to plans approved by the KDHE. During the fourth quarter of 2018, we began a project to remove the source of contamination and associated contaminated materials at the twelfth site where no active soil remediation had previously occurred. We are also finalizing a study of the feasibility of various options to address the remainder of the site. Costs associated with the remediation at this site are not expected to be material to our results of operations or financial position.

With regard to one of our former MGP sites in Kansas, periodic monitoring and a 2016 interim site investigation indicated elevated levels of contaminants generally associated with MGP sites. In 2016, we estimated the potential costs associated with additional investigation and remediation to be in the range of $4.0 million to $7.0 million . We have submitted a remediation plan to the KDHE for this site. The KDHE is currently reviewing our plan. In the second quarter of 2018, we revised our estimate of the potential costs associated with additional investigation and remediation to be in the range of $5.6 million to $7.0 million . A single reliable estimate of the remediation costs was not feasible due to the amount of uncertainty in the ultimate remediation approach that will be utilized. Accordingly, we recorded in the second quarter of 2018 an adjustment to the reserve of $1.6 million bringing the total to $5.6 million for this site, which also increased our regulatory asset pursuant to our AAO in Kansas.

In April 2017, Kansas Gas Service filed an application with the KCC seeking approval of an AAO associated with the costs incurred at, and nearby, the 12 former MGP sites which we own or retain responsibility for certain environmental conditions. In October 2017, Kansas Gas Service, the KCC staff and the Citizens' Utility Ratepayer Board filed a unanimous settlement agreement with the KCC. The agreement allows Kansas Gas Service to defer and seek recovery of costs that are necessary for investigation and remediation at the 12 former MGP sites incurred after January 1, 2017, up to a cap of $15.0 million , net of any related insurance recoveries. Costs approved in a future rate proceeding would then be amortized over a 15-year period. The unamortized amounts will not be included in rate base or accumulate carrying charges. At the time future investigation and remediation work, net of any related insurance recoveries, is expected to exceed $15.0 million , Kansas Gas Service will be required to file an application with the KCC for approval to increase the $15.0 million cap. The KCC issued an order approving the settlement agreement in November 2017. A regulatory asset of approximately $5.9 million was recorded for estimated costs that have been accrued at January 1, 2017.

We also own or retain legal responsibility for certain environmental conditions at a former MGP site in Texas. At the request of the Texas Commission on Environmental Quality, 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. Until the investigation is complete, we are unable to determine what, if any, active remediation will be required. A reliable estimate of potential remediation costs is not feasible at this point due to the amount of uncertainty as to the levels and extent of contamination.

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 2018, 2017 or 2016 . A number of environmental issues may exist with respect to MGP sites that are unknown to us. Accordingly, future costs are dependent on the final determination and regulatory approval of any remedial actions, the complexity of the site, level of remediation required, changing technology and governmental regulations, and to the extent not recovered by insurance or recoverable in rates from our customers, could be material to our financial condition, results of operations or cash flows.

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

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

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

In April 2016, PHMSA published a NPRM, the Safety of Gas Transmission & Gathering Lines Rule, in the Federal Register to revise pipeline safety regulations applicable to the safety of onshore natural gas transmission and gathering pipelines. Proposals include changes to pipeline integrity management requirements and other safety-related requirements. The NPRM comment period ended July 7, 2016, and comments are under review by PHMSA. As part of the comment review process, PHMSA is being advised by the Technical Pipeline Safety Standards Committee, informally known by PHMSA as the GPAC, a statutorily mandated advisory committee that advises PHMSA on proposed safety policies for natural gas pipelines. The GPAC reviews PHMSA's proposed regulatory initiatives to assure the technical feasibility, reasonableness, cost-effectiveness and practicality of each proposal. The GPAC has met five times since January 2017 to review public comments and make recommendations to PHMSA. The GPAC completed their review of the NPRM on March 28, 2018, except for gas gathering.

The next GPAC meeting will focus on gas gathering. In addition to reviewing public and committee comments, PHMSA announced they will split this NPRM into three separate final rulemakings:

- the first final rule will address the legislative mandates from the Pipeline Safety, Regulatory Certainty and Jobs Creation Act and will be called the Safety of Gas Transmission Pipelines: Maximum Allowable Operating Pressure Reconfirmation, Expansion of Assessment Requirements, and Other Related Amendments;
- the second final rule will be called the Safety of Gas Transmission Pipelines: Repair Criteria, Integrity Management Improvements, Cathodic Protection, Management of Change, and Other Related Amendments and will cover all remaining elements of the NPRM (except for gas gathering); and
- the third final rule will be called the Safety of Gas Gathering Pipelines and will address gas gathering.

A significant number of recommendations have been made to PHMSA to improve the NPRM. The industry trade associations filed joint comments to the "legislative mandates" rulemaking to amend the federal safety regulations applicable to gas transmission and gathering pipelines. The timing of each final rule being published is unknown, but they are expected to be published during 2019. The potential capital and operating expenditures associated with compliance with the proposed rules are currently being evaluated and could be significant depending on the final regulations.

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

16. QUARTERLY FINANCIAL DATA (UNAUDITED)

Year Ended December 31, 2018	**First Quarter**	**Second Quarter**	**Third Quarter**	**Fourth Quarter**
		(*Thousands of dollars*)		
Revenues	**$ 638,464**	**$ 292,521**	**$ 238,280**	**$ 464,466**
Operating income (a)	**$ 130,290**	**$ 41,043**	**$ 36,241**	**$ 80,855**
Net income	**$ 90,835**	**$ 20,419**	**$ 16,276**	**$ 44,704**
Earnings per share				
Basic	**$ 1.73**	**$ 0.39**	**$ 0.31**	**$ 0.85**
Diluted	**$ 1.72**	**$ 0.39**	**$ 0.31**	**$ 0.84**

(a) Reflects the impact of the adoption of a new accounting standard in fiscal year 2018 related to the presentation of net periodic benefit costs. See Note 1 for additional information regarding our adoption of this standard.

Year Ended December 31, 2017	**First Quarter**	**Second Quarter**	**Third Quarter**	**Fourth Quarter**
		(*Thousands of dollars*)		
Revenues	$ 550,408	$ 279,689	$ 247,142	$ 462,394
Operating income (a)	$ 129,445	$ 48,365	$ 45,093	$ 93,825
Net income	$ 76,456	$ 20,623	$ 18,797	$ 47,119
Earnings per share				
Basic	$ 1.45	$ 0.39	$ 0.36	$ 0.90
Diluted	$ 1.44	$ 0.39	$ 0.36	$ 0.89

(a) Reflects the impact of the adoption of a new accounting standard in fiscal year 2018 related to the presentation of net periodic benefit costs. See Note 1 for additional information regarding our adoption of this standard.

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

None.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

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

Management's Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). Under the supervision and with the participation of our management, including our Principal Executive Officer and Principal Financial Officer, we evaluated the effectiveness of our internal control over financial reporting based on the framework in *Internal Control-Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Because of inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. Based on our evaluation under that framework and applicable SEC rules, our management concluded that our internal control over financial reporting was effective as of December 31, 2018 .

The effectiveness of our internal control over financial reporting as of December 31, 2018 , has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their reports which are included herein (Item 8).

Changes in Internal Control Over Financial Reporting

There have been no changes in our internal control over financial reporting during the quarter ended December 31, 2018 , that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

Not applicable.

PART III.

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Directors of the Registrant

Information concerning our directors is set forth in our 2019 definitive Proxy Statement and is incorporated herein by this reference.

Executive Officers of the Registrant

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

Compliance with Section 16(a) of the Exchange Act

Information on compliance with Section 16(a) of the Exchange Act is set forth in our 2019 definitive Proxy Statement and is incorporated herein by this reference.

Code of Ethics

Information concerning the code of ethics, or code of business conduct, is set forth in our 2019 definitive Proxy Statement and is incorporated herein by this reference.

Nominating Procedures

Information concerning the nominating procedures is set forth in our 2019 definitive Proxy Statement and is incorporated herein by this reference.

The Audit Committee

Information concerning the Audit Committee is set forth in our 2019 definitive Proxy Statement and is incorporated herein by this reference.

The Audit Committee Financial Experts

Information concerning the Audit Committee Financial Experts is set forth in our 2019 definitive Proxy Statement and is incorporated herein by this reference.

The Executive Compensation Committee

Information concerning the Executive Compensation Committee is set forth in our 2019 definitive Proxy Statement and is incorporated herein by this reference.

The Corporate Governance Committee

Information concerning the Corporate Governance Committee is set forth in our 2019 definitive Proxy Statement and is incorporated herein by this reference.

The Executive Committee

Information concerning the Executive Committee is set forth in our 2019 definitive Proxy Statement and is incorporated herein by this reference.

Committee Charters

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

ITEM 11. EXECUTIVE COMPENSATION

Information on executive compensation is set forth in our 2019 definitive Proxy Statement and is incorporated herein by this reference.

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

Security Ownership of Certain Beneficial Owners

Information concerning the ownership of certain beneficial owners is set forth in our 2019 definitive Proxy Statement and is incorporated herein by this reference.

Security Ownership of Management

Information on security ownership of directors and officers is set forth in our 2019 definitive Proxy Statement and is incorporated herein by this reference.

Equity Compensation Plan Information

The following table sets forth certain information concerning our equity compensation plans as of December 31, 2018 :

Plan Category	Number of Securities Issued Upon Exercise of Outstanding Options, Warrants and Rights (a)	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights (b)	Number of Securities Remaining Available For Future Issuance Under Equity Compensation Plans (Excluding Securities in Column (a)) (c)
Equity compensation plans approved by security holders (1)	—	$ — (3)	3,057,153
Equity compensation plans not approved by security holders (2)	—	$ —	309,922
Total	—	$ —	3,367,075

(1) Includes restricted stock incentive units and performance-unit awards granted under our ECP and our Nonqualified Deferred Compensation Plan for Nonemployee Directors. For a brief description of the material features of this plan, see Note 11 of the Notes to Consolidated Financial Statements in this Annual Report.
(2) Includes shares granted under our ESPP and Employee Stock Award Program. For a brief description of the material features of these plans, see Note 11 of the Notes to Consolidated Financial Statements in this Annual Report. Column (c) includes 308,110 and 1,812 shares available for future issuance under our ESPP and Employee Stock Award Program, respectively.
(3) Compensation deferred into our common stock under our Non-Qualified Deferred Compensation Plan and Deferred Compensation Plan for Nonemployee Directors is distributed to participants at fair market value on the date of distribution. The price used for these plans to calculate the weighted-average exercise price in the table is $79.60, which represents the year-end closing price of our common stock on the NYSE.

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

Information on certain relationships and related transactions and director independence is set forth in our 2019 definitive Proxy Statement and is incorporated herein by this reference.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

Information on the principal accountant's fees and services is set forth in our 2019 definitive Proxy Statement and is incorporated herein by this reference.

PART IV.

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(2) Consolidated Financial Statements Schedules

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

(3) Exhibits

2.1	Separation and Distribution Agreement, dated as of January 14, 2014, by and between ONE Gas, Inc. and ONEOK, Inc. (incorporated by reference to Exhibit 2.1 to ONE Gas, Inc.'s Current Report on Form 8-K filed on January 15, 2014 (File No. 1-36108)).
3.1	Amended and Restated Certificate of Incorporation of ONE Gas, Inc., dated 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 July 23, 2018 (incorporated by reference to Exhibit 3.1 to ONE Gas, Inc.'s Current Report on Form 8-K filed on July 27, 2018 (File No. 1-36108)).
4.1	Form of Common Stock Certificate (incorporated by reference to Exhibit 4.2 to ONE Gas, Inc.'s Registration Statement on Form 10, Amendment No. 2 filed on December 23, 2013 (File No. 1-36108)).
4.2	Indenture, dated January 27, 2014, between ONE Gas, Inc. and U.S. Bank National Association, as trustee (incorporated by reference to Exhibit 10.1 to ONE Gas, Inc.'s Current Report on Form 8-K filed on January 30, 2014 (File No. 1-36108)).
4.3	Supplemental Indenture No. 1, dated January 27, 2014, between ONE Gas, Inc. and U.S. Bank National Association, as trustee, with respect to the 2.070% Senior Notes due 2019, the 3.610% Senior Notes due 2024 and the 4.685% Senior Notes due 2044-(incorporated by reference to Exhibit 10.2 to ONE Gas, Inc.'s Current Report on Form 8-K filed on January 30, 2014 (File No. 1-36108)).
4.4	Second Supplemental Indenture, dated of November 5, 2018, among ONE Gas, Inc. and U.S. Bank National Bank Association, as trustee, with respect to the 4.50% Notes due 2048 (incorporated by reference to Exhibit 4.2 to ONE Gas, Inc.'s Current Report on Form 8-K filed on November 6, 2018 (File No. 1-36108)).

10.1	Tax Matters Agreement, dated January 14, 2014, by and between ONE Gas, Inc. and ONEOK, Inc.(incorporated by reference to Exhibit 10.1 to ONE Gas, Inc.'s Current Report on Form 8-K filed on January15, 2014 (File No. 1-36108)).
10.2	Employee Matters Agreement, dated January 14, 2014, by and between ONE Gas, Inc. and ONEOK, Inc. (incorporated by reference to Exhibit 10.3 to ONE Gas, Inc.'s Current Report on Form 8-K filed on January 15, 2014 (File No. 1-36108)).
10.3	Form of ONE Gas, Inc. Indemnification Agreement between ONE Gas, Inc. and ONE Gas, Inc. officers and directors (incorporated by reference to Exhibit 10.5 to ONE Gas, Inc.'s Registration Statement on Form 10 filed on October 1, 2013 (File No. 1-36108)).
10.4	ONE Gas, Inc. Annual Officer Incentive Plan (incorporated by reference to Appendix A to ONE Gas, Inc.'s Definitive Proxy Statement on Schedule 14A filed on April 5, 2017 (File No. 1-36108)).
10.5	ONE Gas, Inc. Pre-2005 Nonqualified Deferred Compensation Plan (incorporated by reference to Exhibit 10.7 to ONE Gas, Inc.'s Registration Statement on Form 10, Amendment No. 2 filed on December 23, 2013 (File No. 1-36108)).
10.6	ONE Gas, Inc. Nonqualified Deferred Compensation Plan (incorporated by reference to Exhibit 10.8 to ONE Gas, Inc.'s Registration Statement on Form 10, Amendment No. 2 filed on December 23, 2013 (File No. 1-36108)).
10.7	ONE Gas, Inc. Pre-2005 Supplemental Executive Retirement Plan (incorporated by reference to Exhibit 10.9 to ONE Gas, Inc.'s Registration Statement on Form 10, Amendment No. 2 filed on December 23, 2013 (File No. 1-36108)).
10.8	ONE Gas, Inc. Supplemental Executive Retirement Plan, as amended and restated effective December 1, 2017 (incorporated by reference to Exhibit 10.8 to ONE Gas, Inc.'s Annual Report on Form 10-K filed on February 22, 2018 (File No. 1-36108)).
10.9	Credit Agreement, dated as of December 20, 2013, among ONE Gas, Inc., Bank of America, N.A., as administrative agent, swingline lender and a letter of credit issuer, and the other lenders and letter of credit issuers parties thereto (incorporated by reference to Exhibit 10.2 to ONEOK, Inc.'s Current Report on Form 8-K filed on December 23, 2013 (File No. 1-13643)).
10.10	ONE Gas, Inc. Officer Change in Control Severance Plan (incorporated by reference to Exhibit 10.12 to ONE Gas, Inc.'s Registration Statement filed on Form 10, Amendment No. 2 filed on December 23, 2013 (File No. 1-36108)).
10.11	ONE Gas, Inc. Equity Compensation Plan, as amended and restated effective December 1, 2017 (incorporated by reference to Exhibit 10.11 to ONE Gas, Inc.'s Annual Report on Form 10-K filed on February 22, 2018 (File No. 1-36108)).
10.12	Form of 2019 Restricted Unit Award Agreement.
10.13	Form of 2019 Performance Unit Award Agreement.
10.14	Form of 2018 Restricted Unit Award Agreement (incorporated by reference to Exhibit 10.14 to ONE Gas, Inc.'s Annual Report on Form 10-K filed on February 22, 2018 (File No. 1-36108)).
10.15	Form of 2018 Performance Unit Award Agreement (incorporated by reference to Exhibit 10.15 to ONE Gas, Inc.'s Annual Report on Form 10-K filed on February 22, 2018 (File No. 1-36108)).

10.16	Extension Agreement dated as of October 5, 2018, among ONE Gas, Inc., Bank of America, N.A., as administrative agent, swing line lender, a letter of credit issuer and a lender, and the other lenders and letter of credit issuers parties thereto (incorporated by reference to Exhibit 10.1 to ONE Gas Inc's Current Report on Form 8-K filed on October 5, 2018 (File No. 1-36108)).
10.17	ONE Gas, Inc. Employee Stock Purchase Plan (incorporated by reference to Exhibit 10.16 to ONE Gas, Inc.'s Registration Statement on Form 10, Amendment No. 2 filed on December 23, 2013 (File No. 1-36108)).
10.18	ONE Gas, Inc. Deferred Compensation Plan for Non-Employee Directors (incorporated by reference to Exhibit 10.19 to ONE Gas, Inc.'s Annual Report on Form 10-K filed on February 23, 2017 (File No. 1-36108)).
10.19	ONE Gas, Inc. 401(k) Plan as amended and restated effective January 1, 2018.
10.20	Form of Commercial Paper Dealer Agreement (incorporated by reference to Exhibit 10.1 to ONE Gas, Inc.'s Current Report on Form 8-K filed on September 10, 2014 (File No. 1-36108)).
10.21	Form of 2015 Performance Unit Award Agreement (incorporated by reference to Exhibit 10.2 to ONE Gas, Inc.'s Quarterly Report on Form 10-Q filed on April 30, 2015 (File 1-36108)).
10.22	Form of 2015 Restricted Unit Award Agreement (incorporated by reference to Exhibit 10.3 to ONE Gas, Inc.'s Quarterly Report on Form 10-Q filed on April 30, 2015 (File 1-36108)).
10.23	Form of 2016 Performance Unit Award Agreement (incorporated by reference to Exhibit 10.24 to ONE Gas, Inc.'s Annual Report on Form 10-K filed on February 18, 2016 (File No. 1-36108)).
10.24	Form of 2016 Restricted Unit Award Agreement (incorporated by reference to Exhibit 10.25 to ONE Gas, Inc.'s Annual Report on Form 10-K filed on February 18, 2016 (File No. 1-36108)).
10.25	Form of 2017 Restricted Unit Award Agreement (incorporated by reference to Exhibit 10.15 to ONE Gas, Inc.'s Annual Report on Form 10-K filed on February 23, 2017 (File No. 1-36108)).
10.26	Form of 2017 Performance Unit Award Agreement (incorporated by reference to Exhibit 10.16 to ONE Gas, Inc.'s Annual Report on Form 10-K filed on February 23, 2017 (File No. 1-36108)).
10.27	Amended and Restated Credit Agreement, dated as of October 5, 2017, among ONE Gas, Inc., Bank of America, N.A., as administrative agent, swingline lender and a letter of credit issuer, and the other lenders and letter of credit issuers parties thereto (incorporated by reference to Exhibit 10.1 to ONE Gas, Inc.'s Current Report on Form 8-K filed on October 6, 2017 (File No. 1-36108)).
10.28	ONE Gas, Inc. Nonqualified Deferred Compensation Plan, as amended and restated effective January 1, 2018 (incorporated by reference to Exhibit 10.28 to ONE Gas, Inc.'s Annual Report on Form 10-K filed February 22, 2018 (File No. 1-36108)).
10.29	Underwriting Agreement dated November 1, 2-18, between ONE Gas, Inc. and U.S. Bancorp Investments Inc. and J.P. Morgan Securities, LLC, as representatives of the several underwriters named therein (incorporated by reference to ONE Gas, Inc.'s Current Report on Form 8-K filed on November 6, 2018 (File No. 1-36108)).
10.30	ONE Gas Inc. Annual Officer Incentive Plan, effective January 1, 2019.
10.31	ONE Gas, Inc. Amended and Restated Equity Compensation Plan (2018) (incorporated by reference to Appendix A to ONE Gas, Inc.'s Definitive Proxy Statement on Schedule 14A filed on April 4, 2018 (File No. 1-36108).

21.1	Subsidiaries of ONE Gas, Inc.
23.1	Consent of Independent Registered Public Accounting Firm - PricewaterhouseCoopers LLP.
31.1	Certification of Pierce H. Norton II pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Curtis L. Dinan pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Pierce H. Norton II pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906of the Sarbanes-Oxley Act of 2002 (furnished only pursuant to Rule 13a-14(b)).
32.2	Certification of Curtis L. Dinan pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906of the Sarbanes-Oxley Act of 2002 (furnished only pursuant to Rule 13a-14(b)).
101.INS	XBRL Instance Document.
101.SCH	XBRL Schema Document.
101.CAL	XBRL Calculation Linkbase Document.
101.LAB	XBRL Label Linkbase Document.
101. PRE	XBRL Presentation Linkbase Document.
101.DEF	XBRL Extension Definition Linkbase Document.

Attached as Exhibit 101 to this Annual Report are the following XBRL-related documents: (i) Document and Entity Information; (ii) Consolidated Statements of Income for the years ended December 31, 2018, 2017 and 2016; (iii) Consolidated Statements of Comprehensive Income for the years ended December 31, 2018, 2017 and 2016; (iv) Consolidated Balance Sheets as of December 31, 2018 and 2017; (v) Consolidated Statements of Cash Flows for the years ended December 31, 2018, 2017 and 2016; (vi) Consolidated Statements of Equity for the years ended December 31, 2018, 2017 and 2016; and (vii) Notes to Consolidated Financial Statements.

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

ITEM 16. FORM 10-K SUMMARY

None.

Signatures

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

Date: February 20, 2019

ONE Gas, Inc.
Registrant

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

Pursuant to the requirements of the Exchange Act, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated on this 20th day of February 2019.

/s/ John W. Gibson
John W. Gibson
Chairman of the Board

/s/ Pierce H. Norton II
Pierce H. Norton II
President, Chief Executive Officer and
Director

/s/ Curtis L. Dinan
Curtis L. Dinan
Senior Vice President and
Chief Financial Officer

/s/ Jeffrey J. Husen
Jeffrey J. Husen
Vice President, Chief Accounting Officer
and Controller
(Principal Accounting Officer)

/s/ Arcilia C. Acosta
Arcilia C. Acosta
Director

/s/ Robert B. Evans
Robert B. Evans
Director

/s/ Tracy E. Hart
Tracy E. Hart
Director

/s/ Michael G. Hutchinson
Michael G. Hutchinson
Director

/s/ Pattye L. Moore
Pattye L. Moore
Director

/s/ Eduardo A. Rodriguez
Eduardo A. Rodriguez
Director

/s/ Douglas H. Yaeger
Douglas H. Yaeger
Director

Exhibit 10.12

ONE GAS, INC.

RESTRICTED UNIT AWARD AGREEMENT

This Restricted Unit Award Agreement (this "Agreement") is made and entered into as of February 18, 2019 (the "Grant Date") by and between ONE Gas, Inc., an Oklahoma corporation (the "Company") and [NAME] (the "Participant").

WHEREAS , the Company has adopted the ONE Gas, Inc. Amended and Restated Equity Compensation Plan (2018), as amended from time to time (the "Plan"), pursuant to which Restricted Unit Awards may be granted; and

WHEREAS , the Executive Compensation Committee (the "Committee") has determined that it is in the best interests of the Company and its shareholders to grant the Restricted Unit Award provided for herein.

NOW, THEREFORE, the parties hereto, intending to be legally bound, agree as follows:

1. Grant of Restricted Units .

1.1 The Company hereby grants to the Participant an award consisting of [NUMBER] Restricted Units ("Restricted Units" or the "Award") on the terms and conditions set forth in this Agreement, the Notice of Restricted Unit Award and Agreement dated February 18, 2019, a copy of which is attached hereto and incorporated herein by reference, and the Plan. Each Restricted Unit represents the right to receive one share of the Company's common stock ("Share") or, at the Company's option, an amount of cash as set forth in 6.3, in either case, at the times and subject to the conditions set forth herein. Capitalized terms that are used but not defined herein have the meanings set forth in the Plan.

1.2 The Restricted Units shall be credited to a separate account maintained for the Participant on the books and records of the Company (the "Account"). All amounts credited to the Account shall continue for all purposes to be part of the general assets of the Company.

2. Consideration . The Award is granted in consideration of the Participant's continued employment with the Company.

3. Vesting .

3.1 General . Subject to Participant's continuous employment with the Company during the period beginning on the Grant Date and ending on February 19, 2022 (the "Restricted

Period") and subject to the terms of this Agreement, the Participant will vest in such amounts and at such times as are set forth below:

Vesting Date	**Percentage of Award That Vests**
February 19, 2022	100%

For purposes of this Agreement, employment with any Subsidiary of the Company shall be treated as employment with the Company. Likewise, a termination of employment shall not be deemed to occur by reason of a transfer of employment between the Company and any Subsidiary.

Restricted Units that vest pursuant to the terms of this Agreement, including Sections 3.2 and 3.3 below, are referred to as "Vested Units" and the date upon which the Restricted Units vest is referred to as a "Vesting Date." Unless and until the Restricted Units have vested, Participant will have no right to receive any Shares subject thereto. Prior to the actual delivery of any Shares, the Award will represent an unsecured obligation of the Company, payable only from the Company's general assets.

3.2 Termination of Employment .

(a) If the Participant's employment with the Company is terminated prior to the end of the Restricted Period by the Company without Cause or on account of the Participant's Retirement, Total Disability or death, the Participant will vest in a pro-rata portion of the Restricted Units as of the Participant's termination date. The pro-rata portion of the Restricted Units that vest will be determined by multiplying the number of Restricted Units granted hereunder by a fraction, which fraction shall be equal to the number of full months which have elapsed under the Restricted Period at the time of such termination of employment by the number of full months in the Restricted Period. If the Participant's employment with the Company terminates for any other reason, Participant shall immediately forfeit any and all Restricted Units that have not vested or do not vest on or prior to the Participant's termination date and neither the Company nor any Subsidiary shall have any further obligations to the Participant under this Agreement. For purposes of this Agreement:

(i) "Cause" will mean any of the following: (i) the Participant's conviction in a court of law of a felony, or any crime or offense involving misuse or misappropriation of money or property, (ii) the Participant's violation of any

covenant, agreement or obligation not to disclose confidential information regarding the business of the Company (or Subsidiary), (iii) any violation by the Participant of any covenant not to compete with the Company (or Subsidiary), (iv) any act of dishonesty by the Participant which adversely effects the business of the Company (or Subsidiary), (v) any willful or intentional act of the Participant which adversely affects the business of, or reflects unfavorably on the reputation of the Company (or Subsidiary), (vi) the Participant's use of alcohol or drugs which interferes with the Participant's duties as an employee of the Company (or Subsidiary), or (vii) the Participant's failure or refusal to perform the specific directives of the Company's Board, or its officers which directives are consistent with the scope and nature of the Participant's duties and responsibilities with the existence and occurrence of all of such causes to be determined by the Company, in its sole discretion; *provided, that* nothing contained in the foregoing provisions of this Section shall be deemed to interfere in any way with the right of the Company (or Subsidiary), which is hereby acknowledged, to terminate the Participant's employment at any time without Cause.

(ii) "Retirement" means a voluntary termination of employment of the Participant with the Company by the Participant if at the time of such termination of employment the Participant has both completed five (5) years of service with the Company and attained age fifty (50).

(iii) "Total Disability" means that the Participant is permanently and totally disabled and unable to engage in any substantial gainful activity by reason of a medically determinable physical or mental impairment which can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than twelve (12) months, and has established such disability to the extent and in the manner and form as may be required by the Committee.

3.3 Change in Control . If a Change in Control occurs prior to the end of the Restricted Period and the Participant is employed by the Company at the time of the Change in Control, but subsequently terminates prior to the end of the Restricted Period based on an involuntary termination (without cause) or a voluntary termination with "good reason" within 24

months of the CIC date, then the Participant shall become one hundred percent (100%) vested in the Award upon the date of the termination due to the Change in Control. Good reason includes:

- Demotion or material reduction of authority or responsibility;
- Material reduction in base salary;
- Material reduction in annual incentive or LTI targets;
- Relocation of greater than 35 miles; or
- Failure of a successor company to assume the change-in-control plan.

Notwithstanding the foregoing, the provisions set forth in the Plan applicable to a Change in Control shall apply to the Award, and in the event of a Change in Control, the Committee, in its sole discretion and to the extent permitted by Section 409A, may take such actions as it deems appropriate pursuant to the Plan. For purposes of this Agreement, the term "Change in Control" shall have the same meaning as provided in the Plan unless the Award is or becomes subject to Code Section 409A, in which event "Change in Control" shall have the meaning provided in Code Section 409A and the related Treasury Regulations.

4. Transfer Restrictions .

4.1 Except as provided in Section 4.2, during the Restricted Period and until such time as the Shares underlying the Vested Units have been issued, the Restricted Units, related Shares or the rights relating thereto may not be sold, pledged, assigned, transferred or otherwise disposed of by the Participant in any manner other than by will or by laws of descent and distribution. Except as provided in Section 4.2, any attempt to sell, pledge, assign, transfer or otherwise dispose of the Restricted Units, related Shares or the rights relating thereto shall be wholly ineffective and, if any such attempt is made, the Restricted Units, related Shares or the rights relating thereto will be forfeited by the Participant and all of the Participant's rights to such units or related Shares shall immediately terminate without any payment or consideration by the Company.

4.2 Notwithstanding the foregoing, the Participant may transfer any part or all of the Participant's rights in the Restricted Units to members of the Participant's immediate family, or to one or more trusts for the benefit of such immediate family members, or partnerships in which such immediate family members are the only partners if the Participant does not receive any consideration for the transfer. In the event of any such transfer, Restricted Units shall continue to be subject to the same terms and conditions otherwise applicable hereunder and under the Plan immediately prior to transfer, except that such rights shall not be further transferable by the transferee inter vivos , except for transfer back to the Participant. For any such transfer to be

effective, the Participant must provide prior written notice thereof to the Committee and the Participant shall furnish to the Committee such information as it may request with respect to the transferee and the terms and conditions of any such transfer. For purposes of this Agreement, "immediate family" shall mean the Participant's spouse, children and grandchildren.

5. Dividend Equivalents . During the Restricted Period, the Participant's Account shall be credited with an amount equal to all ordinary cash dividends ("Dividend Equivalents") that would have been paid to the Participant if one Share had been issued on the Grant Date for each Restricted Unit granted to the Participant as set forth in this Agreement. The Dividend Equivalents credited to the Participant's Account will be deemed to be reinvested in additional Restricted Units and will be subject to the same terms and conditions as the Restricted Units to which they are attributable and shall vest or be forfeited (if applicable) and settled at the same time as the Restricted Units to which they are attributable. Such additional Restricted Units shall also be credited with additional Dividend Equivalents as any further dividends are declared.

6. Settlement of Vested Units; Distribution or Payment .

6.1 Vested Units shall be settled and distributed in Shares (either in book-entry form or otherwise) or, at the Company's option, paid in an amount of cash as set forth in Section 6.3. All distributions in Shares shall be in the form of whole Shares, and any fractional Share shall be distributed in cash in an amount equal to the value of such fractional Share determined based on the Fair Market Value of a Share on the Vesting Date.

6.2 Subject to Section 9 and Section 22.2, on each Vesting Date or the date of termination due to a Change in Control as described in 3.3, whichever is earlier, the Company shall distribute to the Participant the number of Shares equal to the number of Vested Units within 75 days after the applicable Vesting Date.

6.3 If the Company elects to settle the Participant's Vested Units in cash, the amount of cash payable with respect to each Vested Unit shall be equal to the Fair Market Value of a Share on the Vesting Date.

6.4 To the extent that the Participant does not vest in any Restricted Units on or before the end of day of the Restricted Period, all interest in such Restricted Units and any additional Restricted Units attributable to Dividend Equivalents shall be forfeited. The Participant has no right or interest in any Restricted Units that are forfeited.

7. Conditions to Issuance or Transfer of Shares . The issuance and transfer of Shares shall be subject to compliance by the Company and the Participant with all applicable laws, rules and regulations ("Applicable Laws") and also to such approvals by governmental agencies as may be deemed appropriate to comply with relevant securities laws and regulations. No Shares shall be issued or transferred unless and until any then applicable requirements of Applicable Laws and regulatory agencies have been fully complied with to the satisfaction of the Company and its counsel.

8. Tax Withholding . Participant shall be required to pay to the Company, and the Company shall have the right to deduct from any compensation paid to the Participant pursuant to the Plan, the amount of any required federal, state and local taxes, domestic or foreign, including payroll taxes, in respect of the Award and to take all such other action as the Committee deems necessary to satisfy all obligations for the payment of such withholding taxes. The Company shall have no obligation to issue any Shares to any Participant unless and until the Participant has made arrangements, satisfactory to the Company in its sole discretion, to satisfy the Participant's tax liability resulting from the vesting or settlement of the Vested Units. The amount of such withholding shall be determined by the Company. The Committee, in its sole discretion, may permit or require the Participant to satisfy any such tax withholding obligation by any of, or a combination of, the following means:

8.1 tendering a cash payment or check payable to the Company.

8.2 authorizing the Company to withhold an amount from any cash amounts otherwise due or to become due from the Company to the Participant.

8.3 authorizing the Company to withhold Shares from the Shares otherwise issuable to the Participant as a result of the vesting of the Restricted Units; provided, however, that no Shares shall be withheld with a Fair Market Value exceeding the maximum amount of tax required to be withheld by Applicable law.

8.4 delivering to the Company previously owned and unencumbered Shares having a then current Fair Market Value not exceeding the maximum amount of tax required to be withheld by Applicable Law.

9. Rights as Shareholder . Except as otherwise provided in the Agreement, the Participant shall not have any of the rights or privileges of a shareholder with respect to the Shares underlying the Restricted Units unless and until the Restricted Units vest and certificates representing such Shares (which may be in book-entry form) have been issued and recorded on

the Company's records, and delivered to the Participant or to an escrow account for the Participant's benefit. After such issuance, recordation and delivery, Participant will have the rights of a shareholder of the Company with respect to such Shares, including without limitation, voting rights and the right to receipt of dividends and distributions on such Shares.

10. No Right to Continued Service . Neither the Plan nor this Agreement shall confer upon the Participant to serve as an employee or other service provider of the Company. Further, nothing in the Plan or this Agreement shall be construed to limit the discretion of the Company to terminate the services of the Participant at any time, with or without Cause.

11. Adjustments . In the event of a change in capitalization described in Section 13 of the Plan prior to the end of the Restricted Period, other than a dividend described in Section 5 above, the Restricted Units shall be equitably adjusted or terminated in any manner contemplated by the Plan to reflect the effect of such event or change in the Company's capital structure in such a way as to preserve the value of the Award.

12. Required Participant Repayment/Reduction Provision . Notwithstanding anything in the Plan or this Agreement to the contrary, all or a portion of the Award made to the Participant under this Agreement is subject to being called for repayment to the Company or reduced in any situation required by law or specified by Company policy in effect at the time of the request for repayment or reduction is made. In any event, even if not required by law or Company policy, in any situation where the Board or a committee thereof determines that fraud, negligence, or intentional misconduct by the Participant was a contributing factor to the Company having to restate all or a portion of its financial statement(s), the Committee may request repayment or reduction. The Committee may determine whether the Company shall effect any such repayment or reduction: (i) by seeking repayment from the Participant, (ii) by reducing (subject to Applicable Law and the Plan's terms and conditions or any other applicable plan, program, or arrangement) the amount that would otherwise be awarded or payable to the Participant under the Award, the Plan or any other compensatory plan, program, or arrangement maintained by the Company, (iii) by withholding payment of future increases in compensation (including the payment of any discretionary bonus amount) or grants of compensatory awards that would otherwise have been made in accordance with the Company's otherwise applicable compensation practices, or (iv) by any combination of the foregoing. The determination regarding the Participant's conduct, and repayment or reduction under this provision shall be within the Committee's sole discretion and shall be final and binding on the Participant and the Company. The Participant, in consideration of the grant of the Award, and by the Participant's execution of this Agreement, acknowledges the Participant's understanding and agreement to this provision,

and hereby agrees to make and allow an immediate and complete repayment or reduction in accordance with this provision in the event of a call for repayment or other action by the Company or Committee to effect its terms with respect to the Participant, the Award and/or any other compensation described herein.

13. Company Policies . The Participant agrees that the Award will be subject to any applicable insider trading policies, retention policies and other policies that may be implemented by the Board, from time to time.

14. Participant Undertaking . The Participant agrees to take whatever additional actions and execute whatever additional documents the Company may in its reasonable judgment deem necessary or advisable in order to carry out or effect one or more of the obligations or restrictions imposed on the Participant pursuant to the terms of this Agreement. It is intended by the Company that the Plan and Shares covered by the Award are to be registered under the Securities Act of 1933, as amended, prior to the grant date; provided that in the event such registration is for any reason not effective for such Shares, the Participant agrees that all Shares acquired pursuant to the grant will be acquired for investment and will not be available for sale or tender to any third party.

15. Beneficiary . The Participant may designate a Beneficiary to receive any rights of the Participant which may become vested in the event of the Participant’s death under procedures and in the form established by the Committee; and in the absence of such designation of a Beneficiary, any such rights shall be deemed to be transferred to the Participant’s estate.

16. Notices . Any notice required to be delivered to the Company under this Agreement shall be in writing and addressed to the Senior Vice President-Administration and Chief Information Officer, or his successor in charge of compensation and benefits in Human Resources, of the Company at the Company's principal corporate offices. Any notice required to be delivered to the Participant under this Agreement shall be in writing and addressed to the Participant at the Participant's address as shown in the records of the Company. Either party may designate another address in writing (or by such other method approved by the Company) from time to time. Any notice shall be delivered by hand, sent by telecopy or enclosed in a properly sealed envelope addressed as stated above, registered and deposited, postage prepaid, in a post office regularly maintained by the United States Postal Service.

17. Incorporation of the Plan; Conflicts . The Restricted Units and the Shares issued to Participant hereunder are subject to the terms and conditions set forth in this Agreement and the Plan, which is incorporated herein by reference. In the event of any inconsistency between (1)

the Plan and this Agreement, the Plan will control, or (2) the resolutions and records of the Board or Committee and this Agreement, the resolutions and records of the Board or Committee will control.

18. Successors and Assigns . The Company may assign any of its rights under this Agreement, and this Agreement will be binding upon and inure to the benefit of the Company's successors and assigns. Subject to the restrictions on transfer set forth herein and the Plan, this Agreement will be binding upon and inure to the benefit of the heirs, legatees, legal representatives, successors and assigns of the parties hereto.

19. No Impact on Other Benefits . The Company does not intend for the value of the Award or any Vested Units to be included in the Participant's normal or expected compensation for purposes of calculating any severance, retirement, welfare, insurance or similar employee benefit; *provided, however* , that if there is any inconsistency between this Agreement and the terms of another benefit plan, the benefit plan document will control.

20. Discretionary Nature of Plan . The Plan is discretionary and may be amended, cancelled or terminated by the Board at any time, in its discretion. The grant of the Restricted Units in this Agreement does not create any contractual right or other right to receive any Restricted Units or other awards in the future. Future awards, if any, will be at the Committee's sole discretion. Any amendment, modification, or termination of the Plan shall not constitute a change or impairment of the terms and conditions of the Participant's employment with the Company.

21. Amendment . In accordance with the Plan, the Committee may amend or otherwise modify, suspend, discontinue or terminate this Agreement at any time, prospectively or retroactively.

22. Section 409A .

22.1 This Award and Agreement is intended to comply with Section 409A or an exemption thereunder and shall be construed and interpreted in a manner that is consistent with the requirements for avoiding additional taxes or penalties under Section 409A. Notwithstanding any other provision of the Agreement, any distributions or payments due hereunder may only be made upon an event and in a manner that complies with Section 409A or an applicable exemption. Any distributions or payments due hereunder upon a termination of employment shall only be made upon a "separation from service" as defined in Section 409A. The right to a series of installment payments under this Agreement shall be treated as a right to a

series of separate payments. In no event may the Participant, directly or indirectly, designate the calendar year of settlement, distribution or payment.

22.2 If an Award is subject to Section 409A and Participant becomes entitled to settlement of the Award on account of a separation from service and is a "specified employee" within the meaning of Section 409A on the date of the separation from service, then to the extent necessary to prevent any accelerated or additional tax under Section 409A, such settlement will be delayed until the earlier of: (a) the date that is six months following the Participant's separation from service and (b) the Participant's death (the "Delayed Payment Date") and the accumulated amounts shall be distributed or paid in a lump sum payment on the Delayed Payment Date.

22.3 The Company does not represent that the Award or this Agreement comply with Section 409A and in no event shall the Company be liable for all or any portion of any taxes, penalties, interest or other expenses that may be incurred by the Participant on account of non-compliance with Section 409A.

22.4 To the extent that any provision of the Agreement would cause a conflict with the requirements of Section 409A, or would cause the administration of the Agreement to fail to satisfy Section 409A, such provision shall be deemed null and void to the extent permitted by Applicable Law.

23. Entire Agreement . The Plan and this Agreement (including any exhibit hereto) constitute the entire agreement of the parties and supersede in their entirety all prior undertakings and agreements of the Company and the Participant with respect to the subject matter hereof.

24. Severability . The invalidity or unenforceability of any provision of the Plan or this Agreement shall not affect the validity or enforceability of any other provision of the Plan or this Agreement, and each provision of the Plan and this Agreement shall be severable and enforceable to the extent permitted by law.

25. Governing Law . This Agreement will be construed and interpreted in accordance with the laws of the State of Oklahoma without regard to the conflict of laws provisions thereof.

26. Counterparts . This Agreement may be executed in one or more counterparts, including by way of electronic signature, subject to Applicable Law, each of which shall be deemed an original and all of which together will constitute one instrument.

27. Administration of Award; Acceptance . As a condition of receiving this Award, the Participant agrees that the Committee shall have full and final authority to construe and interpret the Plan and this Agreement, and to make all other decisions and determinations as may be required under the Plan or this Agreement as they may deem necessary or advisable for administration of the Plan or this Agreement, and that all such interpretations, decisions and determinations shall be final and binding on the Participant, the Company and all other interested persons. Any dispute regarding the interpretation of this Agreement shall be submitted by the Participant or the Company to the Committee for review. The resolution of such dispute by the Committee shall be final and binding on the Participant and the Company. Day-to-day authority and responsibility has been delegated to the Company's ONE Gas, Inc. Benefits Committee and its authorized representatives, and all actions taken thereby shall be entitled to the same deference as if taken by the Committee itself.

The Participant hereby acknowledges receipt of this Agreement, the Notice of Restricted Unit Award and Agreement dated February 18, 2019, and a copy of the Plan. Participant agrees to be bound by all of the provisions set forth in this Agreement and the Plan and acknowledges that there may be adverse tax consequences upon the vesting or settlement of the Restricted Units or disposition of the underlying Shares and that Participant has been advised to consult a tax advisor prior to such vesting, settlement or disposition. Participant accepts the Award under the terms and conditions stated in this Agreement, subject to all terms and provisions of the Plan, by electronic acceptance of the grant.

Exhibit 10.13

ONE GAS, INC.

PERFORMANCE UNIT AWARD AGREEMENT

This Performance Unit Award Agreement (this "Agreement") is made and entered into as of February 18, 2019 (the "Grant Date") by and between ONE Gas, Inc., an Oklahoma corporation (the "Company") and [NAME] (the "Participant").

WHEREAS , the Company has adopted the ONE Gas, Inc. Amended and Restated Equity Compensation Plan (2018), as amended from time to time (the "Plan"), pursuant to which Performance Unit Awards may be granted; and

WHEREAS , the Executive Compensation Committee of the Board of Directors (the "Committee") has determined that it is in the best interests of the Company and its shareholders to grant the Performance Unit Award provided for herein.

NOW, THEREFORE, the parties hereto, intending to be legally bound, agree as follows:

1. Grant of Performance Units .

1.1 The Company hereby grants to the Participant an award consisting of [NUMBER] Performance Units ("Performance Units" or the "Award") on the terms and conditions set forth in this Agreement, the Notice of Performance Unit Award and Agreement dated February 18, 2019, a copy of which is attached hereto and incorporated herein by reference, and the Plan. The Performance Units are contingently awarded and will be earned if and only to the extent that the performance goal described on Exhibit A (the "Performance Goal") is met and vested and distributable only if other conditions in this Agreement are met. Each Performance Unit represents the right to receive one share of the Company's common stock ("Share") or, at the Company's option, an amount of cash as set forth in Section 6.2, in either case, at the times and subject to the conditions set forth herein. The number of Performance Units set forth above is equal to a target number of Shares that the Participant will earn for 100% achievement of the Performance Goal (the "Target Award"). Capitalized terms that are used but not defined herein have the meanings set forth in the Plan.

1.2 The Performance Units shall be credited to a separate account maintained for the Participant on the books and records of the Company (the "Account"). All amounts credited to the Account shall continue for all purposes to be part of the general assets of the Company.

2. Consideration . The Award is granted in consideration of the Participant's continued employment with the Company.

3. Vesting .

3.1 General . Except as provided in this Section 3, subject to Participant's continuous employment with the Company during the period beginning on the Grant Date and ending on February 19, 2022 (the "Performance Period") and subject to the terms of this Agreement, the Participant shall vest at the end of the Performance Period in the number of Performance Units, if any, earned upon, and certified following, the attainment of the Performance Goal as of the end of the Performance Period. Any Performance Units that do not vest as of the end of the Performance Period shall be forfeited. Performance Units that vest pursuant to the terms of this Agreement, including Sections 3.2 and 3.3 below, are hereinafter referred to as "Vested Units" and the date upon which the Performance Units vest is hereinafter referred to as a "Vesting Date." Unless and until the Performance Units have vested, Participant will have no right to receive any Shares subject thereto. Prior to the actual delivery of any Shares, the Award will represent an unsecured obligation of the Company, payable only from the Company's general assets.

3.2 Termination of Employment . If prior to the end of the Performance Period, the Participant ceases to be employed by the Company on account of the Participant's Retirement, Total Disability or death, the Participant will vest in a pro-rata portion of the Performance Units as of the last day of the Performance Period if the Performance Goal and requirements of this Agreement are met as of such date. The pro-rata portion of the Performance Units that vest will be determined by multiplying (x) the maximum number of Performance Units in which the Participant could vest, based on the actual level at which the Performance Goal is attained and certified for the Performance Period, as if the Participant remained in the employ of the Company through the end of the Performance Period, by (y) a fraction, which fraction shall be equal to the number of full months which have elapsed under the Performance Period at the time of such termination of employment by the number of full months in the Performance Period. If the Participant's employment with the Company terminates prior to the end of the Performance Period for any other reason, Participant shall immediately forfeit any and all Performance Units that have not vested or do not vest on or prior to the Participant's termination date and neither the Company nor any Subsidiary shall have any further obligations to the Participant under this Agreement. For purposes of this Agreement, employment with any Subsidiary of the Company shall be treated as employment with the Company. Likewise, a termination of employment shall not be deemed to occur by reason of a transfer of employment between the Company and any Subsidiary. For purposes of this Agreement:

(a) "Retirement" means a voluntary termination of employment of the Participant with the Company by the Participant if at the time of such termination of employment the Participant has both completed five (5) years of service with the Company and attained age fifty (50).

(b) “Total Disability” means that the Participant is permanently and totally disabled and unable to engage in any substantial gainful activity by reason of a medically determinable physical or mental impairment which can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than twelve (12) months, and has established such disability to the extent and in the manner and form as may be required by the Committee.

3.3 Change in Control . If a Change in Control occurs prior to the end of the Performance Period and the Participant is employed by the Company at the time of the Change in Control, but subsequently terminates prior to the end of the Performance Period based on an involuntary termination (without cause) or a voluntary termination with “good reason” within 24 months of the Change in Control date, then the Performance Period will end on the date of the termination due to the Change in Control and the Performance Units will be deemed vested at the Target Award level as of the date of the termination due to Change in Control (the “Change in Control Date”). Good reason includes:

- Demotion or material reduction of authority or responsibility;
- Material reduction in base salary;
- Material reduction in annual incentive or LTI targets;
- Relocation of greater than 35 miles; or
- Failure of the successor company to assume the change-in-control plan.

Notwithstanding the foregoing, the provisions set forth in the Plan applicable to a Change in Control shall apply to the Award, and in the event of a Change in Control, the Committee, in its sole discretion and to the extent permitted by Section 409A, may take such actions as it deems appropriate pursuant to the Plan. For purposes of this Agreement, the term “Change in Control” shall have the same meaning as provided in the Plan unless the Award is or becomes subject to Code Section 409A, in which event “Change in Control” shall have the meaning provided in Code Section 409A and the related Treasury Regulations.

3.4 Certification . Except in the event of a Change in Control, the Committee shall, within a reasonably practicable time following the end of the Performance Period, certify to the extent, if any, to which the Performance Goal has been achieved with respect to the Performance Period and the number of Performance Units, if any, earned upon attainment of the Performance Goal. Such certification shall be final, conclusive and binding on the Participant, and on all other persons, to the maximum extent permitted by law.

4. Transfer Restrictions .

4.1 Except as provided in Section 4.2, during the Performance Period and until such time as the Shares underlying the Vested Units have been issued, the Performance Units, related Shares or the rights relating thereto may not be sold, pledged, assigned, transferred or otherwise disposed of by the Participant in any manner other than by will or by laws of descent and distribution. Except as provided in Section 4.2, any attempt to sell, pledge, assign, transfer or otherwise dispose of the Performance Units, related Shares or the rights relating thereto shall be wholly ineffective and, if any such attempt is made, the Performance Units, related Shares or the rights relating thereto will be forfeited by the Participant and all of the Participant's rights to such units or related Shares shall immediately terminate without any payment or consideration by the Company.

4.2 Notwithstanding the foregoing, the Participant may transfer any part or all of the Participant's rights in the Performance Units to members of the Participant's immediate family, or to one or more trusts for the benefit of such immediate family members, or partnerships in which such immediate family members are the only partners if the Participant does not receive any consideration for the transfer. In the event of any such transfer, Performance Units shall continue to be subject to the same terms and conditions otherwise applicable hereunder and under the Plan immediately prior to transfer, except that such rights shall not be further transferable by the transferee inter vivos , except for transfer back to the Participant. For any such transfer to be effective, the Participant must provide prior written notice thereof to the Committee and the Participant shall furnish to the Committee such information as it may request with respect to the transferee and the terms and conditions of any such transfer. For purposes of this Agreement, "immediate family" shall mean the Participant's spouse, children and grandchildren.

5. Dividend Equivalents . During the Performance Period, the Participant's Account shall be credited with an amount equal to all ordinary cash dividends ("Dividend Equivalents") that would have been paid to the Participant if one Share had been issued on the Grant Date for each Performance Unit granted to the Participant as set forth in this Agreement. The Dividend Equivalents credited to the Participant's Account will be deemed to be reinvested in additional Performance Units (or fractional units) and will be subject to the same terms and conditions as the Performance Units to which they are attributable and shall vest or be forfeited (if applicable) and settled at the same time as the Performance Units to which they are attributable. Such additional Performance Units shall also be credited with additional Dividend Equivalents as any further dividends are declared.

6. Time and Form of Payment with Respect to Vested Units .

6.1 Unless an election is made pursuant to Section 7 below and subject to Section 10 and Section 23.2 and subject to certification by the Committee that the Performance Goal has been achieved and other vesting conditions have been satisfied, the Participant will receive a distribution with respect to the Vested Units within 75 days following the earlier of (i) the last day of the Performance Period (the "Distribution Date") or (ii) the date of termination due to a Change in Control as described in 3.3. The Vested Units will be settled and distributed in Shares (either in book-entry form or otherwise) or, at the Company's option, paid in an amount of cash as set forth in Section 6.2. All distributions in Shares shall be in the form of whole Shares, and any fractional Share shall be distributed in cash in an amount equal to the value of such fractional Share determined based on the Fair Market Value of a Share on the Vesting Date.

6.2 If the Company elects to settle the Participant's Vested Units in cash, the amount of cash payable with respect to each Vested Unit shall be equal to the Fair Market Value of a Share on the Vesting Date.

6.3 To the extent that the Participant does not vest in any Performance Units on or before the end of the Performance Period, all interest in such Performance Units and any additional Performance Units attributable to Dividend Equivalents shall be forfeited. The Participant has no right or interest in any Performance Units that are forfeited.

7. Deferral Election for Officers .

7.1 If the Participant is an officer of the Company, the Participant may irrevocably elect to defer the Distribution Date of Performance Units, Shares and cash that the Participant becomes entitled to receive under this Agreement (the "Deferred Amounts") to a later date, by filing with the Committee, on or before the deferral election date (the "Election Deadline") described in Section 7.2 below, a signed written irrevocable election (the "Election") which shall be in the form substantially the same as attached hereto as Exhibit D, or as otherwise approved by the Committee.

7.2 Any such Election shall be filed with the Committee on or before the Election Deadline, which shall be August 19, 2021, the date that is six (6) months before the end of the Performance Period, and shall become effective and irrevocable on such date provided that the Participant performs services for the Company continuously from the later of the beginning of the Performance Period or the date the Performance Goal was established through the Election Deadline. Notwithstanding the foregoing, in no event shall the Participant's Election become effective if any portion of the Deferred Amounts has become readily ascertainable (within the meaning of Section 409A) and is substantially certain to be paid the Participant as of the Election Deadline. To defer the Distribution Date, the Participant must elect to defer one-hundred percent

(100%) of the Deferred Amounts. Subject to Section 23.2, the Deferred Amounts shall be distributed to Participant at the time and in the form set forth in the Election (the "Deferred Date"). Notwithstanding a Participant's Election pursuant to this Section 7, if a Change in Ownership or Control (within the meaning of Section 409A) occurs prior to the Deferred Date, the Deferred Amounts will be distributed to the Participant on the date of the Change in Ownership or Control.

7.3 This Section 7 shall be applicable solely to the Award and shall not apply to any other compensation payable to the Participant under the Plan or otherwise. The right to make a deferral election under this Section 7 is expressly limited to officers of the Company or any subset thereof as determined by the Committee from time to time. This Agreement shall not permit a subsequent election to delay or modify the form of payment unless authorized and agreed upon in writing by the Company and Participant and such subsequent election complies with Section 409A.

8. Conditions to Issuance or Transfer of Shares . The issuance and transfer of Shares shall be subject to compliance by the Company and the Participant with all applicable laws, rules and regulations ("Applicable Laws") and also to such approvals by governmental agencies as may be deemed appropriate to comply with relevant securities laws and regulations. No Shares shall be issued or transferred unless and until any then applicable requirements of Applicable Laws and regulatory agencies have been fully complied with to the satisfaction of the Company and its counsel.

9. Tax Withholding . Participant shall be required to pay to the Company, and the Company shall have the right to deduct from any compensation paid to the Participant pursuant to the Plan, the amount of any required federal, state and local taxes, domestic or foreign, including payroll taxes, in respect of the Award and to take all such other action as the Committee deems necessary to satisfy all obligations for the payment of such withholding taxes. The Company shall have no obligation to issue any Shares to any Participant unless and until the Participant has made arrangements, satisfactory to the Company in its sole discretion, to satisfy the Participant's tax liability resulting from the vesting or settlement of the Vested Units. The amount of such withholding shall be determined by the Company. The Committee, in its sole discretion, may permit or require the Participant to satisfy any such tax withholding obligation by any of, or a combination of, the following means:

9.1 tendering a cash payment or check payable to the Company.

9.2 authorizing the Company to withhold an amount from any cash amounts otherwise due or to become due from the Company to the Participant.

9.3 authorizing the Company to withhold Shares from the Shares otherwise issuable to the Participant as a result of the vesting of the Performance Units; provided, however, that no Shares shall be withheld with a Fair Market Value exceeding the maximum amount of tax required to be withheld by Applicable law.

9.4 delivering to the Company previously owned and unencumbered Shares having a then current Fair Market Value not exceeding the maximum amount of tax required to be withheld by Applicable Law.

10. Rights as Shareholder . Except as otherwise provided in the Agreement, the Participant shall not have any of the rights or privileges of a shareholder with respect to the Shares underlying the Performance Units unless and until the Performance Units vest and certificates representing such Shares (which may be in book-entry form) have been issued and recorded on the Company's records, and delivered to the Participant or to an escrow account for the Participant's benefit. After such issuance, recordation and delivery, Participant will have the rights of a shareholder of the Company with respect to such Shares, including without limitation, voting rights and the right to receipt of dividends and distributions on such Shares.

11. No Right to Continued Service . Neither the Plan nor this Agreement shall confer upon the Participant to serve as an employee or other service provider of the Company. Further, nothing in the Plan or this Agreement shall be construed to limit the discretion of the Company to terminate the services of the Participant at any time, with or without Cause.

12. Adjustments . In the event of a change in capitalization described in Section 13 of the Plan prior to the end of the Performance Period, other than a dividend described in Section 5 above, the Performance Units shall be equitably adjusted or terminated in any manner contemplated by the Plan to reflect the effect of such event or change in the Company's capital structure in such a way as to preserve the value of the Award.

13. Required Participant Repayment/Reduction Provision . Notwithstanding anything in the Plan or this Agreement to the contrary, all or a portion of the Award made to the Participant under this Agreement is subject to being called for repayment to the Company or reduced in any situation required by law or as specified by Company policy in effect at the time of the request for repayment or reduction is made. In any event, even if not required by law or Company policy, in any situation where the Board or a committee thereof determines that fraud, negligence, or intentional misconduct by the Participant was a contributing factor to the Company having to restate all or a portion of its financial statement(s), the Committee may request repayment or reduction. The Committee may determine whether the Company shall effect any such repayment or reduction: (i) by seeking repayment from the Participant, (ii) by reducing (subject to Applicable Law and the Plan's terms and conditions or any other applicable

plan, program, or arrangement) the amount that would otherwise be awarded or payable to the Participant under the Award, the Plan or any other compensatory plan, program, or arrangement maintained by the Company, (iii) by withholding payment of future increases in compensation (including the payment of any discretionary bonus amount) or grants of compensatory awards that would otherwise have been made in accordance with the Company's otherwise applicable compensation practices, or (iv) by any combination of the foregoing. The determination regarding the Participant's conduct, and repayment or reduction under this provision shall be within the Committee's sole discretion and shall be final and binding on the Participant and the Company. The Participant, in consideration of the grant of the Award, and by the Participant's execution of this Agreement, acknowledges the Participant's understanding and agreement to this provision, and hereby agrees to make and allow an immediate and complete repayment or reduction in accordance with this provision in the event of a call for repayment or other action by the Company or Committee to effect its terms with respect to the Participant, the Award and/or any other compensation described herein.

14. Company Policies . The Participant agrees that the Award will be subject to any applicable insider trading policies, retention policies and other policies that may be implemented by the Board, from time to time.

15. Participant Undertaking . The Participant agrees to take whatever additional actions and execute whatever additional documents the Company may in its reasonable judgment deem necessary or advisable in order to carry out or effect one or more of the obligations or restrictions imposed on the Participant pursuant to the terms of this Agreement. It is intended by the Company that the Plan and Shares covered by the Award are to be registered under the Securities Act of 1933, as amended, prior to the grant date; provided that in the event such registration is for any reason not effective for such Shares, the Participant agrees that all Shares acquired pursuant to the grant will be acquired for investment and will not be available for sale or tender to any third party.

16. Beneficiary . The Participant may designate a Beneficiary to receive any rights of the Participant which may become vested in the event of the Participant's death under procedures and in the form established by the Committee; and in the absence of such designation of a Beneficiary, any such rights shall be deemed to be transferred to the Participant's estate.

17. Notices . Any notice required to be delivered to the Company under this Agreement shall be in writing and addressed to the Senior Vice President-Administration and Chief Information Officer, or his successor in charge of compensation and benefits in Human Resources, of the Company at the Company's principal corporate offices. Any notice required to be delivered to the Participant under this Agreement shall be in writing and addressed to the Participant at the Participant's address as shown in the records of the Company. Either party may designate another

address in writing (or by such other method approved by the Company) from time to time. Any notice shall be delivered by hand, sent by telecopy or enclosed in a properly sealed envelope addressed as stated above, registered and deposited, postage prepaid, in a post office regularly maintained by the United States Postal Service.

18. Incorporation of the Plan; Conflicts . The Performance Units and the Shares issued to Participant hereunder are subject to the terms and conditions set forth in this Agreement and the Plan, which is incorporated herein by reference. In the event of any inconsistency between (1) the Plan and this Agreement, the Plan will control, or (2) the resolutions and records of the Board or Committee and this Agreement, the resolutions and records of the Board or Committee will control.

19. Successors and Assigns . The Company may assign any of its rights under this Agreement, and this Agreement will be binding upon and inure to the benefit of the Company's successors and assigns. Subject to the restrictions on transfer set forth herein and the Plan, this Agreement will be binding upon and inure to the benefit of the heirs, legatees, legal representatives, successors and assigns of the parties hereto.

20. No Impact on Other Benefits . The Company does not intend for the value of the Award or any Vested Units to be included in the Participant's normal or expected compensation for purposes of calculating any severance, retirement, welfare, insurance or similar employee benefit; *provided, however* , that if there is any inconsistency between this Agreement and the terms of another benefit plan, the benefit plan document will control.

21. Discretionary Nature of Plan . The Plan is discretionary and may be amended, cancelled or terminated by the Board at any time, in its discretion. The grant of the Performance Units in this Agreement does not create any contractual right or other right to receive any Performance Units or other awards in the future. Future awards, if any, will be at the Committee's sole discretion. Any amendment, modification, or termination of the Plan shall not constitute a change or impairment of the terms and conditions of the Participant's employment with the Company.

22. Amendment . In accordance with the Plan, the Committee may amend or otherwise modify, suspend, discontinue or terminate this Agreement at any time, prospectively or retroactively.

23. Section 409A .

23.1 This Award and Agreement is intended to comply with Section 409A or an exemption thereunder and shall be construed and interpreted in a manner that is consistent with the requirements for avoiding additional taxes or penalties under Section 409A. Notwithstanding any other provision of the Agreement, any distributions or payments due hereunder may only be

made upon an event and in a manner that complies with Section 409A or an applicable exemption. Any distributions or payments due hereunder upon a termination of employment shall only be made upon a "separation from service" as defined in Section 409A. The right to a series of installment payments under this Agreement shall be treated as a right to a series of separate payments. Except as provided in Section 7, in no event may the Participant, directly or indirectly, designate the calendar year of settlement, distribution or payment.

23.2 If an Award is subject to Section 409A and Participant becomes entitled to settlement of the Award on account of a separation from service and is a “specified employee” within the meaning of Section 409A on the date of the separation from service, then to the extent necessary to prevent any accelerated or additional tax under Section 409A, such settlement will be delayed until the earlier of: (a) the date that is six months following the Participant's separation from service and (b) the Participant’s death (the “Delayed Payment Date”) and the accumulated amounts shall be distributed or paid in a lump sum payment on the Delayed Payment Date.

23.3 The Company does not represent that the Award or this Agreement comply with Section 409A and in no event shall the Company be liable for all or any portion of any taxes, penalties, interest or other expenses that may be incurred by the Participant on account of non-compliance with Section 409A.

23.4 To the extent that any provision of the Agreement would cause a conflict with the requirements of Section 409A, or would cause the administration of the Agreement to fail to satisfy Section 409A, such provision shall be deemed null and void to the extent permitted by Applicable Law.

24. Entire Agreement . The Plan and this Agreement (including any exhibit hereto) constitute the entire agreement of the parties and supersede in their entirety all prior undertakings and agreements of the Company and the Participant with respect to the subject matter hereof.

25. Severability . The invalidity or unenforceability of any provision of the Plan or this Agreement shall not affect the validity or enforceability of any other provision of the Plan or this Agreement, and each provision of the Plan and this Agreement shall be severable and enforceable to the extent permitted by law.

26. Governing Law . This Agreement will be construed and interpreted in accordance with the laws of the State of Oklahoma without regard to the conflict of laws provisions thereof.

27. Counterparts . This Agreement may be executed in one or more counterparts, including by way of electronic signature, subject to Applicable Law, each of which shall be deemed an original and all of which together will constitute one instrument.

28. Administration of Award; Acceptance . As a condition of receiving this Award, the Participant agrees that the Committee shall have full and final authority to construe and interpret the Plan and this Agreement, and to make all other decisions and determinations as may be required under the Plan or this Agreement as they may deem necessary or advisable for administration of the Plan or this Agreement, and that all such interpretations, decisions and determinations shall be final and binding on the Participant, the Company and all other interested persons. Any dispute regarding the interpretation of this Agreement shall be submitted by the Participant or the Company to the Committee for review. The resolution of such dispute by the Committee shall be final and binding on the Participant and the Company. Day-to-day authority and responsibility has been delegated to the Company's ONE Gas, Inc. Benefits Committee and its authorized representatives, and all actions taken thereby shall be entitled to the same deference as if taken by the Committee itself.

The Participant hereby acknowledges receipt of this Agreement, the Notice of Performance Unit Award and Agreement dated February 18, 2019, and a copy of the Plan. Participant agrees to be bound by all of the provisions set forth in this Agreement and the Plan and acknowledges that there may be adverse tax consequences upon the vesting or settlement of the Performance Units or disposition of the underlying Shares and that Participant has been advised to consult a tax advisor prior to such vesting, settlement or disposition. Participant accepts the Award under the terms and conditions stated in this Agreement, subject to all terms and provisions of the Plan, by electronic acceptance of the grant.

Exhibit 10.13

Exhibit A

Performance Unit Performance Goal

2019-2022 Performance Period

Subject to the terms of the Agreement, Participant shall vest in a percentage of the Target Award (including any Dividend Equivalents) at the end of the Performance Period based on the Company's ranking for Total Stockholder Return against the ONE Gas Peer Group listed in Exhibit C, all as determined by the Committee in its sole discretion. Exhibit B is an illustration of Hypothetical Performance.

The number of PSUs awarded at the time of vesting is based on our TSR positioning as a percentage basis at the end of the three-year performance period as set forth in the following chart. If the actual TSR percentile rank falls between the stated percentile ranks set forth in the chart, the payout percentage is interpolated between the percentile rank above and below the actual percentile rank, except that no Performance Units are earned if ONE Gas's TSR ranking at the end of the Performance Period is below the 25th percentile.

Percentile Rank	Payout (as a % of Target)
90 th percentile and above	200%
75th percentile	150%
50th percentile	100%
25th percentile	50%
Below the 25th percentile	0%

Exhibit 10.13

Exhibit B

Illustration of Hypothetical 2019-2022 Performance Period
Performance Unit Award Calculation

Illustration assumes 500 Performance Units Granted in February 2019

Total Stockholder Return (TSR) vs. ONE Gas Peer Group
Hypothetical 2019-2022 ONE Gas TSR Ranking = 40 th percentile A 40 th percentile TSR ranking earns 80% of Performance Units granted (i.e., 500 units) as interpolated between 50% and 100% from Exhibit A (see chart above) 400 Performance Units earned*

Total Performance Units Earned
400 Performance Units 400* Performance Units earned out of 500 units granted = 80% “earn-out” [80% of 500 shares paid and distributed in the form of Shares]

Exhibit 10.13

***** In addition, applicable Dividend Equivalents will be added with an 80% “earn-out”.

Exhibit 10.13

Exhibit C

2019-2022 ONE GAS TSR Peer Group

Company Name	**Sym**
Alliant Energy Corporation	LNT
Atmos Energy Corporation	ATO
Avista Corporation	AVA
CenterPoint Energy	CNP
Chesapeake Utilities	CPK
CMS Energy Corporation	CMS
New Jersey Resources Corporation	NJR
NiSource	NI
Northwest Natural Gas Company	NWN
NorthWestern Corporation	NWE
South Jersey Industries, Inc.	SJI
Southwest Gas Corporation	SWX
Spire, Inc.	SR

In the event that any of the Peer Group companies are not available for performance comparison either by going out of business, being sold, being merged into another company or any other reason, then that company will be dropped from the list and the performance comparison will be made with the remaining Peer Group companies.

Exhibit 10.13

Exhibit D

ONE Gas, Inc.
Amended and Restated Equity Compensation Plan (2018)
Performance Unit Deferral Election

INSTRUCTIONS: This Deferral Election must be completed and returned to the plan administrator at ONE Gas, Inc. no later than August 19, 2021 (the "Election Deadline"). This election becomes irrevocable as of the Election Deadline; provided, however, this election shall only become effective to the extent permitted by Section 409A.

This Election is made by the undersigned Participant pursuant to the terms of the ONE Gas, Inc. Amended and Restated Equity Compensation Plan (2018), as amended from time to time (the "Plan") and that certain Performance Unit Award Agreement issued to me under the Plan on the 18th day of February, 2019 (the "Agreement"). Capitalized terms that are used but not defined herein have the meanings set forth in the Agreement.

1. Irrevocable Elections as to the Time and Form of Payment

I hereby irrevocably elect to defer the payment and my receipt of all Performance Units, Shares and cash that I may become entitled to receive pursuant to the Agreement (the "Deferred Amounts") from the regularly scheduled time of payment set forth in Section 6 of the Agreement until a later date as follows:

A. Specified Time of Payment Election (**Put initials by your choice)**

___ I elect to have the Deferred Amounts deferred and paid to me on the later of (i) the date of my separation from service as an employee of the Company, or (ii) [_____, 20__] in the form specified below.

___ I elect to have the Deferred Amounts deferred and paid to me on the date of my separation from service as an employee of the Company in the form specified below.

B. Form of Payment Election **(Put initials by your choice)**

___ I elect to receive the Deferred Amounts in a single lump sum payment.

____ I elect to receive the Deferred Amounts in _____ **(specify 2, 3, 4 or 5)** equal annual installments commencing on the Specified Time of Payment that I have elected in Part A above, until fully paid. The number of Shares or cash received in each installment will equal the number and amount, respectively, that have not been paid as of the date immediately preceding the installment payment date, divided by the number of installments remaining to be paid as of the date immediately preceding

the installment payment date. The resulting number shall be rounded down to the next whole number, except that the final installment shall be rounded up to the next whole number.

C. Election in the Event of Death **(Put initials by your choice)**

___ In the event of my death prior to, or after, the Specified Time of Payment that I have elected above, I elect to have my named beneficiaries (or my estate, if I do not have any designated beneficiaries) receive payment and transfer of the Deferred Amounts in a single lump sum within 60 days following my death.

___ In the event of my death prior to, or after, the Specified Time of Payment that I have elected above, I elect to have my named beneficiaries (or my estate, if I do not have any designated beneficiaries) receive payment and transfer of the Deferred Amounts in _____ (**specify 2, 3, 4 or 5**) equal annual installments commencing within 60 days following my death, until fully paid. The number of Shares or cash received in each installment will equal the number and amount, respectively, that have not been paid as of the date immediately preceding the installment payment date, divided by the number of installments remaining to be paid as of the same date. The resulting number shall be rounded down to the next whole number, except that the final installment shall be rounded up to the next whole number.

D. Change in Ownership or Control **(Mandatory Distribution)**

Notwithstanding the above elections, if a Change in Ownership or Control (within the meaning of Section 409A) occurs prior to the full distribution of the Deferred Amounts, all Deferred Amounts that have not been paid and transferred will be paid and transferred on the date of the Change in Ownership or Control. In the event Shares no longer exist at the time of payment and transfer, each of the deferred Performance Units shall be converted in a manner that is consistent with the manner in which Shares held by shareholders of the Company were treated with respect to the Change in Ownership or Control.

2. Additional Terms

A. Unforeseeable Emergency . You may request an accelerated payment of all or a portion of the Deferred Amounts if you experience an Unforeseeable Emergency (as defined in the Plan), subject to the requirements set forth in Plan Section 11.5. If approved, payment shall be made in a single lump sum within 90 days after the approval date.

B. Specified Employee . If you become entitled to a distribution on account of a separation from service and you are "specified employee" (within the meaning of

Section 409A) on the date of your separation from service, payment of all or a portion of your Deferred Amounts may be delayed in accordance with Plan Section 11.4.

C. Re-deferrals and Changing the Form of Payment. You may, at the Committee's discretion, be permitted to make a re-deferral election with respect to the amounts deferred hereunder in accordance with Plan Section 11.3.

D. Withholding. You will be required to satisfy any tax withholding obligations relating to the Deferred Amounts, and delivery of the Shares or cash will be conditional upon your satisfaction of such obligations.

3. Acknowledgment

By executing this Election, I acknowledge that:

A. I have read the terms of the Plan, the Agreement and this Election and agree to all the terms and conditions.
B. I understand that any amounts that I defer hereunder are unfunded and unsecured and subject to the claims of the Company's creditors in the event of the Company's insolvency.
C. I understand that the Plan, the Agreement and this Election are intended to comply with Section 409A and that they will be interpreted accordingly. However, I understand that the Company will have no liability with respect to any failure to comply with Section 409A.
D. I understand that this Election will become irrevocable as of the Election Deadline.
E. I have consulted with my own tax advisor regarding the tax consequences of participating in the Plan and making this election.

I hereby make this election as of this ___ day of ____, 20__.

_____
Participant Signature

_____
Print Participant's Name

_____
Employee ID Number

Copy received this ____ day of _____, 20__,

Exhibit 10.13

_____

For the Committee

Exhibit 10.19

ONE GAS, INC. 401(k) PLAN

AS AMENDED AND RESTATED

Effective January 1, 2018

ONE GAS, INC. 401(k) PLAN

AS AMENDED AND RESTATED

Effective January 1, 2018

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ONE GAS, INC. 401(K) PLAN

INTRODUCTORY STATEMENT

This Plan document is the ONE Gas, Inc. 401(k) Plan, established and maintained for ONE Gas Employees and Former ONE Gas Employees (as such terms are defined in Article XXIV), effective for periods after December 31, 2013.

On November 13, 2013, in anticipation of the separation of ONE Gas, Inc. from ONEOK, Inc., the Board of Directors of ONEOK, Inc. approved the (1) the establishment, effective January 1, 2014, of a 401(k) plan that was substantially similar to the ONEOK, Inc. 401(k) Plan for the benefit of ONE Gas Employees and Former ONE Gas Employees; (2) the exclusion of ONE Gas Employees and Former ONE Gas Employees from participating in the ONEOK, Inc. 401(k) Plan for periods after December 31, 2013; and (3) the transfer of liabilities for ONE Gas Employees and Former ONE Gas Employees who were participants in the ONEOK, Inc. 401(k) Plan to this Plan, effective January 1, 2014.

By unanimous consent, the Board of Directors of ONE Gas approved the adoption of this Plan, effective January 1, 2014, for the benefit of ONE Gas Employees and Former ONE Gas Employees. Effective January 1, 2014, all transferred liabilities attributable to ONE Gas Employees and Former ONE Gas Employees under the ONEOK, Inc. 401(k) Plan were accepted by this Plan. ONE Gas, Inc. (acting directly or through its affiliates) intended to cause this Plan to recognize and maintain all then ONEOK, Inc. 401(k) Plan elections, including, but not limited to, deferral, investment, and payment form elections, dividend elections, beneficiary designations, and the rights of alternate payees under qualified domestic relations orders with respect to ONE Gas Employees and Former ONE Gas Employees.

The IRS issued a favorable determination letter on October 22, 2013 with respect to the most recent restatement of the ONEOK, Inc. 401(k) Plan. The terms and conditions of this Plan at that time were substantially the same as the terms and conditions of the ONEOK Inc. 401(k) Plan at that time. However, Article XXIV to the Plan sets forth additional rules applicable to ONE Gas Employees and Former ONE Gas Employees who were participants in the ONEOK Inc. 401(k) Plan (hereinafter called "Transferred Participants"). No individual is entitled to a benefit under both this Plan and the ONEOK, Inc. 401(k) Plan.

The IRS issued a favorable determination letter on this Plan on November 3, 2017, with respect to the most recent restatement of the Plan effective January 1, 2017.

This amendment and restatement is effective January 1, 2018, except as otherwise provided herein or by applicable law.

The purposes of the Plan and the Trust established thereunder are to provide for deferred compensation and benefits for eligible employees through a qualified profit-sharing plan and, in part, with respect to the investment in securities of ONE Gas, Inc., through an employee stock ownership plan, which constitutes a qualified stock bonus plan. The Plan is intended in all respects to be qualified under the requirements of Section 401(a) and other applicable sections of the Internal Revenue Code of 1986, as amended, and the Plan shall be interpreted, wherever possible, to comply with the terms of the aforementioned laws, and all regulations and rulings issued thereunder.

ARTICLE I.

DEFINITIONS

As used in this Plan, unless otherwise required by the context, the following words and phrases shall have the meanings indicated:

PARAGRAPH

1. 401(k) Contribution

The amount contributed by the Company in accordance with paragraphs 1., 2., and 3. of Article III.

2. 401(k) Contribution Account

The account of a Participant established and maintained for 401(k) Contributions of the Company made for such Participant in accordance with paragraph 2. of Article III.

3. Accrued Benefit

The balance of all accounts established and maintained for a Participant pursuant to this Plan. The Accrued Benefit shall include amounts transferred to the Plan in connection with the spinoff of certain assets and liabilities from the ONEOK, Inc. 401(k) Plan. A Participant's Accrued Benefit from Company contributions as of any applicable date is the excess, if any, of the Accrued Benefit of such Participant as of such date over the Accrued Benefit of such Participant derived from contributions made by such Participant on such date; and the Accrued Benefit derived from contributions made by a Participant as of any applicable date is the balance of the Participant's Accounts consisting only of his/her contributions and the income, expenses, gains and losses attributable thereto.

4. Actual Deferral Percentage

The Actual Deferral Percentage for a specified group of Employees (either Highly Compensated Employees or all other Employees eligible to participate in this Plan who are not Highly Compensated Employees) for a Plan Year is the average of the ratios, calculated separately for each employee in such group, of the amount of the Employer's 401(k) Contribution paid on behalf of each such Employee for the Plan Year to such Employee's Compensation for the Plan Year. The Employer may, from time to time in its discretion, and to the extent permitted by Section 401(k) of the Code, calculate such ratios by adding to the 401(k) Contribution for such Employee the Matching Contribution paid for the benefit of such Employee and qualified nonelective contributions (within the meaning of Code Section 401(m)(4)(C)).

5. Affirmative Election

An election for a Reduction in Compensation submitted by a Participant to the Plan Administrator in accordance with Article III, Paragraphs 2.A.1.a., 2.A.3., and 2.A.4; 2.B.1.a., 2.B.1.d., and 2.B.1.e.; or 2.B.2.a.i, 2.B.2.d and 2.B.2.e that provides for a specific Reduction in Compensation, including an affirmative election to elect no Reduction in Compensation.

6. After-Tax Deposits

The deposits and contributions of Participants made to this Plan pursuant to paragraph 1. of Article IV.

7. Applicable Individual

An Applicable Individual is (i) any Participant in the Plan, (ii) any beneficiary who has an account under the Plan with respect to which the beneficiary is entitled to exercise the rights of a Participant.

8. Automatic Contribution Arrangement

The provisions described by Article III, Paragraph 2.A.1.b and 2.B.2.a.ii.

9. Bargaining Unit Employee

Any Employee who is represented by a collective bargaining unit which includes Group A Bargaining Unit Employees and Group B Bargaining Unit Employees; with "Group A Bargaining Unit Employees", meaning any Employee who is represented by Locals 12561, 13417, and 14228, of the United Steel Workers; and "Group B Bargaining Unit Employees", meaning any Employee who is represented by Local 304 of the International Brotherhood of Electrical Workers.

10. Bargaining Unit Participant

Any Participant who is a Bargaining Unit Employee.

11. Board or Board of Directors

The Board of Directors of the Company.

12. Catch-Up Contribution

Elective Deferrals made to the Plan that are in excess of an otherwise applicable Plan limit and that are made by a Participant who is age fifty (50) or over by the end of the taxable year, pursuant to Code Section 414(v).

13. Code

The Internal Revenue Code of 1986, as amended.

14. Committee

The ONE Gas, Inc. Benefits Committee authorized by the Board of Directors to administer the Plan in accordance with paragraph 1. of Article XV hereof. For clarity, any reference in the Plan to the "Committee," refers to the ONE Gas, Inc. Benefits Committee. The ONE Gas, Inc. Benefit Plan Sponsor Committee will be separately referred to as the "Sponsor Committee."

15. Company

ONE Gas, Inc., an Oklahoma corporation, and its Subsidiaries.

16. Company Matching Contributions

The matching contribution made by the Company pursuant to Article VII of the Plan with respect to the Reductions in Compensation and After-Tax Deposits of the Participant.

17. Compensation

A. Non-Bargaining Unit Participants. The total annual base salary plus any lump sum merit pay and promotion awards, gainshare awards, cash incentive compensation, commissions, overtime pay, and shift differentials paid to a Participant by the Company, but excluding amounts contributed by the Company or deferred by the Participant under a plan of deferred compensation to the extent that such contributions or deferrals are not includible in gross income of the Participant for the taxable year in which contributed or deferred. Provided, that any reduction in salary elected and deferred by the Participant under the cash or deferred arrangement of Article III of the Plan or under Code Sections 125, 132(f)(4), 402(e)(8) and 457 pursuant to the employee benefit plans of the Company shall be included in determining compensation hereunder. For purposes of this definition incentive compensation shall be treated as paid to a Participant at the time of actual payment. Provided, further, that the annual compensation of each Participant taken into account under this Plan for any year shall not exceed two hundred seventy-five thousand dollars ($275,000) in the years beginning after December 31, 2017 (such two hundred seventy-five thousand dollars ($275,000) amount to be adjusted to reflect increases in the cost-of-living in accordance with Code Sections 401(a)(17) and 415(d)). The cost-of-living adjustment in effect for a calendar year applies to any period, not exceeding 12 months, over which compensation is determined (determination period) beginning in such calendar year.

B. Bargaining Unit Participants. For Bargaining Unit Participants the term "Compensation" for purposes of this Plan shall include "Adjusted Total Compensation" and "Annual Compensation," defined as follows:

"Adjusted Total Compensation" shall mean an active Bargaining Unit Participant's Annual Compensation unreduced by overtime, bonuses, and commissions.

"Annual Compensation" shall mean the base salary or wage paid to an active Bargaining Unit Participant during a calendar year by the Company, exclusive of overtime, bonuses, commissions, the value of group life insurance in excess of $50,000, reimbursement for moving expenses or tuition, or any other payments made by the Company on behalf of an Employee under any other deferred compensation or welfare plan. "Annual Compensation" for any Group B Bargaining Unit Employee who is represented by Local 304 and Local 1523 of the International Brotherhood of Electrical Workers shall include the base salary or wage paid to such an active Group B Bargaining Unit Employee during a calendar year by the Company plus overtime, shift differential, call out, call out 7th day, FLSA OT ADJ, meal not eaten, OT double time, OT straight time, OT time and one-half, overtime, standby half pay, standby quarter pay and all earning elements included in compensation for purposes of the Plan prior to such date. Annual Compensation shall be such amount prior to any payroll reduction for a Participant Reduction in Compensation or amounts excludible from the Employee's gross income under Code Sections 125, 132(f)(4), 402(e)(8) and 457.

The Annual Compensation and Adjusted Total Compensation of each active Bargaining Unit Participant taken into account for determining all benefits provided under the Plan shall not exceed $275,000 as adjusted for increases in the cost-of-living in accordance with Code Section 401(a)(17)(B). The cost-of-living adjustment in effect for a calendar year applies to any determination period beginning in such calendar year.

Provided, further, that the annual compensation of each Participant taken into account under Plan shall not exceed $275,000 and such $275,000 amount shall be adjusted to reflect increases in the cost-of-living in accordance with Code Sections 401(a)(17) and 415(d).

If a determination period consists of fewer than 8 months, the Annual Compensation and Adjusted Total Compensation limit is an amount equal to the otherwise applicable Annual Compensation and Adjusted Total Compensation limit multiplied by a fraction, the numerator of which is the number of months in the short determination period, and the denominator of which is 12.

C. Increase in Compensation Limit. The annual compensation of each Participant taken into account in determining allocations shall not exceed two hundred seventy-five thousand dollars ($275,000), as adjusted for cost-of-living increases in accordance with Code Section 401(a)(17)(B). Annual Compensation means compensation during the Plan Year or such other consecutive 12-month period over which compensation is otherwise determined under the Plan (the determination period). The cost-of-living adjustment in effect for a calendar year applies to annual compensation for the determination period that begins with or within such calendar year.

18. Controlled Affiliate Business Organization

Any business organization or entity (including, without limitation, a corporation, general partnership, limited partnership, or limited liability company) that is in one or more chains of such organizations conducting trades or businesses connected through ownership of a 100 percent ownership interest in which (i) ONE Gas, Inc., an Oklahoma corporation, is the common parent business organization and (ii) a 100 percent ownership interest in each of the organizations, except ONE Gas, Inc., is owned directly by one or more of the other organizations, and (iii) ONE Gas, Inc. owns a 100 percent ownership interest in at least one of the other organizations. For purposes of the foregoing provisions of this definition, "100 percent ownership interest" means, in the case of an organization which is a partnership or limited liability company, ownership of 100 percent of the profits interest or capital interest of such partnership or limited liability company.

19. Designation Date

On and after January 1, 2014, the Designation Date under the Plan with respect to any particular election or other action required or allowed to be taken, elected or confirmed on or before the Designation Date, shall mean and be the next regular payroll date that is established and scheduled to occur for the periodic payment of salaries, wages and compensation to Employees by the Company.

20. Dividends

All cash, stock, rights or other property distributed by the Company pro rata to holders of any class of its capital stock.

21. ERISA

Employee Retirement Income Security Act of 1974, as amended.

22. ESOP Dividend Distribution

A payment in cash of ESOP Dividends to a Participant and/or distribution in cash to a Participant of ESOP Dividends paid to the Trust of the Plan, on Qualifying Employer Stock in the Participant Account of such Participant (and such payments and distributions to a retired or terminated Employee) pursuant to paragraph 2. of Article X.

23. ESOP Dividend/401(k) Deferrable Amount

The maximum amount which may be deferred by a Participant with respect to an ESOP Dividend Distribution paid and distributed to such Participant under the provisions of paragraph 4.A. of Article III, and the applicable limitations of the Plan and the Code pertaining to cash or deferral elections by a Participant.

24. ESOP Dividend Distribution/Additional Deferral

An elective deferral of Compensation made by a Participant with respect to an ESOP Dividend Distribution paid and distributed to such Participant, as provided in paragraph 4. of Article III.

25. ESOP Dividend Distribution/Additional Deferral Contribution

The amount contributed by the Company to the Trust of the Plan with respect to the ESOP Dividend Distribution/Additional Deferral made and elected by a Participant under paragraph 4. of Article III.

26. ESOP Dividends

The dividends paid to Participants or to the Trust of the Plan on Qualifying Employer Stock in the Participant Account of such a Participant, or a retired or terminated Employee.

27. Effective Date

January 1, 2014. The effective date for purposes of this amendment and restatement is January 1, 2018, except as otherwise provided herein or required by applicable law.

28. Elective Deferrals

With respect to any taxable year, the sum of (i) any employer contribution under a qualified cash or deferred arrangement (as defined in Code Section 401(k)) to the extent not includible in gross income for the taxable year under Code Section 402(e)(3) (determined without regard to Code Section 402(g)), (ii) any Roth Elective Deferral made pursuant to the Plan and Code Section 402A, (iii) any employer contribution to the extent not includible in gross income for the taxable year under Code Section 402(h)(1)(B) (determined without regard to Code Section 402(g)), and (iv) any employer contribution to purchase an annuity contract under Code Section 403(b) under a salary reduction agreement (within the meaning of Code Section 3121(D), except as provided in Code Section 402(g)(3)).

29. Employee

Any person employed by the Company, including officers and others engaged in the management of the business, provided such person is in active service of the Company; but not including members of the Board of Directors who are not officers of the Company, and not including Independent Contractors and Leased Employees. To the extent required by the Code, Leased Employees shall be considered as employees of the Company for purposes of determining if the Plan meets participation, coverage or other applicable requirements for qualification of the Plan under Code Section 401, but such Leased Employees are not eligible to participate in the Plan, and are excluded from the definition of Employee under this paragraph. For purposes of determining eligibility to participate in the Plan, a person's status as a common law employee shall be determined at the relevant time by the Company, without regard to any subsequent reclassification of the Employee by any court, administrative body, agency or other entity.

30. Employee Contribution Account

An amount to be separately accounted for and maintained for each Participant to which all Participant After-Tax Deposits (other than those accounted for and maintained as his/her Separate Section 72(d) Employee Contribution Account), and all earnings, income, expenses, gains, and losses attributable thereto shall be charged and credited pursuant to Article X.

31. Employee Stock Ownership Plan

That portion of the Plan under which Employee Stock Ownership Plan (ESOP) Participant Accounts are invested in Qualifying Employer Stock pursuant to paragraph 1., Article IX, and held and administered in accordance with the provisions of paragraph 9. of Article IX, and other pertinent provisions of the Plan.

32. Employer Contribution Account

An amount to be separately accounted for and maintained for each Participant to which all Company contributions for such Participant and all earnings, expenses, gains, and losses attributable thereto shall be charged and credited.

33. Excess Aggregate Contributions

With respect to any Plan Year, the excess of (i) the aggregate Contribution Percentage Amounts taken into account in computing the numerator of the Contribution Percentage actually made on behalf of Highly Compensated Employees for such Plan Year, over (ii) the maximum Contribution Percentage Amounts permitted by the Actual Contribution Percentage test (determined by reducing contributions made on behalf of Highly Compensated Employees in order of their Contribution Percentages beginning with the highest of such percentages). Such determination shall be made after first determining Excess Elective Deferrals and then determining Excess Contributions.

34. Excess Contributions

The excess with respect to any Plan Year of (i) the aggregate amount of Company contributions actually paid over to the Trust of the Plan on behalf of Highly Compensated Employees and taken into account in computing the Actual Deferral Percentage for such Highly Compensated Employees for such Plan Year over (ii) the maximum amount of such contributions permitted under Code Section 401(k) discrimination limitations under Code Section 401(k)(3)(A)(ii) (determined by reducing contributions made on behalf of Highly Compensated Employees in order of the Actual Deferral Percentages beginning with the highest of such percentages).

35. Excess Deferrals

Any amount of Elective Deferrals of any Participant which is included in such Participant's gross income pursuant to the limitation on the exclusion of such Elective Deferrals provided in Code Section 402(g)(1).

36. Group A Bargaining Unit Participant

Any Participant who is a Group A Bargaining Unit Employee.

37. Group B Bargaining Unit Participant

Any Participant who is a Group B Bargaining Unit Employee.

38. Highly Compensated Employee

The term "Highly Compensated Employee" means any Employee who: (1) was a five-percent (5%) owner at any time during the year or the preceding year, or (2) for the preceding year had compensation from the Company in excess of one-hundred twenty thousand dollars ($120,000) and, if the Company so elects, was in the top-paid group for the preceding year. The hundred and twenty thousand dollar ($120,000) amount is adjusted at the same time and in the same manner as under Code Section 415(d), except that the base period is the calendar quarter ending September 30, 1996. For purposes of the foregoing the "applicable year" of the Plan for which a determination is being made is called a "determination year" and the preceding 12-month period is called a look-back year. A highly compensated former employee shall be determined and based on the rules applicable to determining Highly Compensated Employee status as in effect for a determination year, in accordance with Treasury Regulation § 1.414(q)-1T, A-4 and Internal Revenue Service notice 97-45. An Employee shall be treated as a five-percent (5%) owner for any year if at any time during such year such Employee was a five-percent (5%) owner (as defined in Code Section 416(i)(1)) of the Company. An Employee is in the top-paid group of Employees for any year if such Employee is in the group consisting of the group consisting of the top twenty percent (20%) of the Employees when ranked on the basis of compensation paid during such year.

For purposes of this paragraph, the term "compensation" means compensation within the meaning of Code Section 415(c)(3).

For purposes of determining the number of Employees in the top-paid group, there shall be excluded (i) Employees who have not completed six (6) months of service, (ii) Employees who normally work less than 17 ½ hours per week, (iii) Employees who normally work during not more than six (6) months during any year, (iv) Employees who have not attained age 21, and (v) except to the extent provided in Treasury regulations, Employees who are included in a unit of Employees covered by an agreement which the Secretary of Labor finds to be a collective bargaining agreement between employee representatives and the Company.

39. Hours of Service

All hours for which the Employee is either directly or indirectly compensated by the Company for performing duties for the Company. These hours are to be credited to the Employee in the computation period during which the duties were performed and not when paid. The determination of the Hours of Service for reasons other than the performance of duties shall be made in accordance with Section 2530.200b-2(b) of the Department of Labor regulations. The determination of the computation to which the Hours of Service are credited shall be made in accordance with Section 2530.200b-2(c) of Department of Labor regulations. Credit is also to be given for each hour of back pay for which back pay has been awarded or agreed to by the Employer, and these hours are to be credited to the Employee in the computation period during which the duties were performed and not paid. An Employee should be credited with Hours of Service for any customary period of work based upon a forty (40)-hour week or pro rata portion thereof, during which the Employee is absent for any authorized reason in accordance with established Company policy and procedure, is laid off for a temporary period, is on a Company• approved leave of absence, or sick or disability leave, is on jury or military duty, or is not working due to a labor-management dispute. The clause shall be construed so as to resolve any ambiguities in favor of crediting Employees with Hours of Service.

40. Independent Contractor

Any person, exercising and engaging in a business or occupation separate from and independent of the Company, who by mutual agreement with the Company is not to be otherwise treated as an Employee for payroll, compensation, employee benefits, or similar purposes, and who is engaged or contracted to perform a certain job or services for the Company, but according to his/her own methods, and without being subject to the control or supervision of the Company, except as to specification of the product or result of his/her work or services for which he/she is contracted.

41. KGS 401(k) Thrift Plan

The ONEOK, Inc. KGS 401(k) Thrift Plan, heretofore sponsored by ONEOK, which became effective on the effective date of the strategic alliance between ONEOK Inc., a Delaware corporation and Western Resources, Inc. and the merger of said ONEOK, Inc. with and into WAI, Inc., an Oklahoma corporation.

42. Leased Employee

A person who otherwise is not an Employee, but who provides services for the Company and such services are provided pursuant to an agreement between the Company and any other person (leasing organization), and such person has performed such services for the Company (or for the Company and a related person determined in accordance with Code Section 414(n)(6)) on a substantially full-time basis for at least one (1) year, and such services are performed under primary direction and control of the Company. Contributions or benefits provided a Leased Employee by the leasing organization which are attributable to services performed for the Company shall be treated as provided by the Company.

A Leased Employee shall not be considered an employee of the Company if: (i) such employee is covered by a money purchase pension plan providing: (1) a nonintegrated employer contribution rate of at least 10 percent of compensation, as defined in section 415(c)(3) of the Code, but including amounts contributed pursuant to a salary reduction agreement which are excludable from the employee's gross income under section 125, section 402(e)(3), section 402(h)(1)(B) or section 403(b) of the Code, (2) immediate participation, and (3) full and immediate vesting; and (ii) leased employees do not constitute more than 20 percent of the Company's non-highly compensated work force.

Leased Employees shall be considered as employees of the Company for the purpose of determining if the Plan meets participation, coverage or other applicable requirements for qualification of the Plan under Code Section 401, but such Leased Employees are not eligible to participate in the Plan, and are excluded from the definition of "Employee" in paragraph 24. of this Article I, above.

43. Matching Contribution Percentage

The average of the ratios (calculated separately for each Employee in such group) of (i) the sum of the Company Matching Contributions and Participant After-Tax Deposits paid under the Plan on behalf of each such Employee for the Plan Year, to (ii) the Employee's Compensation (within the meaning of Code Section 414(s) for such Plan Year; with the Company having the election to take into account (in computing such percentage) elective deferrals and qualified nonelective contributions (as defined in Code Section 401(m)(4)(C) under this Plan or any other plan of the Company, to the extent allowed by regulations.

44. Matching Contributions

The matching contribution made by the Company pursuant to Article VII of the Plan with respect to the Reductions in Compensation and After-Tax Deposits of the Participant.

45. Non-Bargaining Unit Employee

Any Employee who is not represented by a collective bargaining unit, and is not a Bargaining Unit Employee.

46. Non-Bargaining Unit Participant

Any Participant who is a Non-Bargaining Unit Employee.

47. One-Year Break in Service

A twelve (12)-consecutive-month period of time commencing on any anniversary date of original employment and ending twelve (12) consecutive months thereafter, during which the Employee has not completed more than five hundred (500) Hours of Service.

48. ONEOK

ONEOK, Inc., an Oklahoma corporation, and its Subsidiaries.

49. ONEOK, Inc. 401(k) Plan

The ONEOK, Inc. 401(k) Plan, which was known as the Thrift Plan for Employees of ONEOK, Inc. and Subsidiaries prior to January 1, 2014.

50. Participant

An Employee who has satisfied the eligibility requirements of the Plan and has elected to participate in the Plan or is deemed to have elected to participate in the Plan under the Automatic Contribution Arrangement.

51. Participant Account

All cash and other assets held by the Trustee under the Plan in the accounts maintained under the Trust for the particular Participant.

52. Plan

This ONE Gas, Inc. 401(k) Plan, as amended and restated.

53. Plan Year

A twelve (12) month period commencing on January 1 of each year and ending on the subsequent December 31.

54. Pre-1987 Employee Contribution Account

Any portion of a Transferred Participant's Account that constituted a Pre-1987 Employee Contribution Account (as defined in the ONEOK, Inc. 401(k) Plan) as of December 31, 2013.

55. Pre-1999 KGS 401(k) Thrift Plan Account

Any portion of a Transferred Participant's Account that constituted a Pre-1999 KGS 401(k) Thrift Plan Account (as defined in the ONEOK, Inc. 401(k) Plan) as of December 31, 2013.

56. Pre-1999 ONEOK Thrift Plan Account

Any portion of a Transferred Participant's Account that constituted a Pre-1999 ONEOK Thrift Plan Account (as defined in the ONEOK, Inc. 401(k) Plan) as of December 31, 2013.

57. Prior ONEOK, Inc. Thrift Plan

The ONEOK, Inc. 401(k) Plan as in effect immediately prior to the merger thereof with the KGS 401(k) Thrift Plan, and amendment and restatement thereof effective on and after January 1, 1999.

58. Qualified Default Investment Alternative

An investment option established and maintained under the Plan that shall be administered as more particularly described in Article IX, paragraph 1.D. of the Plan, and as so defined therein.

59. Qualified Matching Contributions

Matching Contributions, which are subject to the distribution and nonforfeitability requirements under Code Section 401(k) when made.

60. Qualified Nonelective Contributions

Contributions (other than Matching Contributions or Qualified Matching Contributions) made by the Company and allocated to Participants' accounts that Participants may not elect to receive in cash until distributed from the Plan, that are nonforfeitable when made; and that are distributable only in accordance with the distribution provisions that are applicable to Elective Deferrals and Qualified Matching Contributions.

61. Qualified Reservist Distribution

A distribution of a Participant's 401(k) Contribution Account if the Participant was (by reason of being a member of a reserve component (as defined in section 101 of title 37, United States Code)) ordered or called to active duty after September 11, 2001, for a period in excess of 179 days or for an indefinite period, and such distribution is made after the date of such order or call to active duty period, and to the extent allowed in accordance with Code Section 401(k)(2)(B)(i)(V) and regulations under that Section.

62. Qualifying Employer Stock (and/or Qualifying Employer Security(ies)

The common stock of ONE Gas, Inc. which is a security readily tradable on an established securities market, within the meaning of Code Section 409(1). Prior to the Separation, Qualifying Employer Stock shall consist of the common stock of ONEOK, Inc.

63. Reduction in Compensation

The reduction in Compensation payable to the Employee by the Company, which is elected, or deemed elected in accordance with the Automatic Contribution Arrangement, by the Employee under paragraphs 1. and 2. of Article III, but not including any deemed elected additional deferral for Non-Bargaining Unit Participants made under paragraph 4. of Article III.

64. Roth 401(k) Elective Deferral

An elective deferral of a Participant made pursuant to the provisions and requirements set forth in Article III, paragraph 3. of the Plan, and more specifically defined in Article III, paragraph 3.F. of the Plan.

65. Roth 401(k) Elective Deferral Account

A separate account maintained for each Participant who elects to make a Roth 401(k) Elective Deferral which account shall be created, maintained and administered as provided in Article III, paragraph 3. of the Plan.

66. Salaried Employee

An Employee whose basic rate of compensation or pay, as stated in the payroll records of the Company, is a fixed monthly or annual salary and not an hourly rate of pay for services performed.

67. Section 16 Person

A person subject to Section 16(b) of the Securities Exchange Act of 1934, as amended, with respect to equity securities of the Company.

68. Separate Section 72(d) Employee Contribution Account

An amount to be separately accounted for and maintained for each Participant to which all Participant After-Tax Deposits made after January 1, 1988, shall be allocated and credited, and to which all earnings, income, expense, gains, and losses attributable thereto shall be separately charged and credited after that date pursuant to paragraphs 1. and 3. of Article X, and Code Section 72(d).

69. Severance of Employment

An Employee has a "severance from employment" when the Employee ceases to be an Employee of the Employer maintaining the Plan. An Employee does not have a severance from employment if, in connection with a change of employment, the Employee's new employer maintains the Plan with respect to the employee.

70. Sponsor Committee

The ONE Gas, Inc. Benefit Plan Sponsor Committee authorized by the Board of Directors to establish, design, price, amend, and/or terminate the Plan in accordance with paragraph 1. of Article XV hereof.

71. Spouse

A Spouse is a person of the same sex or opposite sex to whom the Participant is married if their marriage was validly entered into in a state or foreign country or is otherwise valid under Federal law.

72. Subsidiary (and Subsidiaries)

A Subsidiary Corporation or a Controlled Affiliate Business Organization of ONE Gas, Inc., as herein defined. From January 1, 2014 until the Separation (as defined in Article XXIV), the ONE Gas Group (as such term is defined in Article XXIV) is a Subsidiary of ONEOK, Inc. After Separation, the ONE Gas Group is not a Subsidiary of ONEOK, Inc.

73. Subsidiary Corporation

Any corporation that is in one or more chains of includible corporations connected through stock ownership in which (i) ONE Gas, Inc., an Oklahoma corporation, is the common parent corporation (ii) ONE Gas, Inc. owns directly stock in at least one (1) of the other includible corporations possessing not less than 100 percent of the total voting power of such corporation, or having a value equal to 100 percent of the total value of the stock of such corporation ("applicable ownership level"), and (iii) stock at such applicable ownership level in each of the includible corporations (except said ONE Gas, Inc.) is owned directly by one (1) or more of the other includible corporations.

74. Transferred KGS 401(k) Thrift Plan Account

Any portion of a Transferred Participant's Account that constituted a Transferred KGS 401(k) Thrift Plan Account (as defined in the ONEOK, Inc. 401(k) Plan) as of December 31, 2013.

75. Trust

The Trust established for the receiving, holding, investing, and disposing of the Participant deposits, Company contributions, and any earnings thereon under this Plan, and any predecessor plan.

76. Trustee

The Trustee under the Plan hereinafter named in paragraph 2. of Article XV or any successor to said Trustee.

77. USERRA

The Uniformed Service Employment and Reemployment Rights Act, 38 United States Code, §§ 4301, et seq.

78. Year of Service

A twelve (12) month period, beginning on the date the Employee Commenced employment with the Employer and ending twelve (12) months thereafter, or any subsequent twelve (12) month period beginning on any anniversary of the employment commencement date and ending twelve (12) months thereafter, during which an Employee has completed at least one thousand (1,000) Hours of Service. Provided that, upon employment by the Company, for purposes of determining an Employee's eligibility to participate in the Plan, and subject to the foregoing definition of a Year of Service, a Year of Service with any member of a controlled group (as described in Section 414(b) of the Internal Revenue Code of 1986, or similar provisions in succeeding enactments) of which the Company is also a member shall be deemed to be a Year of Service with the Company, whether or not such other member of the controlled group shall have adopted this or any other Plan.

ARTICLE II.

ELIGIBILITY AND PARTICIPATION

PARAGRAPH

1. Eligibility

Except as hereinafter otherwise provided, participation in the Plan shall be open to any Employee upon and after his/her commencement of employment with the Company; provided, that Company Matching Contributions with respect to Bargaining Unit Participants shall be made only upon completion of one (1) Year of Service, and provided, further, that Company Matching Contributions with respect to Non-Bargaining Unit Participants shall be made upon and after commencement of participation in the Plan, as provided in Article VII of the Plan. Any Employee who prior to January 1, 1999, was eligible to participate in, or who was a participant in the Prior ONEOK, Inc. Thrift Plan, or the KGS 401(k) Thrift Plan shall be eligible to participate in this Plan. Any Employee eligible to participate in a qualified pension or profit•sharing plan of the Company from which a rollover or trust to trust transfer is approved, or with which a merger and consolidation is approved, shall be eligible to participate in this Plan. The Plan shall not have a maximum age condition or limitation on participation, shall not exclude from participation (on the basis of age) any Employees who have attained any specified age; and allocations to a Participant's Account under the Plan shall not be ceased, and the rate at which amounts are allocated to a Participant's Account shall not be reduced because of the attainment of any age; provided, that such requirements relating to no maximum age for participation and accrual of benefits shall be coordinated to the extent provided in Treasury Regulations with the requirements of Code Sections 404, 410, and 415, and the Code provisions precluding discrimination in favor of Highly Compensated Employees.

Notwithstanding the foregoing, the term "Employee" for purposes of eligibility shall exclude the following classes of individuals:

Individuals hired on a temporary basis or as interns and who do not complete a Year of Service.

2. Commencement of Participation

Transferred Participants (as such term is defined in Article XXIV), who were eligible on the initial Effective Date of the Plan may commence his/her initial participation (subject to any applicable Year of Service Requirement in Paragraph 1.) as of that date. Any other eligible Employee may commence initial participation on (a) the first day of the month coinciding with or immediately following the date the Employee becomes eligible and elects to participate; (b) the date after the Employee becomes eligible, is given a reasonable opportunity to make an Affirmative Election, and is then deemed to have elected to participate under the Automatic Contribution Arrangement; or (c) as soon as administratively feasible after the Employee elects to participate if later. However, no Employee who is on authorized leave of absence on the date he/she becomes eligible may commence to participate in the Plan until his/her return to active service; and provided, further, that such Employee may in any event participate in the Plan not later than the earlier of the first day of the Plan Year after such Employee has met the requirements for eligibility under this Plan, or six (6) months after the day such requirements are met. Commencement of participation in the Plan by an eligible Employee shall be accomplished by his/her election (or deemed election) to make deposits or a Reduction in Compensation, as hereinafter provided.

3. Participation Voluntary

Participation in the Plan by eligible Employees shall be voluntary. Participants may elect in writing to decline participation and this election shall be irrevocable. A Participant may become temporarily ineligible to participate in the event of termination or suspension of his/her participation pursuant to the terms of the Plan.

4. Confirmation of Participation

Each Employee at the time of becoming a Participant in the Plan shall be given or provided direct electronic access to a copy of the Plan and/or summary plan description of the Plan as effective at that time.

5. Duration of Participation

After an Employee has satisfied the eligibility requirements and has elected to participate in the Plan, or is deemed to have elected to participate in the Plan under the Automatic Contribution Arrangement, participation in the Plan shall continue until the employer-employee relationship is terminated between the Company and the Participant, except as provided in the case of voluntary or involuntary Participant suspension or voluntary or involuntary Plan termination.

6. Reentry of Participant

If a former Participant whose employment has terminated shall be rehired as an Employee, he/she shall be entitled to reenter the Plan as a Participant on the first day of the month next following such reemployment.

7. Breaks in Service

If an Employee who has not satisfied the eligibility requirements of the Plan and whose employee relationship with the Company has been terminated, is subsequently reemployed, he/she shall again be eligible to participate in the Plan, and to commence to participate in accordance with paragraphs 1. and 2. of this Article II. Notwithstanding the foregoing eligibility provisions, or any other provisions of this Plan, an Employee's prior Years of Service shall always be considered in determining the satisfaction of the eligibility requirements if such termination period is not a period of consecutive One (1)-year Breaks in Service which equals or exceeds the greater of five (5), or the aggregate number of Years of Service before such termination period. If any Years of Service are not required to be taken into account by reason of a period of Breaks in Service to which the foregoing provisions of this paragraph 7. apply, such Years of Service shall not be taken into account in applying such provisions to a subsequent period of Breaks in Service.

8. Maternity and Paternity Absences

Any period of absence from work, not exceeding the hours described in subparagraphs A. and B., below, by an Employee for any period by reason of the pregnancy of the Employee; by reason of the birth of a child of the Employee; by reason of the placement of a child with the Employee in connection with the adoption of such child by the Employee; or for the purpose of caring for such child for a period beginning immediately following such birth or placement shall be treated as Hours of Service, solely for purposes of determining whether a One (1)-year Break in Service has occurred with respect to Years of Service for

purposes of eligibility for participation in this Plan. The Hours of Service described in this paragraph 8. are:

A. the Hours of Service which otherwise would normally have been credited to such Employee but for such absence, or

B. in any case where the Committee is unable to determine the hours described in subparagraph A., above, eight (8) hours per normal workday of service, except that the total number of hours treated as Hours of Service under this paragraph 8. shall not exceed five hundred one (501) hours.

Provided, that no credit will be given pursuant to this paragraph 8. unless the individual furnishes to the Committee such timely information as it may reasonably require to establish that the absence from work is for reasons referred to hereinabove, and the number of days for which there was such absence.

The hours described in this paragraph 8. shall be treated as Hours of Service only in the year in which the absence from work begins, if an Employee would be prevented from incurring a One (1) year Break in Service in such year solely because the period of absence is treated as Hours of Service as hereinabove provided; or in any case, in the immediately following year. For purposes of application of the foregoing rules in this paragraph 8. the term "year" means the twelve (12) month period beginning on the first day of employment with the Company and each anniversary thereof.

9. Eligibility in Case of Merger, Consolidation or Acquisition

The Board of Directors, or the Committee at the Board of Directors' direction, shall determine on a uniform and nondiscriminatory basis, in accordance with any agreement to which the Company shall be a party, or by which it shall be bound, and in a manner not inconsistent with law, which persons, if any, who become employees of the Company as a result of a merger or consolidation or the acquisition of a substantial portion of the assets or stock of a corporation shall be eligible for participation in this Plan.

Where in connection with a merger, consolidation, or acquisition of assets, property or stock by the Company from or of another corporation or entity, individuals who were employees of such other corporation or entity become Employees of the Company, the Board of Directors, or the Committee at the Board of Directors' direction, may determine on a uniform and nondiscriminatory basis, in accordance with any agreement to which the Company shall be a party, or by which it shall be bound, and in a manner not inconsistent with law, whether employment with such other corporation or entity preceding such transaction or the Company's acquisition of stock of, or property from it, shall be deemed to be employment for eligibility purposes under this Plan; provided, that the determination of deemed service for eligibility or similar determinations in any particular instance of the acquisition of stock or assets by the Company pursuant to the foregoing provisions of this paragraph 9., shall not be effective or control with respect to the employees of any other corporation in any prior or subsequent acquisition of stock or assets of another corporation by the Company.

10. Participant Military Service

Notwithstanding any provisions of the Plan to the contrary, contributions, benefits and service credit with respect to qualified military service of an employee will be provided in accordance with the special rules relating to veterans' reemployment rights under USERRA in Code Section 414(u).

11. Transfer or Sponsorship of Plan

The Plan is sponsored by the Company for the exclusive benefit of the employees of the Company and its Subsidiaries and their subsidiaries and their beneficiaries. Any transfer of sponsorship of the Plan to a successor employer may be permissible in connection with the acquisition of business assets or operations, but such a transfer of sponsorship of the Plan shall not be made if it is not in connection with the acquisition of business assets or operations or if substantially all business risks and opportunities under the transaction are those associated with the transfer of the sponsorship of the Plan.

ARTICLE III.

CONTRIBUTIONS FOR PARTICIPANT 401(K) SALARY REDUCTIONS

PARAGRAPH

1. 401(k) Contributions

The Company shall contribute to the Trust for each Plan Year, that portion of the net earnings of the Company for that year equal to the amount of the Reduction in Compensation elected by each Participant, and ESOP Dividend Distribution/Additional Deferral Contribution elected and agreed to and deemed elected by each Participant pursuant to paragraphs 2. and 4. of this Article III, to the extent provided therein. Such contributions shall be the 401(k) Contribution for the Participant.

2. Cash or Deferral Election

A. Non-Bargaining Unit Participants.

1. (a) Each Employee who is a Non-Bargaining Unit Participant in this Plan may affirmatively elect a Reduction in Compensation in an amount not in excess of twenty-four percent (24%) of his/her Compensation or the limitation on exclusion of elective deferrals for his/her taxable year, provided in Code Section 402(g), subject to applicable cost-of-living adjustment thereunder, or as provided in any successor provision of the federal tax law.

(b) Automatic Contribution Arrangement – Effective August 1, 2017

(i) In the event a Non-Bargaining Unit Participant, who is hired or rehired (after being terminated for at least 30 days) on or after August 1, 2017, fails to make an Affirmative Election, such Non-Bargaining Unit Participant shall be deemed to automatically elect a pre-tax Reduction in Compensation in the amount of six percent (6%) of his/her Compensation. A Non-Bargaining Unit Participant subject to this Automatic Contribution Arrangement will have a reasonable opportunity after receipt of the Automatic Contribution Arrangement notice to make an Affirmative Election before automatic deferrals are made on the Non-Bargaining Unit Participant's behalf.

(ii) Automatic Contribution Arrangement Notice. The Plan Administrator shall provide a notice of the rights and obligations under the Automatic Contribution Arrangement to each Non-Bargaining Unit Participant covered by the Automatic Contribution Arrangement at least thirty (30) days prior to the beginning of each Plan Year. If a Non-Bargaining Unit Employee becomes eligible to participate in the Plan after the Plan Administrator has provided the annual notice, the Plan Administrator shall provide the notice on the date the Non-Bargaining Unit Employee becomes eligible or as soon as practicable thereafter.

(c) The amount of such Reduction in Compensation shall be deferred and become the 401(k) Contribution for such Participant; provided, that to the extent an elected Reduction in Compensation of a Highly Compensated Employee causes the limitations of paragraph 3. or 6. of Article VIII to be exceeded, the election shall not become effective for the excess amount and it shall be paid to the Highly Compensated Employee in cash. If necessary to meet the limitations of paragraphs 2., 3., or 6. of Article VIII, a Non-Bargaining Unit Participant's Reduction in

Compensation, and the 401(k) Contribution shall be reduced in the manner determined by the Committee, and may include, without limitation, reducing the percentage of highest elected Reductions in Compensation of Non-Bargaining Unit Participants then in effect until such limitations are not exceeded. In case the amount and percentage be so reduced, such reduction shall be to the next lower full percentile below the permissible limitation percentage, and shall remain in effect until the next succeeding Designation Date, subject to any further adjustment necessary to meet such limitations under paragraphs 2., 3., or 6. of Article VIII.

(d) Notwithstanding the above, a Participant who was also a participant of the ONEOK, Inc. 401(k) Plan as of December 31, 2013 was deemed to have elected to make a Reduction in Compensation under this Plan in the same percentage as elected under the ONEOK, Inc. 401(k) Plan at that time, unless subsequently changed by the Participant.

2. For purposes of the foregoing and the Plan, "Catch-Up Contributions" are Elective Deferrals made to the Plan that are in excess of an otherwise applicable Plan limit and that are made by a Participants who is age fifty (50) or over by the end of the taxable year. An otherwise applicable limit is a limit in the Plan that applies to Elective Deferrals without regard to Catch-Up Contributions, such as limits on annual additions, the applicable limit on Elective Deferrals under Code Section 402(g) (not counting Catch-Up Contributions) and the limit imposed on the actual deferral percentage (ADP) test under Code Section 401(k)(3). Catch-Up Contributions for a Participant may be made under the Plan, and for a taxable year may not exceed (1) the limit on Catch-Up Contributions under Code Section 414(v)(2)(B)(I) for the taxable year or (2) when added to other Elective Deferrals, 75 percent of the Participant's Compensation for the taxable year.

3. Each Participant in this Plan may make an Affirmative Election by signing and filing with the Committee a written election and agreement in the form specified and furnished to such Participant by the Committee and by making such election by telephone voice response system or internet in accordance with such rules and regulations as the Committee may prescribe.

4. Affirmative Elections by Non-Bargaining Unit Participants shall be stated in full percentiles of the Participant's Compensation.

5. The Reduction in Compensation elected or deemed elected by a Non-Bargaining Unit Participant (in accordance with Paragraph 2.A.1.a or 2.A.1.b of Article III, as applicable) shall remain in effect until changed by such Participant's delivery of a change of election in the manner provided herein. A Non• Bargaining Unit Participant may change his/her Reduction in Compensation only on a Designation Date. A Non-Bargaining Unit Participant's change of election may designate a different percentage of Reduction in Compensation, subject to the terms and conditions of the Plan; or may state that such Participant elects no Reduction in Compensation and deferral after the Designation Date until he/she makes a subsequent change of election hereunder. Change of election by written direction or by electronic medium, voice response or other means determined and prescribed by the Committee may be delivered or transmitted by a Non-Bargaining Unit Participants at any time, but shall be effective only as of the Designation Date next following the date of the delivery of such change of election to the Committee.

B. Bargaining Unit Participants.

1. Group A Bargaining Unit Participants

(a) Each Employee who is a Group A Bargaining Unit Participant in this Plan may affirmatively elect a Reduction in Compensation in an amount not in excess of twenty-four percent (24%) of his/her Adjusted Total Compensation or the limitation on exclusion of elective deferrals for his/her taxable year, provided in Code Section 402(g), subject to applicable cost-of-living adjustment thereunder, or as provided in any successor provision of the federal tax law.

(b) The amount of such Reduction in Compensation shall be deferred and become the 401(k) Contribution for such Participant.

(c) For purposes of the foregoing and the Plan, "Catch-Up Contributions" are Elective Deferrals made to the Plan that are in excess of an otherwise applicable Plan limit and that are made by a Participant who is age fifty (50) or over by the end of the taxable year. An otherwise applicable limit is a limit in the Plan that applies to Elective Deferrals without regard to Catch-Up Contributions, such as limits on annual additions, the dollar limit on Elective Deferrals Under Code Section 402(g) (not counting Catch-Up Contributions) and the limit imposed on the actual deferral percentage (ADP) test under Code Section 40l(k)(3). Catch-Up Contributions for a Participant for a taxable year may not exceed (1) the dollar limit on Catch-Up Contributions under Code Section 414(v)(2)(B)(I) for the taxable year or (2) when added to other Elective Deferrals, 75 percent of the Participant's Compensation for the taxable year.

(d) Each Participant in this Plan may make an Affirmative Election by signing and filing with the Committee a written election and agreement in the form specified and furnished to such Participant by the Committee and by making such election by telephone voice response system or internet in accordance with such rules and regulations as the Committee may prescribe.

(e) Affirmative Elections by Group A Bargaining Unit Participants shall be stated in full percentiles of the Participant's Adjusted Total Compensation.

(f) Notwithstanding the foregoing, on or about the end of each calendar quarter in a Plan Year, a Group A Bargaining Unit Participant will be allowed to contribute in a lump sum amount the additional cash necessary to meet his/her maximum contribution percentage. Such pre-tax catch-up contributions will be made through payroll deduction and must be greater than $25.00. In a Plan Year a Group A Bargaining Unit Participant will be allowed to make such catch-up contribution for previous quarters in the Plan Year. This catch-up contribution shall be considered in determining the Company's Matching Contribution for such Group A Bargaining Unit Participant to the extent provided in Article VII of the Plan.

(g) The Reduction in Compensation elected by a Group A Bargaining Unit Participant (in accordance with Paragraph 2.B.1.a. of Article III) shall remain in effect until changed by such Participant's delivery of a change of election in the manner provided herein. A Group A Bargaining Unit Participant may change his/her Reduction in Compensation only on a Designation Date. A Group A Bargaining Unit Participant's change of election may designate a different percentage of Reduction in Compensation, subject to the terms and conditions of the Plan; or may state that such Participant elects no Reduction in Compensation and deferral after the Designation Date until he/she makes a subsequent change of election hereunder. Change of

election by written direction or electronic medium, voice response or other means determined and prescribed by the Committee may be delivered or transmitted by Group A Bargaining Unit Participants at any time, but shall be effective only as of the Designation Date next following the date of the delivery of such change of election to the Committee in accordance with procedures and rules, as prescribed by the Committee and its authorized representatives.

2. Group B Bargaining Unit Participants

(a) (i) Each Employee who is a Group B Bargaining Unit Participant in this Plan may affirmatively elect a Reduction in Compensation in an amount not in excess of twenty-four percent (24%) of his/her Adjusted Total Compensation or the limitation on exclusion of elective deferrals for his/her taxable year, provided in Code Section 402(g), subject to applicable cost-of-living adjustment thereunder, or as provided in any successor provision of the federal tax law.

(ii) Automatic Contribution Arrangement – Effective August 1, 2018

(A) In the event a Group B Bargaining Unit Participant, who is hired or rehired (after being terminated for at least 30 days) on or after August 1, 2018, fails to make an Affirmative Election, such Group B Bargaining Unit Participant shall be deemed to automatically elect a pre-tax Reduction in Compensation in the amount of six percent (6%) of his/her Adjusted Total Compensation. A Group B Bargaining Unit Participant subject to this Automatic Contribution Arrangement will have a reasonable opportunity after receipt of the Automatic Contribution Arrangement notice to make an Affirmative Election before automatic deferrals are made on the Group B Bargaining Unit Participant's behalf.

(B) Automatic Contribution Arrangement Notice. The Plan Administrator shall provide a notice of the rights and obligations under the Automatic Contribution Arrangement to each Group B Bargaining Unit Participant covered by the Automatic Contribution Arrangement at least thirty (30) days prior to the beginning of each Plan Year. If a Group B Bargaining Unit Employee becomes eligible to participate in the Plan after the Plan Administrator has provided the annual notice, the Plan Administrator shall provide the notice on the date the Group B Bargaining Unit Employee becomes eligible or as soon as practicable thereafter.

(b) The amount of such Reduction in Compensation shall be deferred and become the 401(k) Contribution for such Participant.

(c) For purposes of the foregoing and the Plan, "Catch-Up Contributions" are Elective Deferrals made to the Plan that are in excess of an otherwise applicable Plan limit and that are made by a Participant who is age fifty (50) or over by the end of the taxable year. An otherwise applicable limit is a limit in the Plan that applies to Elective Deferrals without regard to Catch-Up Contributions, such as limits on annual additions, the dollar limit on Elective Deferrals Under Code Section 402(g) (not counting Catch-Up Contributions) and the limit imposed on the actual deferral percentage (ADP) test under Code Section 40l(k)(3). Catch-Up Contributions for a Participant for a taxable year may not exceed (1) the dollar limit on Catch-Up Contributions under

Code Section 414(v)(2)(B)(I) for the taxable year or (2) when added to other Elective Deferrals, 75 percent of the Participant's Compensation for the taxable year.

(d) Each Participant in this Plan may make an Affirmative Election by signing and filing with the Committee a written election and agreement in the form specified and furnished to such Participant by the Committee and by making such election by telephone voice response system or internet in accordance with such rules and regulations as the Committee may prescribe.

(e) Affirmative Elections by Group B Bargaining Unit Participants shall be stated in full percentiles of the Participant's Adjusted Total Compensation.

(f) Notwithstanding the foregoing, on or about the end of each calendar quarter in a Plan Year, a Group B Bargaining Unit Participant will be allowed to contribute in a lump sum amount the additional cash necessary to meet his/her maximum contribution percentage. Such pre-tax catch-up contributions will be made through payroll deduction and must be greater than $25.00. In a Plan Year a Group B Bargaining Unit Participant will be allowed to make such catch-up contribution for previous quarters in the Plan Year. This catch-up contribution shall be considered in determining the Company's Matching Contribution for such Group B Bargaining Unit Participant to the extent provided in Article VII of the Plan.

(g) The Reduction in Compensation elected or deemed elected by a Group B Bargaining Unit Participant (in accordance with Paragraph 2.B.2.a.i or 2.B.2.a.ii of Article III, as applicable) shall remain in effect until changed by such Participant's delivery of a change of election in the manner provided herein. A Group B Bargaining Unit Participant may change his/her Reduction in Compensation only on a Designation Date. A Group B Bargaining Unit Participant's change of election may designate a different percentage of Reduction in Compensation, subject to the terms and conditions of the Plan; or may state that such Participant elects no Reduction in Compensation and deferral after the Designation Date until he/she makes a subsequent change of election hereunder. Change of election by written direction or electronic medium, voice response or other means determined and prescribed by the Committee may be delivered or transmitted by Group B Bargaining Unit Participants at any time, but shall be effective only as of the Designation Date next following the date of the delivery of such change of election to the Committee in accordance with procedures and rules, as prescribed by the Committee and its authorized representatives.

3. Roth 401(k) Elective Deferrals

A. General Application.

1. This paragraph of the Plan will apply to contributions beginning on the initial Effective Date.

2. Under paragraph 1., the Plan will accept Roth Elective Deferrals made on behalf of Participants. A Participant's Roth Elective Deferrals shall be allocated to a separate account maintained for such deferrals as described in paragraph 3.B. of this Article III, below.

3. Unless specifically stated otherwise, Roth Elective Deferrals will be treated as elective deferrals for all purposes under the Plan.

4. A Participant may make Roth Elective Deferrals with catch-up contributions that are elective deferrals to the extent allowed by Code Section 402A.

B. Separate Accounting.

1. Contributions and withdrawals of Roth Elective Deferrals will be credited and debited to the Roth Elective Deferral Account maintained for each Participant.

2. The Plan will maintain a record of the amount of Roth Elective Deferrals in each Participant's account.

3. Gains, losses, and other credits or charges must be separately allocated on a reasonable and consistent basis to each Participant's Roth Elective Deferral Account and the Participant's other accounts under the Plan.

4. No contributions other than Roth Elective Deferrals and properly attributable earnings will be credited to each Participant's Roth Elective Deferral Account.

C. Direct Rollovers.

1. Notwithstanding the provisions of Article V of the Plan, a direct rollover of a distribution from a Roth Elective Deferral Account under the Plan will only be made to another Roth Elective Deferral Account under an applicable retirement plan described in Code Section 402A(e)(l) or to a Roth IRA described in Code Section 408A, and only to the extent the rollover is permitted under the rules of Code Section 402(c).

2. The Plan will not provide for a direct rollover (including an automatic rollover) for distributions from a Participant's Roth Elective Deferral Account if the amount of the distributions that are eligible rollover distributions are reasonably expected to total less than $200 during a year. In addition, any distribution from a Participant's Roth Elective Deferral Account is not taken into account in determining whether distributions from a Participant's other accounts are reasonably expected to total less than $200 during a year. However, eligible rollover distributions from a Participant's Roth Elective Deferral Account are taken into account in determining whether the total amount of the Participant's account balances under the Plan exceeds $1,000 for purposes of mandatory distributions from the Plan.

3. Any provisions of the Plan that allow a Participant to elect a direct rollover of only a portion of an eligible rollover distribution but only if the amount rolled over is at least a specified dollar amount are to be applied by treating any amount distributed from the Participant's Roth Elective Deferral Account as a separate distribution from any amount distributed from the Participant's other accounts in the Plan, even if the amounts are distributed at the same time.

D. Correction of Excess Contributions.

1. In the case of a distribution of excess contributions, a Highly Compensated Employee may designate the extent to which the excess amount is composed of pre-tax elective deferrals and Roth Elective Deferrals but only to the extent such types of deferrals were made for the year.

E. Distributions; Loans.

1. Distributions from a Participant's Roth Elective Deferral Account shall be made only to the extent, and at a time that is in accordance with and subject to all other terms and provisions of the Plan generally applicable to a distribution of any elective deferral made by a Participant under the Plan.

2. If the Highly Compensated Employee does not designate which type of elective deferrals are to be distributed, the Plan will distribute pre-tax elective deferrals first.

3. No Participant loan shall be allowed from a Participant Roth Elective Deferral Account.

4. The Committee and Plan shall provide written information to each Participant who is eligible to make a Roth Elective Deferral describing the minimum required distribution provisions of Code Section 401(a)(9) that apply commencing at the time a Participant attains age 70½, and the related federal income tax consequences of a distribution from a Roth Elective Deferral Account if it is before completion of the 5- taxable year period of participation for Roth Elective Deferrals under the Plan.

F. Definition.

1. Roth Elective Deferrals. For purposes of the foregoing provisions of this paragraph, and otherwise under the Plan, "Roth Elective Deferral" is an elective deferral that is:

(a) Designated irrevocably by the Participant at the time of the cash or deferred election as a Roth Elective Deferral that is being made in lieu of all or a portion of the pre-tax elective deferrals the Participant is otherwise eligible to make under the Plan; and

(b) Treated by the Company as includible in the Participant's income at the time the Participant would have received that amount in cash if the Participant had not made a cash or deferred election.

4. ESOP Dividend Distribution/Additional Deferral Contribution

A. Each Participant in the Plan, unless such Participant elects otherwise in writing, shall be deemed to have also made an elective deferral of his/her Compensation in an amount equal to the ESOP Dividend Distribution paid and distributed in cash to such Participant pursuant to paragraph 2 of Article X, except that such ESOP Dividend Distribution/Additional Deferral of a Participant shall be limited to an amount which, when added to such Participant's regularly elected Reduction in Compensation under paragraph 2. of this Article III, will not cause such Participant's total elective deferrals of Compensation for the year to exceed the maximum permissible amount which may be deferred under Code Section 402(g) for the taxable year, and shall be subject to the reductions thereof as determined by the Committee in order to comply with applicable limitations in Code Sections 401(k) and 415 as provided in paragraphs 2., 3., and 6. of Article VIII. A Participant's election in writing to not make a deemed ESOP Dividend Distribution/Additional Deferral shall be made at the time and in the manner provided for in rules and procedures prescribed by the Committee.

B. The Company shall contribute to the Trust for each Plan Year that portion of the net earnings of the Company for the Plan Year equal to the amount of the ESOP Dividend Distribution/Additional Deferral elected by each Participant pursuant to subparagraph 4.A., above.

5. Time of Contribution

The Company shall make payment of its contributions to the Trust under the terms of this Article III periodically within the time permitted by the Code and the Employee Retirement Income Security Act of 1974, as amended.

6. USERRA

The elections to defer salary or compensation and related benefits provided herein shall be provided in accordance with the special rules relating to veterans' rights under USERRA in Code Section 414(u).

7. USERRA; Treatment of Differential Wage Payments

A. Except as provided in this Paragraph, for purposes of applying the Code to the Plan:

1. an individual receiving a differential wage payment shall be treated as an employee of the employer making the payment,

2. the differential wage payment shall be treated as compensation, and

3. the Plan shall not be treated as failing to meet the requirements of any provision described in Code Section 414(u)(l)(C) by reason of any contribution or benefit which is based on the differential wage payment.

B. Special rule for distributions.

1. Notwithstanding Paragraph 7.A.l., above, for purposes of section 401(k)(2)(B)(i)(I), an individual shall be treated as having been severed from employment during any period the individual is performing service in the uniformed services described in section 3401(h)(2)(A).

2. If an individual elects to receive a distribution by reason of paragraph 7.B.l., above, the Plan shall provide that the individual may not make an elective deferral or employee contribution during the 6-month period beginning on the date of the distribution.

C. Paragraph 7.A.3, above, shall apply only if all employees of an employer (as determined under Code Sections 414 (b), (c), (m), and (o)) performing service in the uniformed services described in section 3401(h)(2)(A) are entitled to receive differential wage payments on reasonably equivalent terms and, if eligible to participate in a retirement plan maintained by the employer, to make contributions based on the payments on reasonably equivalent terms. For purposes of applying this subparagraph, the provisions of paragraphs (3), (4), and (5) of Code Section 410(b) shall apply.

D. For purposes of this Paragraph, the term "differential wage payment" has the meaning given such term by section 3401(h)(2).

8. Heart Act Provisions

The following provisions apply to the Plan with respect to benefits and distributions authorized by the Heroes Earnings Assistance and Relief Tax Act of 2008 ("Heart Act"). These provisions shall be applied in coordination with other terms and provisions of the Plan with respect to the subjects and matters described therein.

A. In the case of a Participant who dies while performing qualified military service (as defined in Code Section 414(u)), the survivors of the Participant shall be entitled to any additional benefits (other than benefit accruals relating to the period of qualified military service) provided under the Plan had the Participant resumed and then terminated employment with the Company on account of death.

B. Service credit for the period of a deceased Participant's period of qualified military service shall be provided for vesting purposes under the Plan.

C. If a Participant would not be entitled to reemployment rights immediately before his death under USERRA, the provisions of Paragraph 8.A., above, shall not apply in determining the death benefits to which the Participant's survivors are entitled under the Plan.

D. Under Code Section 414(u)(9) for benefit accrual purposes under the Plan, an individual who dies or becomes disabled while performing qualified military service shall be treated as if such individual resumed employment with the Company in accordance with the individual's USERRA reemployment rights on the day preceding the death or disability and then terminated employment on the actual date of disability. All individuals shall be credited with service and benefits on reasonably equivalent terms. The individual must be provided vesting credit for purposes of determining his/her vested percentage in accruals earned both during qualified military service and during other periods.

E. The amount of employee contributions and the amount of elective deferrals of an individual treated as reemployed in connection with death or disability, as described above, shall be determined on the basis of the individual's average actual employee contributions or elective deferrals for the lesser of (i) the 12-month period of service with the employer immediately prior to qualified military service, or (ii) if service with the employer is less than such 12-month period, the actual length of continuous service with the employer.

F. Credited service for vesting shall be provided for a disabled individual's qualified military service to the extent permitted under other applicable rules, including Treas. Reg.§1.401(a)(4)-11(d)(3).

G. For employer-provided contributions or benefits for an individual treated as reemployed under Code Section 414(u)(9) which are contingent on the individual's contributions or elective deferrals by the individual, such contributions and benefits shall be based upon deemed employee contributions or elective deferrals or actual employee contributions or elective deferrals for individuals who die or become disabled as provided in Code Section 414(u), and applicable regulations and guidance and herein above.

H. An individual performing uniformed service and receiving differential wage payments, as defined in Code Section 3401(h), if any, paid to such individual by the Company, shall be treated and deemed as an employee of the Company as to such payment and the differential wage payment shall be treated as compensation, and the Company may base contributions or benefits on the differential wage payment, if done in a reasonable nondiscriminatory basis to all individuals.

I. An individual performing uniformed service and receiving any differential wage payments shall for purposes of Code Section 401(k)(2)(B)(i)(I) (which allows amounts attributable to employee elective deferrals to be distributed upon severance from employment) be treated and deemed as having been severed from employment during any period the individual is performing service in the uniformed services, so that such individual is not prohibited from receiving distributions even though the individual has not actually severed employment with the Company; provided, an individual being so treated and deemed to have severed employment for purposes of Code Section 401(k)(2)(B)(i)(I) shall not cause the individual to be treated as severed from employment for other purposes or Code sections.

J. If an individual performing uniformed services elects to receive a distribution under Code Section 414(u)(12)(B)(ii) by reason of being treated and deemed as having severed from employment for purposes of Code Section 401(k)(2)(B)(i)(I) during any period the individual is performing uniformed services, the individual may not make an elective deferral or employee contribution during the 6-month period beginning on the date of the distribution.

K. If differential wage payments are made to any individual such payments shall be treated as compensation for purposes of determining benefits and contributions under the Plan, and as compensation under Code Section 415.

L. The Plan shall provide for and allow distributions under Code Section 401(k) to an individual who is so treated and deemed as severed from employment for purposes of Code Section 401(k)(2)(B)(i)(I) while performing service in the uniformed services pursuant to Code Section 414(u)(12)(B).

M. An individual may receive a distribution otherwise subject to distribution restrictions of Code Section 401(k) if otherwise treated as severed from employment to the extent provided therein. An individual treated as a severed from employment under Code Section 414(u)(12) is not to be treated as severed under other Code sections not referred to therein. Code Section 414 (u)(12) does not apply to individuals who have an actual severance from employment or who otherwise are eligible to take a distribution of Plan benefits. The Committee and Plan administrator shall apply Section 414(u)(12) and Heart Act to such circumstances in accordance with applicable published regulations and guidelines in a uniform and nondiscriminatory manner.

N. A distribution made under Code Section 414(u)(12)(B) to an individual who is treated and deemed as severed from employment for purposes of Code Section 401(k)(2)(B)(i)(I) while performing service in the uniformed services shall be treated as an eligible rollover distribution within the meaning of Code Section 402(c)(4) (but not as a hardship distribution ineligible for rollover).

ARTICLE IV.

AFTER-TAX PARTICIPANT CONTRIBUTIONS

PARAGRAPH

1. Percentage of After-Tax Deposits

A. Non-Bargaining Unit Participants.

1. A Non-Bargaining Unit Participant may make After-Tax Deposits of zero (0) to six percent (6%), as he/she may designate, of his/her Compensation. A Participant who has commenced making deposits of his/her Compensation hereunder may thereafter change his/her deposit percentage from zero (0) to six percent (6%), as he/she may designate, in accordance with paragraph 2. of this Article IV.

A Non-Bargaining Unit Participant may not designate an After-Tax Participant Deposit Percentage which exceeds six percent (6%) of his/her Compensation.

Notwithstanding the above, a Non-Bargaining Unit Participant who was also a participant of the ONEOK, Inc. 401(k) Plan as of December 31, 2013 will be deemed to have elected to make an After-Tax Deposit under this Plan in the same percentage as elected under the ONEOK, Inc. 401(k) Plan.

If necessary to meet the limitations of paragraphs 2., 3., 4., or 6. of Article VIII, a Non-Bargaining Unit Participant's After-Tax Deposits, or the combination of a Non• Bargaining Unit Participant's elected Reduction in Compensation and After-Tax Deposits shall be reduced in the manner determined by the Committee. In case the amount and percentage of a Non-Bargaining Unit Participant's elected After-Tax Participant Deposit must be so reduced, such reduction shall be to the next lower full percentile below the permissible limitation percentage, and shall remain in effect until the next succeeding Designation Date, subject to any further adjustment necessary to meet such limitations under paragraphs 2., 3., 4., or 6. of Article VIII.

B. Bargaining Unit Participants. A Bargaining Unit Participant may make an After-Tax Deposits of from zero (0) to six percent (6%) as he/she may designate, of his/her Compensation. Notwithstanding the foregoing, on or about the end of each calendar quarter within a Plan Year, a Bargaining Unit Participant may contribute in a lump sum amount the additional cash necessary to meet his/her maximum contribution percentage. Such after tax catch-up contributions may be made through payroll deduction, certified check, cashier's check or money order and must be greater than $25.00. A Bargaining Unit Participant will be allowed to make such catch-up contribution for previous calendar quarters during a Plan Year. This catch-up contribution shall be considered in determining the Company Matching Contributions for such Bargaining Unit Participant to the extent provided in Article VII of the Plan.

Notwithstanding the above, a Bargaining Unit Participant who was also a participant of the ONEOK, Inc. 401(k) Plan as of December 31, 2013 will be deemed to have elected to make an After-Tax Deposit under this Plan in the same percentage as elected under the ONEOK, Inc. 401(k) Plan.

2. Change of Percentage of After-Tax Deposits

The deposit percentage designated by a Participant for his/her After-Tax Deposit (in accordance with Paragraph 1.A. and 1.B. of Article IV) shall continue in effect, notwithstanding any change in his/her Compensation, until he/she shall change such percentage. A Participant may change such percentage as of a Designation Date, but not retroactively. A Participant shall designate and change the percentage of his/her After-Tax Participant Deposit by written direction, or by electronic medium, voice response system, or other means determined and prescribed by the Committee, to the Committee in the form and manner prescribed by the Committee in accordance with procedures and rules, as prescribed by the Committee and its authorized representatives.

3. Deposit by Payroll Deduction

After-Tax Deposits under this Article IV shall be affected only by payroll deductions in the amount designated by the Participant and in accordance with any regulations prescribed by the Committee; provided, that deposits may also be made in connection with the exercise of options, rights or warrants as provided in paragraph 3. of Article IX, and deposits may be made in connection with rollover contributions or transfers of accounts, if authorized or directed as provided in Article V.

4. Transfer to Trust

The amount of the payroll deductions of After-Tax Deposits so made shall be transferred by the Company to the Trustee under the terms of this Article IV periodically within the time permitted by the Code and the Employee Retirement Income Security Act of 1974, as amended. The Trustee shall hold the same in the respective Participants' separate After-Tax Deposit Accounts, subject to the provisions of the Plan; and any such amount shall not be subject to diversion or return to the Company, except return thereof to the Company in the case and to the extent its transfer having been by reason of a mistake of fact, in which case the return to the Company of the amount involved shall be made within one (1) year of the mistaken payment.

5. USERRA

The right of a Participant to make After-Tax Deposits provided herein shall be provided in accordance with the special rules relating to veterans rights under USERRA in Code Section 414(u).

ARTICLE V.

ROLLOVERS, TRANSFERRED ACCOUNTS

PARAGRAPH

1. Rollover of Distributions from Plan

A. General. If any portion of the balance to the credit of a Participant is paid or distributed from the Plan to the Participant in an Eligible Rollover Distribution, as defined herein, the amount may be rolled over by the Participant as directed by the Participant, subject to and in accordance with the terms and provisions of the Plan and the Code.

B. Written Explanation. The Committee shall cause within a reasonable period of time before making an Eligible Rollover Distribution the issuance of a written explanation to the Participant of the provisions under which the Participant may have the distribution directly transferred to an Eligible Retirement Plan, as defined herein, of the provisions of the Code under which the distribution will not be subject to tax if transferred to an Eligible Retirement Plan, and of the provisions of the Code under which the distribution will not be subject to tax if transferred to an Eligible Retirement Plan within sixty (60) days after the date on which the Participant received the distribution, the provisions of the Code regarding foreign trusts and tax treatment of distributions from the Plan, and of the provisions of the Code under which distributions from the Eligible Retirement Plan receiving a distribution may be subject to restrictions and tax consequences which are different from those applicable to distributions from this Plan. The explanation shall describe a Participant's right to defer distributions from the Plan to the extent provided in the Plan, and a description of investment options available under the Plan (including fees) that will be available if distributions are deferred, in accordance with and to the extent provided for in applicable regulations.

2. Rollover from Other Plans of the Company

With the prior written approval of the Committee, a Participant in this Plan may make a rollover contribution of all or part of a qualifying rollover distribution to such Participant from a trust which is a part of a separate qualified pension or profit-sharing plan of the Company or any subsidiary of the Company. The allowance of any rollover contribution shall be at the discretion of the Committee, and only in accordance with such terms and conditions as the Committee may prescribe. The Participant's rollover contribution shall constitute an additional deposit in, and become a part of the accounts of the Participant for all purposes of the Plan, and become subject to all the terms and provisions of this Plan, except that the Company shall have no obligation to contribute any amount, out of its net earnings and earned surplus, or otherwise, to or for the benefit of a Participant on account of any such rollover contribution by the Participant. Any Participant's rollover contribution shall be received, deposited, held, and invested consistent with the investment and accounting provisions of this Plan.

For purposes of this paragraph 2., a "qualified pension or profit-sharing plan" shall mean a plan qualified under Section 401(a) of the Code and ERISA; and a "qualifying rollover distribution" shall mean a distribution to a Participant from a trust which forms a part of the Company or a subsidiary qualified pension or profit-sharing Plan which distribution constitutes a distribution qualifying for rollover to this Plan pursuant to Code Section 402(c) (or corresponding provision of any future federal tax code).

3. Trust to Trust Transfers From Other Plans of The Company

The Company may, from time to time, direct the Trustee to receive, accept transfers of, and hold as a part of the Trust, deposits or transfers of the funds, deposits, property, assets, and/or accounts of Participants,

or employees of any subsidiary of the Company, from a trust which is part of any other qualified defined benefit plan or qualified defined contribution plan of the Company or any subsidiary of the Company. Any such deposit or transfer shall be subject to prior written approval of the Company, and may be pursuant to a modification, continuation, termination, partial termination, consolidation or merger with, or replacement of any such other Company plan or subsidiary plan which may be adopted by the Company or the subsidiary employer, or pursuant to any other arrangement mutually determined and agreed upon by the Company and a subsidiary and/or the subsidiary employee (or Participant). If an employee of the Company or of a subsidiary of the Company whose account is so transferred is otherwise eligible and not already participating in the Plan, he/she shall become a Participant at the time of such transfer and deposit. Any funds or property from the account of a Participant under another Company plan or a subsidiary plan which are so transferred and accepted by the Trustee shall be received and deposited in full to an account or accounts of that Participant under this Plan, and shall thereupon become a part of the Trust held for the account of that Participant in accordance with all the terms and provisions of the Plan. The Committee shall determine and prescribe reasonable and appropriate procedures, certifications, and other requirements to be accomplished and performed by the Company, the Trustee, the Participant, any such subsidiary and the plan administrator and trustee of such other Company plan or subsidiary plan, in order to assure an effective and satisfactory transfer of trust funds, and any such transfer shall be conditioned upon compliance with all such requirements. Notwithstanding any of the foregoing, the Company shall have no obligation to make any matching or other additional contributions to the Plan to or for the benefit of any Participant by reason of any such transfer or deposit to the Trust under this paragraph 3.

4. Direct Rollovers

A. Application. Notwithstanding any provision of the Plan to the contrary that might otherwise limit a Distributee's election under the Plan, a Distributee may elect, at the time and in the manner prescribed by the Committee, to have any portion of an Eligible Rollover Distribution paid directly to an Eligible Retirement Plan specified by the Distributee in a Direct Rollover.

B. Definitions. For purposes of this paragraph the following definitions shall apply:

1. Eligible Rollover Distribution. An Eligible Rollover Distribution is any distribution of all or any portion of the balance to the credit of the Distributee, except that an Eligible Rollover Distribution does not include: any distribution that is one of a series of substantially equal periodic payments (not less frequently than annually) made for the life (or life expectancy) of the Distributee or the joint lives (or joint life expectancies) of the Distributee and the Distributee's designated beneficiary, or for a specified period of ten (10) years or more; any distribution to the extent such distribution is required under Code Section 401(a)(9); any hardship distribution; the portion of any other distribution(s) that is not includible in gross income (determined without regard to the exclusion for net unrealized appreciation with respect to employer securities).

A portion of a distribution shall not fail to be an Eligible Rollover Distribution merely because the portion consists of after-tax employee contributions which are not includible in gross income. However, such portion may be transferred only to an individual retirement account or annuity described in Code Section 408(a) or (b), or to a qualified defined contribution plan described in Code Sections 401(a) or 403(a) that agrees to separately account for amounts so transferred, including separately accounting for the portion of such distribution which is includible in gross income and the portion of such distribution which is not so includible.

2. Eligible Retirement Plan. An Eligible Retirement Plan is an eligible plan under Code Section 457(b) which is maintained by a state, political subdivision of a state, or any agency or instrumentality of a state or political subdivision of a state and which agrees to separately account

for amounts transferred into such plan from the Plan, an individual retirement account described in Code Section 408(a), an individual retirement annuity described in Code Section 408(b), an annuity described in Code Section 403(a), an annuity described in Code Section 403(b), or a qualified plan described in Code Section 401(a), that accepts the Distributee's eligible rollover distribution. The definition of Eligible Retirement Plan shall also apply in the cases of a distribution to a surviving spouse, or to a spouse or former spouse who is the alternate payee under a qualified domestic relations order, as defined in Code Section 414(p).

If any portion of an Eligible Rollover Distribution is attributable to payments or distributions from a Designated Roth Account, an Eligible Retirement Plan with respect to such portion shall include only another Designated Roth Account of the individual from whose Account the payments and distributions were made, or a Roth IRA of such individual.

3. Distributee. A Distributee includes a Participant, Employee or former Employee. In addition, the Participant's, Employee's or former Employee's surviving spouse and the Participant's, Employee's or former Employee's spouse or former spouse who is the alternate payee under a qualified domestic relations order, as defined in Code Section 414(p), are Distributees with regard to the interest of the spouse or former spouse.

4. Direct Rollover. A Direct Rollover is a payment by the Plan to the Eligible Retirement Plan specified by the Distributee.

C. Automatic Rollovers. In the event of a mandatory distribution from the Plan greater than One Thousand Dollars ($1,000) in accordance with the provisions of the Plan, if the Participant does not elect to have such distribution paid directly to an Eligible Retirement Plan specified by the Participant in a Direct Rollover or to receive the distribution directly in accordance with the Plan, then the Committee will pay the distribution in a Direct Rollover to an individual retirement account designated by the Committee. For purposes of determining whether a mandatory distribution is greater than One Thousand Dollars ($1,000), the portion of the Participant's distribution attributable to any rollover contribution is included.

D. Rollovers From Other Plans. The Plan will accept rollovers from other plans as follows:

1. Direct Rollovers. The Plan will accept a direct rollover of an Eligible Rollover Distribution from:

(a) Qualified plan described in Code Section 401(a) or 403(a), including after•tax employee contributions.

(b) An annuity contract described in Code Section 403(b), excluding after-tax employee contributions.

(c) An eligible plan under Code Section 457(b) which is maintained by a state, political subdivision of a state, or any agency or instrumentality of a state or political subdivision of a state.

2. Participant Rollover Contributions from Other Plans. The Plan will accept a Participant contribution of an Eligible Rollover Distribution from:

(a) A qualified plan described in Code Section 401(a) or 403(a).

(b) An annuity contract described in Code Section 403(b).

(c) An eligible plan under Code Section 457(b) which is maintained by a state, political subdivision of a state, or any agency or instrumentality of a state or political subdivision of a state.

3. Participant Rollover Contributions from IRAs. The Plan will accept a Participant rollover contribution of the portion of a distribution from a traditional individual retirement account or annuity described in Code Section 408(a) or 408(b) that is eligible to be rolled over and would otherwise be includible in gross income.

4. Rollover of Roth Elective Deferrals or Contributions. The Plan will accept any rollover contributions to a Roth Elective Deferral Account under the Plan or other permissible rollover transfers, contributions or payments of Roth 401(k) deferrals or contributions from any other qualified plan, annuity contract, or other plan, account, or arrangement, subject to rules and applicable regulations as determined by the Committee and consistent with the Code and the Plan.

5. Rollover of Nontaxable Distributions

The portion of a distribution of a Participant's Account that is not includible in gross income for federal income tax purposes may be transferred in a direct trustee-to-trustee transfer to a qualified trust or to an annuity contract described in Code Section 403(b) that provides for separate accounting for amounts so transferred (and earnings thereon), including separately accounting for the portion of such distribution which is includible in gross income and the portion of such distribution which is not so includible, or to an eligible retirement plan, as provided in Code Section 402(c)(2)(A).

6. Trust to Trust Transfers From Plans of Other Employers

The Company may, from time to time, direct the Trustee to receive, accept transfers of, and hold as a part of the Trust, deposits or transfers of the funds, deposits, property, assets, and/or accounts of Participants from a trust which is part of any qualified defined contribution plan of another employer. Any such deposit or transfer shall be subject to prior written approval of the Company, and may be pursuant to a modification, continuation, termination, partial termination, consolidation or merger with, or replacement of any such other plan which may be adopted by the Company, or pursuant to any other arrangement mutually determined and agreed upon by the Company and such other employer. If an employee of the Company whose account is so transferred is otherwise eligible and not already participating in the Plan, he/she shall become a Participant at the time of such transfer and deposit. Any funds or property from the account of a Participant under the plan of another employer which are so transferred and accepted by the Trustee shall be received and deposited in full to an account or accounts of that Participant under this Plan, and shall thereupon become a part of the Trust held for the account of that Participant in accordance with all the terms and provisions of the Plan. The Committee shall determine and prescribe reasonable and appropriate procedures, certifications, and other requirements to be accomplished and performed by the Company, the Trustee, the Participant, the plan administrator and trustee of such other employer plan, in order to assure an effective and satisfactory transfer of trust funds, and any such transfer shall be conditioned upon compliance with all such requirements.

Notwithstanding any of the foregoing, the Company shall have no obligation to make any matching or other additional contributions to the Plan to or for the benefit of any Participant by reason of any such transfer or deposit to the Trust under this Paragraph 5.

7. Separately Accounted For Rollovers From Other Plans

Notwithstanding the foregoing or any other provision of the Plan, the Plan may separately account for amounts attributable to rollover contributions by Participants to the Plan. If such separate accounting is prescribed and made pursuant to direction of the Committee, the amounts attributable to such rollover contributions shall be subject to the general rules otherwise applicable to distributions under the Plan, unless and until there is an amendment of the Plan to expressly provide that such amounts may be distributed at any time pursuant to the Participant's request. Provided, that any distributions of amounts attributable to a rollover contribution from another plan is subject to the survivor annuity requirements of Code Sections 401(a)(11) and 417, and the minimum distribution requirements of Code Section 401(a)(9) and additional income tax under Section 72(t) to the extent otherwise applicable to the Plan and Participants.

8. Rollover to IRA for Non-Spouse Beneficiary

A direct trustee-to-trustee transfer may be made of any portion of a distribution of the Plan Account of a deceased Participant or Employee to an individual retirement account established for the purpose of receiving the distribution on behalf of an individual who is a designated beneficiary of the Participant or Employee and who is not the surviving spouse of the Participant or Employee pursuant to Code Section 402(c)(11) and Article XIII, paragraph 5. of the Plan.

9. Transfer to Foreign Trust Disallowed

Notwithstanding anything to the contrary expressed or implied in the Plan, transfers of amounts from the Plan to a foreign trust that is not a qualified plan or that would be considered a distribution of the amount transferred for federal income tax purposes under applicable regulations and guidance of the Internal Revenue Service, shall not be made.

10. Automatic Rollover by Participants or Inactive Participants

In furtherance of the foregoing and as otherwise allowed by the Plan and directed and authorized by the Committee, the Plan may include and be administered to provide one or more automatic rollover features and procedures, to include such a feature or procedure under which inactive Participants or former Employees may rollover cash or investment options in kind to an individual retirement account by means of an electronic medium or similar program maintained and administered by the Trustee of the Plan, or an affiliate thereof.

ARTICLE VI.

SUSPENSION OF SALARY REDUCTIONS, DEPOSITS

PARAGRAPH

1. Suspension of Reduction in Compensation or After-Tax Deposits by Participant for Deficiency in Compensation

A Participant may, at any time elect in writing, in the manner prescribed by the Committee, to suspend his/her elected Reduction in Compensation or After-Tax Deposits in any regular pay period in which either would normally be deducted pursuant to his/her prior election. In any pay period in which a Reduction in Compensation or After-Tax Participant Deposit would normally be deducted from such a Participant's pay, such Reduction in Compensation or After-Tax Participant Deposit will be automatically suspended without notice if his/her net pay for such pay period is insufficient to permit the deduction to be made in full.

2. Reinstatement of Voluntarily Suspended Reduction in Compensation or After-Tax Deposits

A Participant may at any time elect in writing to reinstate his/her Reduction in Compensation or After-Tax Participant Deposit to the Plan which he/she previously voluntarily suspended. Such election to reinstate a previously suspended Reduction in Compensation or After-Tax Participant Deposit shall be made in the manner prescribed by the Committee and shall be effective on the first day of the calendar quarter next following the end of the calendar month in which the Participant's written election for such reinstatement is received by the Company.

ARTICLE VII.

COMPANY MATCHING CONTRIBUTIONS

PARAGRAPH

1. Company Matching Contributions

The Company shall make Matching Contributions for Participants in the Plan as provided for in this Article VII, below.

Upon and after a Non-Bargaining Unit Participant's commencement of participation in the Plan, subject to the limitations specified herein and in Article VIII, the Company shall regularly contribute, out of its net earnings and earned surplus as reflected by its books of account, and shall pay to the Trustee at least monthly, amounts of Matching Contributions equal to the 401(k) Contributions for that Non-Bargaining Unit Participant, or that Non• Bargaining Unit Participant's After-Tax Deposits for that month, as provided for herein below.

After a Bargaining Unit Participant has completed one (1) Year of Service as an Employee of the Company, subject to the limitations specified herein and in Article VIII, the Company shall regularly contribute, out of its net earnings and earned surplus as reflected by its books of account, and shall pay to the Trustee at least monthly, amounts of Matching Contributions equal to the 401(k) Contributions for that Bargaining Unit Participant, or that Bargaining Unit Participant's After-Tax Deposits for that month, as the case may be, as provided for herein below.

A. Non-Bargaining Unit Participants

1. The Company shall make a Matching Contribution for each Non-Bargaining Unit Participant which shall be equal to the 401(k) Contribution for such Participant based upon such Participant's elected Reduction in Compensation and deferral for that payroll period, subject to the limitation stated in clause 3. of this subparagraph 1.A., below; provided, that the Company shall not make any Matching Contribution for such a Non-Bargaining Unit Participant with respect to that part of the 401(k) Contribution that is either an ESOP Dividend Distribution/Additional Deferral Contribution or a Catch-Up Contribution made for such Participant.

2. After making the Matching Contribution provided for in clause 1. of this subparagraph 1.A. above, the Company shall make a Matching Contribution for each Non• Bargaining Unit Participant which shall be equal to such Participant's After-Tax Deposits for that payroll period, subject to the limitation stated in clause 3. of this subparagraph I.A., below.

3. The aggregate Matching Contributions of the Company per payroll period under clauses 1. and 2. of this subparagraph 1.A. for a Non-Bargaining Unit Participant hereunder shall not exceed six percent (6%) of the Non-Bargaining Unit Participant's Compensation for the payroll period.

4. A full Matching Contribution shall be made for a Participant whose 401(k) Contributions equal the deferral limitation under Code Section 402(g) prior to the Plan limit on Matching Contributions being reached for the Plan Year. If the 401(k) Contributions based upon a Participant's elected Reduction in Compensation equal the Code Section 402(g) limitation at any time during a Plan Year, and when such limitation is reached no further 401(k) Contributions or

After-Tax Deposits are made for or by such Participant for that Plan Year, and the amount of Matching Contributions made for the Plan Year is then less than the Maximum Matching Contribution Amount, the Company shall thereafter make one or more payroll period Matching Contributions for the Participant in that Plan Year until the total Matching Contributions made for the Participant for that Plan Year equal such Maximum Matching Contribution Amount. For purposes of this subparagraph 1.A.4., the term "Maximum Matching Contribution Amount" shall mean the lesser of (i) the total amount of the 401(k) Contributions for the Participant and the Participant's After-Tax Contributions for that Plan Year, or (ii) six percent (6%) of the total of the Participant's payroll period compensation for all payroll periods in that Plan Year.

B. Bargaining Unit Participants.

1. For each payroll period the Company shall make a Matching Contribution for each Bargaining Unit Participant equal to one hundred percent (100%) of the percentage of any 401(k) Contribution and of any After-Tax Deposit for the Payroll Period times such Bargaining Unit Participant's Annual Compensation; provided, that the Company's Matching Contribution for a Payroll Period shall apply only to the first six percent (6%) of the amount of any Bargaining Unit Participant's Annual Compensation paid for the Payroll Period, and any Matching Contribution shall only be made with respect to any Bargaining Unit Participant's Annual Compensation for Payroll Periods beginning after the first day of the calendar month coincident with or next following completion of one (1) year of service by such Bargaining Unit Participant. Notwithstanding any other provision of the Plan, the Company shall not make any Matching Contribution for such a Bargaining Unit Participant with respect to that part of the 401(k) Contribution that is a Catch-Up Contribution made for such Participant.

2. The Company's maximum Matching Contribution shall in all cases be allocated and contributed first to match the 401(k) Contribution for the Participant's Reduction in Compensation for that month, and shall then be allocated and contributed to match a Participant's After-Tax Deposit only to the extent such Participant's Reduction in Compensation for that month is less than the Company's maximum Matching Contribution for that month.

C. Application of Limitations

If necessary to meet the limitations of paragraphs 2., 3., 4., or 6. of Article VIII, the Company's Matching Contributions for a Participant shall be reduced in the manner determined by the Committee. Such reductions shall be made in a uniform and nondiscriminatory manner, determined by the Committee in its sole discretion, which are needed to comply with such limitations.

2. Participant's Matching Contribution Account

The Company's Matching Contribution shall be credited to each participating Participant's Employer Contribution Account.

3. Re-entry of Participant

If a former Participant whose employment has terminated shall be rehired as an Employee, he/she shall be entitled to have all his/her prior service counted for purposes of the one (1)-year service requirement for entitlement to Company Matching Contributions.

4. USERRA

The Company matching contributions provided for under the Plan shall be provided in accordance with the special rules relating to veterans rights under USERRA in Code Section 414(u).

ARTICLE VIII.

LIMITATIONS ON CONTRIBUTIONS AND ANNUAL ADDITIONS

PARAGRAPH

1. General

Company contributions, After-Tax Deposits, and other contributions under the Plan shall be limited as provided in this Article VIII.

2. Limitation on Elective Deferrals; Catch-Up Contributions

No Participant shall be permitted to have Elective Deferrals made under this Plan, or any other plan, contract or arrangement maintained by the Company, during any calendar year, in excess of the dollar limitation contained in Code Section 402(g) in effect for the Participant's taxable year beginning in such calendar year. In the case of a Participant age fifty (50) or over by the end of the taxable year, the dollar limitation described in the preceding sentence includes the amount of Elective Deferrals that can be Catch-Up Contributions. The dollar limitation contained in Code Section 402(g) is $18,500 for taxable years beginning in 2018. Such limit will be adjusted by the Secretary of the Treasury for the cost-of-living increases under Code Section 402(g)(4).

For purposes of the foregoing and the Plan "Catch-Up Contributions" are Elective Deferrals made to the Plan that are in excess of an otherwise applicable Plan limit and that are made by a Participant who is age fifty (50) or over by the end of the taxable year. An otherwise applicable limit is a limit in the Plan that applies to Elective Deferrals without regard to Catch• Up Contributions, such as limits on annual additions, the dollar limit on Elective Deferrals under Code Section 402(g) (not counting Catch-Up Contributions) and the limit imposed on the actual deferral percentage (ADP) test under Code Section 401(k)(3). Catch-Up Contributions for a Participant for a taxable year may not exceed (1) the dollar limit on Catch-Up Contributions under Code Section 414(v)(2)(B)(i) for the taxable year or (2) when added to other Elective Deferrals, 75 percent of the Participant's Compensation for the taxable year. The dollar limit on Catch-Up Contributions under Code Section 414(v)(2)(B)(i) is $6,000 for taxable years beginning in 2018, which will be adjusted by the Secretary of the Treasury for cost-of-living increases under Code Section 414(v)(2)(C). Catch-Up Contributions are not subject to the limits on annual additions, are not counted in the ADP test and are not counted in determining the minimum allocation under Code Section 416 (but Catch-Up Contributions made in prior years are counted in determining whether the Plan is top-heavy).

3. Actual Deferral Percentage Limitations

The Actual Deferral Percentage for the Highly Compensated Employees for the Plan Year shall not exceed the greater of A. or B. as follows:

A. The Actual Deferral Percentage for the preceding Plan Year for all those Employees eligible to be Participants in this Plan who are not Highly Compensated Employees, multiplied by 1.25, or

B. The Actual Deferral Percentage for the preceding Plan Year for those Employees eligible to be Participants in this Plan who are not Highly Compensated Employees multiplied by two (2); provided, however, that under this subparagraph 3.B. limitation the Actual Deferral Percentage for the Highly Compensated Employees may not exceed the Actual Deferral Percentage for the preceding Plan Year for

the Employees eligible to be Participants in this Plan who are not Highly Compensated Employees by more than two (2) percentage points.

This limitation shall be applied and used in testing under the prior or preceding year method under Code Section 401(k)(3). Provided, the Company may amend the Plan to provide that it elects to apply the limitations of subparagraphs A. and B. of this paragraph by using the Actual Deferral Percentage of eligible Participants who are not Highly Compensated Employees for the current Plan Year rather than the preceding Plan Year in accordance with applicable Regulations, except that if such election is made, it may not be changed except as provided by the Internal Revenue Service under Code Section 401(k)(3).

If any Highly Compensated Employee is a participant in two (2) or more cash or deferred arrangements of the Company, for purposes of determining the Actual Deferral Percentage with respect to such Participant, all such cash or deferred arrangements shall be treated as one (1) cash or deferred arrangement, for purposes of this paragraph and the Plan, in accordance with Code Section 401(k)(3) and Treasury Regulations §1.401(k)-1(g).

If two (2) or more plans which include cash or deferred arrangements are considered as one (1) plan for purposes of Code Section 401(a)(4) or 410(b), the cash or deferred arrangements included in such plans shall be treated as one (1) arrangement for purposes of this paragraph and the Plan, in accordance with Code Section 401(k)(3) and Treasury Regulations §§1.401(k)-1(b)(3) and 1.401(k)-1(g).

4. Limitations on Company Matching Contributions

The Matching Contribution Percentage for eligible Highly Compensated Employees for any Plan Year shall not exceed the greater of (i) one hundred twenty-five percent (125%) of such percentage for all other eligible Employees, for the preceding Plan Year, or (ii) the lesser of two hundred percent (200%) of such Matching Contribution Percentage for all other eligible Employees for the preceding Plan Year, or such Matching Contribution Percentage for all other eligible Employees for the preceding Plan Year, plus two (2) percentage points.

This limitation shall be applied and used in testing under the prior or preceding year method under Code Section 401(m)(2). Provided, the Company may amend the Plan to provide that elects to apply the limitations of this paragraph by using the current Plan Year rather than the preceding Plan Year, in accordance with applicable Regulations, except that if such election is made, it may not be changed except as provided by the Internal Revenue Service under Code Section 401(m)(2).

If two (2) or more plans of the Company to which matching contributions, employee contributions, or elective deferrals are made are treated as one (1) plan for purposes of Code Section 410(b), such plans shall be treated as one (1) plan for purposes of this paragraph and the Plan, for purposes of this paragraph and the Plan, in accordance with Code Section 401(m)(2)(B) and Treasury Regulations §1.401(m)-1(f).

If a Highly Compensated Employee participates in two (2) or more plans of the Company to which contributions to which Code Section 401(m) applies are made, all such contributions shall be aggregated for purposes of this paragraph and the Plan, in accordance with Code Section 401(m)(2)(B) and Treasury Regulations §§1.401(m)-1(b)(3) and 1.401(m)-1(f).

5. Separate Application of Limitations

If this Plan is maintained by separate employers as a multiple employer plan, the Actual Deferral Percentage limitations in paragraph 3. above, and the Matching Contribution Percentage limitations in

paragraph 4. above, shall be applied as if each separate employer maintaining this Plan as a multiple employer plan maintained a separate plan

6. Limitation on Allocations, Annual Additions

Pursuant to this paragraph 6., contributions and other additions to the Plan with respect to any Participant for any taxable year shall not exceed the limitation provided in Code Section 415(c)(3), expressed as an Annual Addition to the Participant's account, which limitation is the greater of (i) $55,000 (adjusted for increases in the cost-of-living pursuant to Code Section 415(d)), or (ii) 100% of the Participant's Compensation, as described and provided herein below.

A. Limitation for Participant that Participates in No Other Plan.

1. (a) If the Participant does not participate in, and has never participated in another qualified plan maintained by the Company or a welfare benefit fund, as defined in §419(e) of the Code maintained by the Company, or an individual medical account, as defined in §415(1)(2) of the Code, maintained by the Company, or a simplified employee pension, as defined in §408(k) of the Code, maintained by the Company, which provides an Annual Addition as defined in paragraph 6.C.I., below, the amount of Annual Additions which may be credited to the Participant's account for any Limitation Year will not exceed the lesser of the Maximum Permissible Amount or any other limitation contained in the Plan.

(b) If the Company contribution that would otherwise be contributed or allocated to the Participant's Account would cause the Annual Additions for the Limitation Year to exceed the Maximum Permissible Amount, the amount contributed or allocated will be reduced so that the Annual Additions for the Limitation Year will equal the Maximum Permissible Amount.

2. Prior to determining the Participant's actual Compensation for the Limitation Year, the Company may determine the Maximum Permissible Amount for a Participant on the basis of a reasonable estimation of the Participant's Compensation for the Limitation Year, uniformly determined for all Participants similarly situated.

3. As soon as is administratively feasible after the end of the Limitation Year, the Maximum Permissible Amount for the Limitation Year will be determined on the basis of the Participant's actual Compensation for the Limitation Year.

4. If there is an Excess Amount of a Participant's Annual Additions for a Limitation Year it shall be corrected and adjusted in the manner allowed and authorized under Code Section 401(a) and applicable regulations and guidance published by the Internal Revenue Service, including the Employee Plans Compliance Resolution System (EPCRS).

B. Limitation for Participant that Participates in Other Plan.

1. (a) This paragraph 6.B. applies if, in addition to this Plan, the Participant is covered under another qualified defined contribution plan maintained by the Company, a welfare benefit fund maintained by the Company, an individual medical account maintained by the Company, or a simplified employee pension maintained by the Company, that provides an Annual Addition as defined in paragraph 6.C.I., during any Limitation Year.

(b) The Annual Additions which may be credited to a Participant's Account under this Plan for any such Limitation Year will not exceed the Maximum Permissible Amount reduced by the Annual Additions credited to a Participant's account under the other qualified defined contribution plans, welfare benefit funds, individual medical accounts, and simplified employee pensions for the same Limitation Year.

(c) If the Annual Additions with respect to the Participant under other qualified defined contribution plans, welfare benefit funds, individual medical accounts, and simplified employee pensions maintained by the Company are less than the Maximum Permissible Amount and the Company contribution that would otherwise be contributed or allocated to the Participant's Account under this Plan would cause the Annual Additions for the Limitation Year to exceed this limitation, the amount contributed or allocated will be reduced so that the Annual Additions under all such plans and funds for the Limitation Year will equal the Maximum Permissible Amount.

(d) If the Annual Additions with respect to the Participant under such other qualified defined contribution plans, welfare benefit funds, individual medical accounts, and simplified employee pensions in the aggregate are equal to or greater than the Maximum Permissible Amount, no amount will be contributed or allocated to the Participant's Account under the Plan for the Limitation Year.

2. Prior to determining the Participant's actual Compensation for the Limitation Year, the Company may determine the Maximum Permissible Amount for a Participant in the manner described in paragraph 6.A.2., above.

3. As soon as is administratively feasible after the end of the Limitation Year, the Maximum Permissible Amount for the Limitation Year will be determined on the basis of the Participant's actual Compensation for the Limitation Year.

4. If, pursuant to paragraph 6.B.3., above, or as a result of the allocation of forfeitures, a Participant's Annual Additions under the Plan and such other plans would result in an Excess Amount for a Limitation Year, the Excess Amount will be deemed to consist of the Annual Additions last allocated, except that Annual Additions attributable to a simplified employee pension will be deemed to have been allocated first, followed by Annual Additions to a welfare benefit fund or individual medical account, regardless of the actual allocation date.

5. If an Excess Amount was allocated to a Participant on an allocation date of the Plan which coincides with an allocation date of another plan, the Excess Amount attributed to the Plan will be the product of,

(a) the total Excess Amount allocated as of such date, times

(b) the ratio of (i) the Annual Additions allocated to the Participant for the Limitation Year as of such date under the Plan to (ii) the total Annual Additions allocated to the Participant for the Limitation Year as of such date under this Plan and all the other qualified defined contribution plans.

6. Any Excess Amount attributed to this Plan will be disposed in the manner described in paragraph 6.A.4.

C. Definitions. The following definitions shall apply for purposes of this paragraph 6., and is applicable under the Plan.

1. Annual Additions: The sum of the following amounts credited to a Participant's Account for the limitation year:

(a) Company contributions;

(b) Employee contributions;

(c) Forfeitures;

(d) Amounts allocated to an individual medical account, as defined in Code Section 415(1)(2), which is part of a pension or annuity plan maintained by the Company are treated as Annual Additions to a defined contribution plan. Also amounts derived from contributions paid or accrued which are attributable to post-retirement medical benefits, allocated to the separate account of a key employee, as defined in Code Section 419A(d)(3), under a welfare benefit fund, as defined in Code Section 419(e), maintained by the Company are treated as Annual Additions to a defined contribution plan; and

(e) Allocations under a simplified employee pension.

For this purpose, any Excess Amount applied under paragraphs 6.A.4. and 6.B. in the Limitation Year to reduce Company contributions will be considered Annual Additions for such Limitation Year.

2. Compensation: Compensation is defined as wages, salaries, and fees for professional services and other amounts received (without regard to whether or not an amount is paid in cash) for personal services actually rendered in the course of employment with the Company or employer maintaining the Plan to the extent that the amounts are includable in gross income (including, but not limited to, commissions paid salesmen, compensation for services on the basis of a percentage of profits, commissions on insurance premiums, tips, bonuses, fringe benefits, and reimbursements or other expense allowances under a nonaccountable Plan (as described in Treasury Regulations §1.62-2(c)), and excluding the following:

(a) Employer contributions to a plan of deferred compensation which are not includible in the Employee's gross income for the taxable year in which contributed, or Employer contributions under a simplified employee pension plan, or any distributions from a plan of deferred compensation;

(b) Amounts realized from the exercise of a non-qualified stock option, or when restricted stock (or property) held by the Employee either becomes freely transferable or is no longer subject to a substantial risk of forfeiture;

(c) Amounts realized from the sale, exchange or other disposition of stock acquired under a qualified stock option; and

(d) Other amounts which received special tax benefits, or contributions made by the Employer (whether or not under a salary reduction agreement) towards the purchase of an annuity contract described in Code Section 403(b) (whether or not the contributions are actually excludable from the gross income of the Employee).

In general, for purposes of applying the limitations of this paragraph 6., Compensation for a Limitation Year is the Compensation actually paid or made available in gross income during such Limitation Year.

Notwithstanding the preceding sentence, Compensation for a Participant in a defined contribution plan who is permanently and totally disabled (as defined in Code Section 22(e)(3)) is the Compensation such Participant would have received for the Limitation Year if the Participant had been paid at the rate of Compensation paid immediately before becoming permanently and totally disabled.

Any compensation shall be considered for purposes of this paragraph for a Limitation Year notwithstanding that is paid after the Participant's severance from employment with the Company, provided the compensation is paid by the later of 2 ½ months after severance from employment with the Company or the end of the Limitation Year that includes the date of severance from employment with the Company.

3. Defined Contribution Dollar Limitation: $55,000, as adjusted under Code Section 415(d).

4. Company: For purposes of this paragraph, Company shall mean the Company and subsidiaries that adopt the Plan, and all members of a controlled group of corporations (as defined in Code Section 414(b), as modified by Code Section 415(h)), all commonly controlled trades or businesses (as defined in Code Section 414(c), as modified by Code Section 415(h)) or affiliated service groups (as defined in Code Section 414(m)) of which the adopting entity is a part, and any other entity required to be aggregated with the Company pursuant to regulations under Code Section 414(o).

5. Excess Amount: The excess of the Participant's Annual Additions for the Limitation Year over the Maximum Permissible Amount.

6. Limitation Year: A calendar year. All qualified plans maintained by the Company must use the same Limitation Year. If the Limitation Year is amended to a different 12- consecutive month period, the new Limitation Year must begin on a date within the Limitation Year in which the amendment is made.

7. Maximum Permissible Amount.

For limitation years beginning on or after January 1, 2014, except for catch up contributions described in Code Section 414(v), the Annual Addition that may be contributed or allocated to a Participant's Account under the Plan for any Limitation Year shall not exceed the lesser of:

(a) The Defined Contribution Dollar Limitation.

(b) 100 percent of the Participant's Compensation for the Limitation Year.

The compensation limit referred to in (b) shall not apply to any contribution for medical benefits after separation from service (within the meaning of Code Section 401(h) or Code Section 419A(f)(2)), which is otherwise treated as an Annual Addition.

If a short limitation year is created because of an amendment changing the Limitation Year to a different 12-consecutive month period, the Maximum Permissible amount will not exceed the defined contribution dollar limitation multiplied by the following fraction:

$$\frac{\text{Number of months in the short limitation year}}{12}$$

7. No Return or Diversion of Contributions Except for Mistake

Except as provided in paragraphs 9. and 10. of this Article VIII below, the Trustee shall hold the Company's contributions in the respective Participants' Accounts, subject to the provisions of the Plan; and no part of those contributions shall be recoverable by the Company, nor shall they be used for, or diverted to any other purpose, except for return thereof to the Company in the case and to the extent of its contributions having been made by reason of a mistake of fact, in which case the return to the Company of the amount involved shall be made within one (1) year of the mistaken contribution; and if a contribution to the Plan conditioned upon the deductibility of the contribution under Code Section 404, as provided in paragraph 14. of this Article VIII, then such contribution may be returned to the Company (to the extent disallowed) within one (1) year after the disallowance of the deduction; provided, that any contribution for a Participant which exceeds the limitations provided in paragraphs 2. and 3. of this Article VIII shall be distributed to the Participant as directed by the Committee within a reasonable period of time consistent with requirements for distributing excess deferrals under the Code and regulations thereunder.

8. Distribution of Excess Deferrals

If any Excess Deferrals are included in the gross income of a Participant for any taxable year under Code Section 402(g)(1), (or corresponding section of any future federal tax code), then not later than March 1 following the close of the taxable year, such Participant may allocate the amount of such Excess Deferrals among the plans under which the Excess Deferrals were made and may notify the Committee of the portion allocated to the Plan; and not later than April 1 following the close of the taxable year, the Plan may distribute to such Participant the amount allocated to the Plan (and any income allocable to such amount). Such distribution of the Excess Deferrals of a Participant may be made notwithstanding any other provision of the Plan, the Code, or ERISA; provided, that except to the extent provided in applicable Treasury Regulations, notwithstanding the distribution of such portion of Excess Deferrals from the Plan, such portion shall be treated as a contribution of the Company for purposes of applying the limitations in paragraphs 3. and 4. of this Article VIII and Code Section 401(k). If the Plan distributes only a portion of any Excess Deferrals allocated to the Plan and income allocable thereto, such portion shall be treated as having been distributed ratably from the Excess Deferral allocable to the Plan and the income.

9. Excess 401(k) Contributions

In the event there are Excess Contributions under the limitations of Code Section 401(k) for any Plan Year actually paid over to the Trust on behalf of Highly Compensated Employees, then the Committee may, in its sole discretion, direct the Trustee to distribute the amount of such Excess Contributions for such Plan Year (and any income allocable to such Excess Contributions). Notwithstanding any other provision of this Plan, Excess Contributions plus any income and minus any loss allocable thereto, shall be distributed no later than the last day of each Plan Year to Participants to whose accounts such Excess

Contributions were allocated for the preceding Plan Year; provided, that such distribution shall be made as promptly as practicable, so as to avoid the effect of Code provisions stating that if such excess amounts are distributed more than 2½ months after the last day of the Plan Year in which such excess amounts arose, a ten percent (10%) excise tax will be imposed on the employer maintaining the Plan with respect to such amounts. Excess Contributions shall be allocated to the Highly Compensated Employees with the largest amounts of Company contributions taken into account in calculating the Actual Deferral Percentage test for the Plan Year in which the excess arose, beginning with the Highly Compensated Employee with the largest amount of such Company contributions and continuing in descending order until all the Excess Contributions have been allocated. For purposes of the preceding sentence the "largest amount" is determined after distribution of Excess Contributions. If such excess amounts are distributed more than two and one-half (2½) months after the last day of the Plan Year in which such excess amounts arose, a 10-percent excise tax will be imposed on the Company with respect to such amounts.

Excess Contributions (including the amounts recharacterized) shall be treated as annual additions under the Plan.

Excess Contributions shall be adjusted for any income or loss up to the end of the Plan Year. Unless otherwise determined by the Committee, the income or loss allocable to Excess Contributions is the income or loss allocable to the Participant's Elective Deferral account (and, if applicable, the Qualified Nonelective Contribution account or the Qualified Matching Contributions account or both) for the Plan Year multiplied by a fraction, the numerator of which is such Participant's Excess Contributions for the year and the denominator is the Participant's account balance attributable to Elective Deferrals (and Qualified NonElective Contributions or Qualified Matching Contributions, or both, if any of such contributions are included in the Actual Deferral Percentage test) without regard to any income or loss occurring during such Plan Year.

Excess Contributions shall be distributed from the Participant's Elective Deferral account and Qualified Matching Contribution account (if applicable) in proportion to the Participant's Elective Deferrals and Qualified Matching Contributions (to the extent used in the Actual Deferral Percentage test) for the Plan Year. Excess Contributions shall be distributed from the Participant's Qualified Nonelective Contribution account only to the extent that such Excess Contributions exceed the balance in the Participant's Elective Deferral account and Qualified Matching Contribution account.

The Committee may, in its sole discretion, permit a Participant to treat his or her Excess Contributions as an amount distributed to the Participant and then contributed by the Participant to the Plan. Such recharacterized amounts will remain nonforfeitable and subject to the same distribution requirements as Elective Deferrals under the Plan. Amounts may not be recharacterized by a Highly Compensated Employee to the extent that such amount in combination with other Participant contributions made by the Participant would exceed any stated limit under the Plan on Participant contributions. Any such recharacterization must occur no later than two and one-half (2½) months after the last day of the Plan Year in which such Excess Contributions arose and is deemed to occur no earlier than the date the last Highly Compensated Employee is informed in writing of the amount recharacterized and the consequences thereof. Recharacterized amounts will be taxable to the Participant for the Participant's tax year in which the Participant would have received them in cash.

If and to the extent Excess Contributions (and income allocable thereto) are distributed, such Excess Contributions and allocable income shall be designated by the Company as a distribution of Excess Contributions (and income) and shall be distributed to the appropriate Highly Compensated Employees after the close of the Plan Year in which the Excess Contributions arose and within twelve (12) months after the close of that Plan Year. In all cases, for purposes of the foregoing, the income allocable to Excess

Contributions shall equal the sum of the allocable gain or loss for the Plan Year. In addition to the provisions stated above, the Committee may determine and use any reasonable method for computing the income allocable to Excess Contributions, which method shall be nondiscriminatory, be used consistently for all Participants and for all corrective distributions under the Plan for the Plan Year, and be used by the Plan for allocating income to Participants' accounts.

The amount of Excess Contributions to be distributed or to be recharacterized under the foregoing provisions of this Article VIII with respect to a Participant shall be reduced by any Excess Contributions previously distributed to the Participant for the Participant's taxable year ending with or within the Plan Year in accordance with Code Section 402(g)(2), (or corresponding section of any future federal tax code), and the amount of Excess Contributions that may be distributed with respect to a Participant for a taxable year shall be reduced by any Excess Contributions previously distributed or recharacterized with respect to the Participant for the Plan Year beginning with or within the taxable year, in the manner necessary to satisfy the applicable provisions of the Treasury Regulations under Code Section 401(k).

10. Excess Aggregate Contributions

In the event the aggregate amount of Matching Contributions and employee contributions (and any qualified nonelective contribution or elective contribution taken into account in computing the contribution percentage) actually made on behalf of Highly Compensated Employees for any Plan Year is an amount in excess of the maximum amount of such contributions permitted under the limitations on matching contributions stated in paragraph 4. of this Article VIII (determined by reducing contributions made on behalf of Highly Compensated Employees in order of their contribution percentages beginning with the highest of such percentages), then the Committee may, in its sole discretion, direct the Trustee to distribute the amount of such excess of such contributions for such Plan Year (and any income allocable to such contributions), but the distribution of such excess contributions (and income) shall be made within two and one-half (2½) months after the close of such Plan Year. Any distribution of such Excess Aggregate Contributions for any Plan Year shall be made to Highly Compensated Employees on the basis of the amount of contributions on behalf of, or by, each such Highly Compensated Employee.

The determination of the amount of such excess aggregate contributions with respect to the Plan shall be made after (i) first determining the excess deferrals (within the meaning of Code Section 402(g) (or corresponding section of any future federal tax code)), and (ii) then determining the excess 401(k) Contributions under paragraph 3. of this Article VIII.

Notwithstanding any other provision of this Plan, Excess Aggregate Contributions, plus any income and minus any loss allocable thereto, shall be distributed no later than the last day of each Plan Year to Participants to whose accounts such Excess Aggregate Contributions were allocated for the preceding Plan Year; provided, that such distribution shall be made as promptly as practicable, so as to avoid the effect of Code provisions stating that if such Excess Aggregate Contributions are distributed more than 2½ months after the last day of the Plan Year in which such excess amounts arose, a ten percent (10%) excise tax will be imposed on the employer maintaining the Plan with respect to those amounts.

Excess Aggregate Contributions shall be treated as annual additions under the Plan.

Excess Aggregate Contributions shall be adjusted for any income or loss up to the end of the Plan Year. Unless otherwise determined by the Committee, the income or loss allocable to Excess Aggregate Contributions is the income or loss allocable to the Participant's Employee Contribution account, Matching Contribution account, Qualified Matching Contribution account (if any, and if all amounts therein are not used in the Actual Deferral Percentage test) and, if applicable, Qualified Nonelective

Contribution account and Elective Deferral account for the Plan Year multiplied by a fraction, the numerator of which is such Participant's Excess Aggregate Contributions for the year and the denominator is the Participant's account balance(s) attributable to Contribution Percentage Amounts without regard to any income or loss occurring during such Plan Year.

Excess Aggregate Contributions shall be distributed on a pro-rata basis from the Participant's Employee Contribution account, Matching Contribution account, and Qualified Matching Contribution account (and, if applicable, the Participant's Qualified Nonelective Contribution account or Elective Deferral account, or both).

The method of distributing Excess Aggregate Contributions shall in all cases satisfy the requirements of Code Section 401(a)(4), and after any correction by means of such distributions, each level of matching contributions must be currently and effectively available to a group of Employees that satisfies Code Section 410(b), and in correcting Excess Aggregate Contributions by means of distributions, Participant contributions may not be distributed to Highly Compensated Employees to the extent needed to meet the requirements of Code Section 401(m)(2) while Matching Contributions attributable to Participant Contributions remain allocated to Highly Compensated Employees' accounts; provided, that a method of distributing Excess Aggregate Contributions may include the distribution of unmatched Participant contributions that exceed the highest rate at which Participant contributions are matched before matched Participant contributions, or the distribution of Matching Contributions prior to Participant contributions.

The distribution of Excess Aggregate Contributions under this paragraph shall include all income applicable thereto. The income allocable to Excess Aggregate Contributions is equal to the sum of the allocable gain or loss for the Plan Year. In addition, to the provisions stated above, the Committee may determine and use any reasonable method for computing the income allocable to Excess Aggregate Contributions, which method shall be nondiscriminatory, be used consistently for all Participants and for all corrective distributions under the Plan for the Plan Year, and be used by the Plan for allocating income to Participants' accounts.

11. Qualified Nonelective and Matching Contributions

The Company may, in its sole discretion, elect to make Qualified Nonelective Contributions and Qualified Matching Contributions that are to be treated as 401(k) Contributions in order to satisfy the Actual Deferral Percentage tests prescribed in paragraph 3. of this Article VIII, and treated as Company Matching Contributions, to satisfy the nondiscrimination tests prescribed in paragraph 4. of this Article VIII provided that such Qualified Nonelective Contributions or Qualified Matching Contributions shall be treated as 401(k) Contributions or Company Matching Contributions if they satisfy the requirements for such treatment prescribed by the applicable Treasury Regulations. The term "Qualified Nonelective Contributions" means Company contributions to the Plan other than 401(k) Contributions and Company Matching Contributions that satisfy the requirements of the nondiscrimination requirements of the Plan provided in paragraph 3. of this Article VIII, and the distribution limitations applicable to 401(k) Contributions under the Plan, Code Section 401(k)(2)(B), and Treasury Regulations Section 1.401(k)-l(d).

The amount of any nonelective contributions to the Plan, including those Qualified Nonelective Contributions treated as elective contributions for purposes of the Actual Deferral Percentage test, must satisfy the requirements of Code Section 401(a)(4) and Treasury Regulations thereunder; the amount of nonelective contributions, excluding those Qualified Nonelective Contributions treated as elective contributions for purposes of the Actual Deferral Percentage Test and those nonelective contributions treated as matching contributions for purposes of the Actual Deferral Percentage Test must satisfy the

requirements of Code Section 401(a)(4) and applicable Treasury Regulations thereunder; and the Qualified Nonelective Contributions and Qualified Matching Contributions must satisfy the requirements of Treasury Regulation § 1.401(k)-2(a)(6) for the Plan Year as if such contributions were elective contributions.

The aggregation requirements specified in Treasury Regulations § 1.401(k)-2(a)(6)(iii) shall be satisfied with respect to any taking into account of Qualified Nonelective Contributions and Qualified Matching Contributions for purposes of the Actual Deferral Percentage test.

The Plan shall be administered by the Committee to assure that the amount of nonelective contributions, including those Qualified Nonelective Contributions treated as Matching Contributions for purposes of the Actual Contribution Percentage test, shall satisfy the requirements of Code Section 401(a)(4) and the Treasury Regulations thereunder. The amount of nonelective contributions, excluding those Qualified Nonelective Contributions treated as Matching Contributions for purposes of the Actual Contribution Percentage test and those Qualified Nonelective Contributions treated as elective contributions under Code Section 401(k) for purposes of the Actual Deferral Percentage Test, shall satisfy Code Section 401(a)(4) and the Treasury Regulations thereunder; the elective contributions, including those treated as Matching Contributions for purposes of the Actual Contribution Percentage Test must satisfy the requirements of Code Section 401(k)(3); the Qualified Nonelective Contributions shall be allocated to the Participant under the Plan as of a date within the Plan Year, and the elective contributions shall satisfy Code Section 401(k) and the Treasury Regulations thereunder for the Plan Year; and the aggregation of plans requirements of Treasury Regulations § 1.401(m)• l(b)(4) shall be satisfied.

In administering the Plan with respect to Qualified Nonelective Contributions certain contributions are not taken into account. Qualified Nonelective Contributions cannot be taken into account for a Plan Year for a non-highly compensated employee (hereinafter referred to as "NHCE") to the extent such contributions exceed the product of that NHCE's compensation and the greater of five percent (5%) or two (2) times the Plan's Representative Contribution Rate. Any Qualified Nonelective Contribution taken into account under an actual contribution percentage test under Treas. Reg. §1.401(m)-2(a)(6) (including the determination of the Representative Contribution Rate for purposes of Treas. Reg. §1.401(m)-2(a)(6)(v)(B)), is not permitted to be taken into account. For purposes of this paragraph, the Plan's "Representative Contribution Rate" means and is the lowest Applicable Contribution Rate of any eligible NHCE among a group of eligible NHCEs that consists of half of all eligible NHCEs for the Plan Year (or, if greater, the lowest Applicable Contribution Rate of any eligible NHCE in the group of all eligible NHCEs for the Plan Year and who is employed by the Company on the last day of the Plan Year); and the "Applicable Contribution Rate" for an eligible NHCE means and is the sum of the qualified matching contributions taken into account for the eligible NHCE for the Plan Year and the Qualified Nonelective Contributions made for the eligible NHCE for the Plan Year, divided by the eligible NHCE's compensation for the same period.

12. Plan Not Dependent Upon Earnings; Company Contributions Limited to Earnings

This Plan is intended to be a profit-sharing plan within the meaning of Code Sections 401(a)(l) and 401(a)(27) without regard to current or accumulated earnings and profits of the Company; provided, that if at any time the Company's net earnings and earned surplus as reflected by its books of account are insufficient to permit the making in full therefrom of any contribution otherwise required to be made by the Company hereunder, such contributions shall be required to be made only to the extent, if any, that such net earnings, earned surplus, and accumulated earnings and profits are sufficient, and the deficiency shall not thereafter be made up even though such earnings and profits again become sufficient therefor; provided further, however, that the portion of this Plan which constitutes an employee stock ownership

plan is intended to be a stock bonus plan within the meaning of Code Sections 401(a) and 4975(e)(7), and the Treasury regulations thereunder which is established and maintained by the Company to provide benefits similar to those of a profit-sharing plan except that the contributions by the Company are not necessarily dependent upon profits and the benefits are distributable in stock of the Company.

13. Maximum Contribution

In no event, however, shall Company contributions be made in excess of the amount deductible under Code Section 404, or other applicable federal law now or hereafter in effect.

14. Application of Dollar Leveling Method.

The distribution of Excess Contributions for any Plan Year shall be made to Highly Compensated Employees on the basis of the amount of contributions by, or on behalf of each Highly Compensated Employee in accordance with Code Section 401(k)(8)(C). A parallel method shall also be used for recharacterizing Excess Contributions under Code Section 401(k)(8)(A)(ii), and for distributing Excess Aggregate Contributions under Code Section 401(m)(6)(C).

In order to distribute Excess Contributions (and to apply a parallel method to recharacterize Excess Contributions, or distribute Excess Aggregate Contributions, as applicable) the following procedure and method shall be used:

(1) Calculate the dollar amount of Excess Contributions for each affected Highly Compensated Employee in a manner described in Code Section 401(k)(8)(B) and Treasury Regulations § 1.401(k)-2(b)(2). However, in applying these rules, rather than distributing the amount necessary to reduce the Actual Deferral Percentage of each affected Highly Compensated Employee in order of such Highly Compensated Employees Actual Deferral Percentages, beginning with the highest Actual Deferral Percentage, the Plan shall use these amounts in step (2.)

(2) Determine the total of the dollar amounts calculated in step (1).

This total amount in step (2) (total excess contributions) should be distributed in accordance with steps (3) and (4), below:

(3) The elective contributions of the Highly Compensated Employee with the highest dollar amount of elective contributions are reduced by the amount required to cause that Highly Compensated Employee's elective contributions to equal the dollar amount of the elective contributions of the Highly Compensated Employee with the next highest dollar amount of elective contributions. This amount is then distributed to the Highly Compensated Employee with the highest dollar amount. However, if a lesser reduction, when added to the total dollar amount already distributed under this step, would equal the total excess contributions, the lesser reduction amount is distributed.

(4) If the total amount distributed is less than the total excess contributions, step (3) is repeated.

15. Income Allocable to Excess Contributions

The income allocable to Excess Contributions is equal to the allocable gain or loss through the end of the Plan Year.

ARTICLE IX.

INVESTMENT PROVISIONS

PARAGRAPH

1. Participant Directed Investment

A. General. The amounts allocated to Participant Accounts and Plan assets shall be invested by the Trustee in accordance with this Article IX. The Plan investment options made available to Participants from time to time shall be established, maintained, modified and changed by action of the Committee, unless otherwise determined or directed by the Company.

B. Plan Investment Policy. The Committee shall be authorized and is directed to adopt, maintain, monitor, and update from time to time a written investment policy statement for the Plan. The investment policy statement for the Plan shall provide a written policy to govern the providing of a program under the Plan that includes investment options for directed investment of Participant Accounts by Participants. The investment policy statement for the Plan shall be periodically reviewed by the Committee and modified as the Committee determines to be in accordance with the purposes and provisions of the Plan and other circumstances the Committee considers relevant.

C. Direction of Investment; Investment Options. A Participant shall have the right and opportunity, by delivery of his/her direction to the Committee in the manner and form it prescribes, and in turn direct the Trustee, that any or all cash in his/her account, including his/her deposits, the Company's contributions, and any other cash, shall be invested under any one or more of certain designated investment options made available under the Plan. The Committee shall in turn furnish or cause the Participant's investment direction to be delivered to and acted upon by the Trustee within such period of time as the Committee determines to be reasonable and practicable in the circumstances. A Participant's initial direction of investment shall be in written form or by electronic medium, telephone voice response system or other means determined and prescribed by the Committee. A Participant shall be authorized and have the right and opportunity, after initial direction of investment, to give further directions for changes in the investment of his/her account by written direction, electronic medium, use of a telephone voice response system established by the Committee and Trustee for the Plan or other means determined and prescribed by the Committee. Investment in certain options may be limited to retention and maintenance of prior contributions invested in such options, with no further investment of contributions therein being permitted, as more particularly provided below. The Committee may establish, modify and change the investment options made available to Participants from time to time. A Participant may also change his investment direction and direct sales from time to time to the extent permitted and authorized in subparagraphs I.D. and F., and paragraph G., below.

The Plan Administrator intended that the investment options under this Plan would be identical to those under the ONEOK, Inc. 401(k) Plan as of January 1, 2014, and that all Participant investment directions under the ONEOK, Inc. 401(k) Plan as of December 31, 2013 would transfer to this Plan. Accordingly, in the absence of any other affirmative investment direction, each Transferred Participant (as defined in Article XXIV) who was a participant in the ONEOK, Inc. 401(k) Plan as of December 31, 2013 was then deemed to have elected to allocate his or her Plan Account among investment options under this Plan in the same manner as under the ONEOK, Inc. 401(k) Plan and thereby continue to exercise control, over the investment of such Participant's Plan Account. The Plan Administrator intended that such deemed election would constitute a qualified change in investment options within the meaning of Section 404(c)(4) of ERISA.

Moreover, in the absence of any other affirmative investment direction, Participants who have directed the investment of their Plan Accounts, in whole or in part, in ONEOK, Inc. common stock as of the Separation (as defined in Article XXIV) shall 'be deemed to have elected to direct the same investment in ONE Gas, Inc. common stock after the Separation, and the Plan Administrator intends that such deemed election shall constitute a qualified change in investment options within the meaning of Section 404(c)(4) of ERISA.

D. Qualified Default Investment of Participant Account

1. Notwithstanding the foregoing, if a Participant fails or refuses to direct the investment of all or any part of his/her Participant Account the amount of the Account that is not directed to be invested by the Participant shall be invested in a Qualified Default Investment Alternative that is determined by the Company and the Committee in accordance with paragraph E. of this Article IX, below, and otherwise in accordance with the Plan.

2. With respect to the investment of assets in a Participant Account pursuant to this paragraph, the following requirements and conditions shall apply:

(a) The assets shall be invested in the Qualified Default Investment Alternative as defined herein.

(b) The Participant or beneficiary on whose behalf the investment is made shall have had an opportunity to direct investment of assets of his/her Participant Account but did not direct the investment of the assets.

(c) The Participant or beneficiary on whose behalf an investment is made in such a Qualified Default Investment Alternative shall be furnished with a notice that satisfies the requirements set forth below.

(d) Any material provided to the Plan relating to a Participant's or beneficiary's investment in a Qualified Default Investment Alternative shall be provided to the Participant or beneficiary.

(e) Any Participant or beneficiary on whose behalf assets are invested in a Qualified Default Investment Alternative may, consistent with the terms of the Plan (but not less frequently than once within any three (3) month period) transfer, in whole or in part, such assets to any other investment option or alternative available under the Plan without financial penalty.

(f) The Plan shall otherwise offer a broad range of investment alternatives within the meaning of 29 CFR 2550.404c-l(b)(3).

3. For investment of a Participant Account pursuant to this paragraph the Participant shall be provided written notice of the Qualified Default Investment Alternative investment of his/her Participant Account in a manner determined to be understood by the average Plan Participant and that contains a description of the circumstances under which assets of the individual account of a Participant and beneficiary may be invested on behalf of the Participant or beneficiary in a Qualified Default Investment Alternative; a description of the Qualified Default Investment Alternative under the Plan, including a description of the investment objectives, risk and return characteristics, and fees and expenses attendant to the investment alternative; a description of the right of Participants and beneficiaries on whose behalf assets are invested in a Qualified Default

Investment Alternative to direct the investment of those assets to any other investment option under the Plan, without financial penalty; and an explanation of where the Participants and beneficiaries can obtain investment information concerning the other investment options under the Plan.

4. For purposes of the foregoing and the Plan, the term "Qualified Default Investment Alternative" shall mean an investment option established and maintained under the Plan that meets the requirements and conditions for· treatment as a qualified default investment alternative under 29 CFR §2550.404c-5.

E. Investment Options. The investment options existing and recognized under the Plan and Trust, shall be established as hereinabove provided, and listed and described to Participants by written information and memoranda, and by electronic media, furnished by and at the direction of the Committee from time to time. The investment options shall include Qualifying Employer Stock and other investments determined by the Committee or required hereunder. It is intended that the investment options shall provide Participants investment alternatives which will provide a Participant with a reasonable opportunity to materially affect the potential return on amounts in his/her Plan account and the degree of risk to which such amounts are subject, and to choose from at least three (3) investment options, each of which is diversified, has materially different risk and return characteristics, and which in the aggregate enable the Participant to achieve investment direction of risk and return characteristics within the range normally appropriate for such Participant, and when combined with investments in other alternatives will tend to allow reasonable diversification so as to minimize risk of losses, taking into account all circumstances.

A Participant may, by written, telephone voice response or internet direction to the Committee, and in turn to the Trustee, as provided above, direct that his/her deposits and account, the Company's contributions and any other cash be deposited in such investment options.

A Participant who was a Participant in the Prior ONEOK, Inc. Thrift Plan or the KGS 401(k) Thrift Plan may retain in his/her account stock or securities which were his/her prior directed investments in such Plans to the extent, and as the Committee may prescribe by written memoranda and instructions pertaining to the Plan. The Committee may prescribe the manner in which dividends or other amounts received from such retained investments may be invested, and may limit or prescribe additional investment or reinvestment in such stock or securities.

A Participant shall be permitted to retain shares of ONEOK, Inc. common stock held under the Plan (to the extent not distributed as a dividend in the form of ONE Gas, Inc. common stock) in connection with the Separation (as described in Article XXIV). Any such investment in ONEOK, Inc. common stock after the Separation shall be subject to the provisions of this Plan applicable to other Plan investment options except that (1) the investment in ONEOK, Inc. common stock is authorized by the Company solely to enable Participants who own ONEOK, Inc. common stock under the Plan to participate in the Separation under the same terms as other shareholders of ONEOK, Inc. common stock; (2) the Committee shall not have the discretion to eliminate ONEOK, Inc. common stock as an investment option unless the Committee determines, in its sole discretion, that ONEOK, Inc. is insolvent or otherwise in danger of imminent collapse; (3) after the Separation, no additional shares of ONEOK, Inc. common stock may be purchased in any manner whether by deposit, exchange, transfer, reinvestment of dividends or otherwise; (4) ONEOK, Inc. common stock shall not be subject to the diversification requirement applicable to other Plan investment options under the meaning of 404(a)(1)(C) of ERISA; and (5) Participants shall be notified of the importance of diversifying their overall investment portfolio.

Notwithstanding any other provisions herein, the right of Participants to direct the purchase, sale or transfer of Qualifying Employer Stock for their Plan Accounts may be limited, suspended and restricted from time to time, and for such periods of time as the Committee, in its discretion, determines to be necessary and appropriate for administration of the Plan and Trust, including, without limitation, for the purpose of determining the amount and timing of ESOP Dividend Distributions and ESOP Dividend Distribution/Additional Deferral Contributions under the Plan. The Committee may direct such limitations, suspensions and restrictions to be made, and cause Participants and the Trustee to be given notice thereof, in the manner it determines reasonable and practical in the circumstances. Notwithstanding the foregoing, the Committee shall not have the discretion to eliminate ONE Gas, Inc. common stock as an investment option under the Plan, and the continued availability of ONE Gas, Inc. common stock as an investment option under the Plan shall be presumed prudent, unless the Committee determines, in its sole discretion, that the Company is insolvent or otherwise in danger of imminent collapse.

The investments selected and directed by Participants may increase or decrease in value due to changes and fluctuations in market conditions and other circumstances, and the Company, Committee and Trustee do not warrant or guarantee, by or under the Plan or otherwise, the value of any security or other investment directed by a Participant hereunder.

Notwithstanding the foregoing, the investment by a Participant who is a Section 16 Person shall be subject to the limitations and restrictions and other provisions of paragraph 8. of this Article IX, below, with respect to any Discretionary Transactions involving the investment of his/her deposits, the Company's contributions and any other cash attributable to his/her account.

F. Change in Participant's Investment Direction. Any direction by a Participant that available funds in his/her account shall be invested under a particular investment option shall be deemed a continuing direction until changed by the Participant. A Participant may, by written direction, electronic medium, telephone voice response system or other means determined and prescribed by the Committee give direction to the Committee and/or the Trustee to change investment options for investment of the Participant Account of the Participant, and the Committee shall if necessary in turn direct the Trustee by means it determines and the form it prescribes to change the Participant's investment direction; provided, that a Participant who is a Section 16 Person shall be subject to the limitations, restrictions and other provisions of paragraph 8. of this Article IX, below, with respect to such Participant's direction of investments that are Discretionary Transactions; provided, further, that the amount which may be transferred, sold or exchanged pursuant to any directed cancellation or change in any investment direction shall be at least Two Hundred Fifty Dollars ($250.00) or the full value of the investment being cancelled or changed, whichever is less.

G. Sale of Investments at Participant Direction. A Participant may (i) by written direction in form prescribed by the Committee, or (ii) by electronic medium, telephone voice response system or other means determined and prescribed by the Committee give direction to the Committee and/or the Trustee to sell or turn in for redemption, as may be appropriate, any security purchased at the Participant's direction; the Participant may similarly direct the exchange of any security or securities of an investment option under the Plan as allowed and practicable in administration of the Plan; and the Participant may similarly direct the investment of the proceeds of any such sale or redemption, with or without the addition of other available cash then in the Participant's account, under any one or more of the investments options currently in effect under the Plan for which additional investment of contributions and cash may be so directed; provided, that a Participant who is a Section 16 Person shall be subject to the limitations, restrictions and other provisions of paragraph 8. of this Article IX, below, with respect to the direction of the sale or redemption transactions involving any security issued by the Company that are Discretionary Transactions, as defined by paragraph 8. of this Article IX below; provided, further, that the amount as to

any investment or security which may be so directed to be sold or redeemed and directed to be invested under other investment options shall be at least Two Hundred Fifty Dollars ($250.00) or the full value of the investment being sold or redeemed, whichever is less.

H. Minimum Transaction Direction. The Committee may prescribe that a minimum amount and value must be directed to be changed, sold or exchanged in any change, sale, exchange or other transaction directed to be made by a Participant pursuant to the provisions of this Article IX, and the Plan, which amount shall be provided and disclosed by the Committee and Trustee to Participants; and unless otherwise expressly determined and prescribed by the Committee, such minimum amount and value shall be Two Hundred Fifty Dollars ($250.00).

2. Time of Action by Trustee on Investments

The Trustee will comply with the directions of a Participant with respect to investment, sale and reinvestment as soon as practicable after receipt of such direction if they are given and received in accordance with one of the foregoing authorized means of communicating such directions; provided, however, that in the case of directions to purchase securities, the Trustee will not comply therewith until a means to make such purchase has been adequately provided in respect to the Participant's account. With respect to purchases of Qualifying Employer Stock, the Trustee shall purchase such securities on the day or days of each month on which the Trustee receives the contributions or receives dividends on the Qualifying Employer Stock held by the Trustee. The Committee may establish such rules, regulations and procedures as it determines, in its discretion, to be necessary and appropriate for administering Participant directions of investment under the Plan. The Trustee, in its discretion, may limit the daily volume of its purchases or sales of a security to the extent that such action is deemed by it to be in the best interest of the Participants directing such purchases or sales.

3. Participant Rights as to Options, Rights, and Warrants

In the event that any options, rights, or warrants shall be granted or issued with respect to a security held by the Trustee under the Plan, the Trustee, to the extent possible, shall give to the Participant in whose account such security is held a reasonable opportunity (which in any event shall not extend beyond five days prior to the date of expiration of the options, rights, or warrants) to direct the Trustee to exercise such options, rights, or warrants, and if any cash shall be required in connection with such exercise, such Participant shall, simultaneously with his/her direction to the Trustee, make available to the Trustee the necessary funds. Such funds may be made available to the Trustee by payment thereof in cash or by written direction to the Trustee in form prescribed by the Committee to use cash held by the Trustee in the Participant's Account or obtained from the sale of any security in such account; provided, however, that the total of any such cash Payment and the amount of current monthly contributions shall not exceed the contribution and deposit limitations set forth in Articles III and IV. Cash payments made by a Participant to the Trustee in connection with the exercise of any such options, rights, or warrants shall constitute an additional deposit in the Participant's Account for all purposes of the Plan except the Company's contributions under paragraph 1. of Article VII and except that, for a period of twelve (12) months after making any such payment, the Participant shall have the right, by written request to the Trustee in a form prescribed by the Committee, to receive payment from the Trustee out of any cash available in the Participant's Account an amount equal to the cash so paid, and such payment to the Participant shall not constitute a withdrawal within the meaning of Article XII or any other Article of the Plan. Any securities acquired as the result of the exercise of any such options, rights, or warrants shall be added to the Participant's Account.

Provided, that a Participant who is a Section 16 Person shall be subject to the limitations, restrictions and other provisions of paragraph 8. of this Article IX, below, with respect to any options, rights or warrants

granted or issued with respect to any security held by the Trustee of the Plan that is a security issued by the Company, if the exercise or other action by the Participant pursuant to this paragraph 3. is a Discretionary Transaction, as defined in such paragraph 8.

4. Redemption of Nontransferable Securities

In the case of the redemption of any nontransferable security or on the maturity thereof, the Participant in whose account such security is held shall take such steps as the Trustee may prescribe in order to affect the redemption or collection thereof by the Trustee.

5. Manner of Holding Cash and Securities

All cash and securities in Participants' Accounts shall, until disposed of pursuant to the provisions of the Plan, be held in the possession of the Trustee. Transferable securities may be registered in the name of the Trustee or in the name of its nominee. Nontransferable securities shall be issued in such name or names as the Trustee may elect, subject to any applicable laws or regulations at the time in effect with respect thereto. In the sole discretion of the Trustee, investments in a particular security to be held in the accounts of more than one (1) Participant may be represented by a single stock certificate or a single bond, as the case may be.

6. Voting of Shares

A. Company Stock. Shares of the voting stock of the Company held by the Trustee in the account of a Participant under the Plan will be voted or consents for action with respect thereto will be granted by the Trustee or other registered owner thereof only in accordance with written instructions given to the Trustee by the Participant, except that the Trustee, in its discretion, may vote or direct the registered owner to vote or may consent or direct the registered owner to consent to action being taken with respect to any such stock if the Trustee has not received written instructions from the Participant in whose account such shares are held at least five (5) days prior to the date of the meeting at which such vote is to be taken or the last date that a consent of action may be given. Notice of any such meeting or consent request shall be given by the Committee to the Participant and a request for written instructions shall be made by the Committee to be directed to the Trustee at such time and in such form as may be provided by rules and regulations adopted by the Committee.

This paragraph and all pertinent provisions of the Plan and Trust shall be applied and interpreted in all respects so as to meet the requirements of Code Section 409(e) (or corresponding section of any future federal tax code) so that each Participant or beneficiary in the Plan is entitled to direct the Plan and Trustee as to the manner in which stock and securities of the Company which are entitled to vote and are allocated to the Participant Account of such Participant or beneficiary are to be voted.

B. Other Investments. Unless otherwise expressly directed in writing by the Committee, the Trustee shall administer the investments of the Plan assets directed by a Participant under the Plan in a manner such that shares of the voting stock of the corporations held by the Trustee in the account of a Participant under the Plan will be voted or consents for action with respect thereto will be granted by the Trustee or other registered owner thereof in accordance with written instructions given to the Trustee by the Participant, except that the Trustee, in its discretion, may vote or direct the registered owner to vote or may consent or direct the registered owner to consent to action being taken with respect to any such stock if the Trustee has not received written instructions from the Participant in whose account such shares are held at such time as the Committee, or the Trustee acting pursuant to authorization by the Committee, specifies prior to the date of the meeting at which such vote is to be taken or the last date that a consent of action may be given. Notice of any such meeting or consent request shall be given by the Trustee to

the Participant and a request for written instructions shall be made by the Trustee to be directed to the Trustee at such time and in such form as may be provided by rules and regulations adopted by the Committee.

The foregoing provisions of this paragraph 6.B., when Participant voting is applicable under such provisions, shall be applied and administered so that a Participant shall be entitled to direct the Trustee as to the manner in which voting rights representing the interest of such Participant in the Trust are to be exercised. The Committee shall provide, and cause the Trustee to provide to each Participant materials pertaining to the exercise of such rights, containing all the information which would otherwise be distributed to shareholders or ownership interests of a corporation or entity involved. Votes representing fractional shares of stock shall be voted in the same ratio, and for and against each issue, as the applicable vote directed by Participants with respect to whole shares of stock.

7. Tender Offers

Notwithstanding any other provisions of this Plan, the provisions of this paragraph 7. shall govern the tendering of shares of Common Stock of the Company held in this Plan.

A. Upon commencement of a tender offer for any securities that are Common Stock of the Company, the Company shall notify each Participant of such tender offer and utilize its best efforts to timely distribute or cause to be distributed to the Participant such information as is distributed to shareholders of the Company in connection with such tender offer, and shall provide a means by which the Participant can instruct the Trustee whether or not to tender the shares of Common Stock of the Company allocated to such Participant's account. The Company shall provide the Trustee with a copy of any materials provided to Participants.

B. Each Participant shall have the right to instruct the Trustee as to the manner in which the Trustee is to respond to the tender offer for any and all of the shares of Common Stock of the Company allocated to such Participant's account. The Trustee shall respond to the tender offer with respect to shares of Common Stock of the Company as instructed by the Participant. The Trustee shall not tender any stock allocated to a Participant's account for which the Trustee has received no instructions from the Participant.

C. The Trustee shall tender that number of unallocated shares of Common Stock of the Company which is determined by multiplying the total number of unallocated shares by a fraction of which the numerator is the number of shares of Common Stock of the Company allocated to Participants' accounts for which the Trustee has received instructions from Participants to tender (and such instructions have not been withdrawn as of the date of determination) and the denominator is the total number of shares of Common Stock of the Company allocated to Participants' accounts.

D. A Participant who has directed the Trustee to tender shares of Common Stock of the Company allocated to such Participant's account may, at any time prior to the tender offer withdrawal date, instruct the Trustee to withdraw, and the Trustee shall withdraw such shares of Common Stock from the tender offer prior to the withdrawal deadline.

Prior to such withdrawal deadline, if unallocated shares of Common Stock of the Company have already been tendered, the Trustee shall redetermine the number of shares of Common Stock of the Company which would be tendered under paragraph 7.C. hereunder as if the date of such withdrawal were the date of determination, and withdraw the number of unallocated shares necessary to reduce the number of unallocated shares tendered to the amount so redetermined. A Participant shall not be limited as to the number of instructions to tender or withdraw which he/she may give to the Trustee.

E. The Trustee shall credit the proceeds received in exchange for tendered shares of Common Stock of the Company to the account from which the tendered stock originated.

F. Notwithstanding the foregoing, a Participant who is a Section 16 Person shall be subject to the limitations, restrictions and other provisions of paragraph 8. of this Article IX, below, with respect to any tender of shares of Common Stock allocated to such Participant's account that is a Discretionary Transaction, as defined in such paragraph 8.

8. Section 16 Person Limitations; Discretionary Transactions

A Section 16 Person shall be allowed to direct or have a Discretionary Transaction as defined below, effected under the Plan only if such Discretionary Transaction is effected pursuant to an election made at least six (6) months following the date of the most recent election, with respect to any employee benefit plan of the Company, that effected a Discretionary Transaction that was:

(1) an acquisition, if the current proposed Discretionary Transaction would be a disposition; or

(2) a disposition, if the current proposed Discretionary Transaction would be an acquisition.

For purposes of this Article IX, the term "Discretionary Transaction" shall mean a transaction involving a Qualifying Employer Security pursuant to an employee benefit plan of the Company that:

(i) is at the volition of the Participant;

(ii) is not made in connection with the Participant's death, disability, retirement or termination of employment;

(iii) is not required to be made available to the Participant pursuant to a provision of the Internal Revenue Code; and

(iv) results in either an intra-plan transfer involving a Qualifying Employer Security under the Plan, or a cash distribution funded by a volitional disposition of a Qualifying Employer Security.

Except to the extent otherwise expressly stated herein, all terms and provisions contained in this paragraph 8. are intended to have the same meaning and effect as when used in Rule 16b-3 of the Securities and Exchange Commission promulgated under the Securities Exchange Act of 1934, as amended ("SEC Rule 16b-3"). Transactions under the Plan by or with respect to Section 16 Persons are intended to qualify for exemptions allowable under SEC Rule 16b-3, unless the Committee specifically determines otherwise; and the provisions of the Plan shall be administered, interpreted and construed to carry out such intention, and any provision that cannot be so administered, interpreted and construed shall, to the extent permissible under the Code and the Employee Retirement Income Security Act of 1974, as amended, be disregarded.

9. Employee Stock Ownership Plan (ESOP)

The portion of this Plan and the Trust under which investment in Qualifying Employer Stock is directed by Participants pursuant to paragraph 1. of this Article IX, above, is intended to be an Employee Stock Ownership Plan designed to invest primarily in Qualifying Employer Securities, including all shares of ONEOK, Inc. Common Stock held by the Plan at the time such portion of the Plan and Trust is first made an Employee Stock Ownership Plan until the date of the Separation (as defined in Article XXIV) and all

shares of ONE Gas, Inc. Common Stock distributed as a dividend to shareholders of ONEOK, Inc. Common Stock upon Separation. The shares of ONEOK, Inc. Common Stock held under the Plan until the date of the Separation, and the shares of ONE Gas, Inc. Common Stock distributed as a dividend to shareholders of ONEOK, Inc. Common Stock upon Separation, are Qualifying Employer Securities within the meaning of Code Section 409(l), and are the only employer securities of the Company in which the Plan shall invest; provided, however, that ONEOK, Inc. Common Stock shall cease to be a Qualifying Employer Security immediately after the Separation. The investment in such stock shall be made and administered in accordance with the provisions of Code Section 4975(e)(7), or succeeding provisions of the federal tax law, the Treasury regulations thereunder, and the provisions of the Plan more specifically providing for such Employee Stock Ownership Plan, including without limitation, the provisions of this paragraph 9., stated below; paragraph 4. of Article III, providing for deemed deferrals equal to ESOP Dividends paid and distributed; paragraph 10. of this Article IX providing for diversification of investments; paragraph 6. of this Article IX providing for the voting of Qualifying Employer Stock; paragraph 2. of Article X providing for payment and distribution of ESOP Dividends on Qualifying Employer Stock; paragraph 5. of Article XI providing for the time of distribution of Qualifying Employer Stock from the Plan; and paragraph 13. of Article XI providing for Participant rights to distribution of Qualifying Employer Stock.

It is intended that the Employee Stock Ownership Plan provided for herein shall not acquire any Plan assets or Company securities by use of an exempt loan under Code Section 4975(d)(3), or otherwise, but notwithstanding the foregoing, if and to the extent any such exempt loan is ever made to or received by the Plan, then any such loan shall conform in all respects to the requirements of Code Section 4975(e) and the Treasury regulations thereunder, and must be primarily for the benefit of Participants and their beneficiaries, and shall comply with the following terms and conditions: (1) The interest rate respecting such loan shall not exceed a reasonable rate of interest; and the Trustee shall consider all relevant factors in determining a reasonable rate of interest, including the amount and duration of the loan, the security and guarantee (if any) involved, the credit standing of the ESOP and the Company (if and to the extent that the Company acts as guarantor), and the interest rate prevailing for comparable loans; and upon due consideration of the foregoing factors, a variable interest rate may be reasonable; (2) At the time that such loan is made or entered into, the interest rate and the price of securities to be acquired should not be such that Plan assets might be dissipated; (3) The terms of such loan, whether or not between independent parties, must be at such time at least as favorable to the Trust as the terms of a comparable loan resulting from arm's-length negotiations between independent parties; (4) The proceeds of such loan must be used within a reasonable time after their receipt by the Trust only to acquire Qualifying Employer Stock, to repay such loan, or to repay a prior loan to the Trust; (5) Such loan must be without recourse against the Trust; the only assets of the Trust that may be given as collateral on such loan are shares of Qualifying Employer Stock acquired therewith; no person entitled to payment under such loan shall have any right to assets of the Trust other than collateral given for such loan, cash contributions of the Company made to meet the obligations of the Trust under such loan, and earnings attributable to such collateral and the investment of such contributions; the payments made with respect to such loan by the Trust during a Plan Year must not exceed an amount equal to the sum of such contributions and earnings received during or prior to the year less such payments in prior years; such contributions and earnings must be accounted for separately on the books of account of the Trust, until the loan is repaid; (6) In the event of default on such loan, the value of Plan assets transferred in satisfaction of the loan must not exceed the amount of default; (7) Shares of Qualifying Employer Stock used as collateral for such loan shall be released from the encumbrance thereof, in accordance with the provisions stated in this paragraph 9., below; and (8) Except as otherwise provided herein below under the terms of this Plan and Trust, or as otherwise required by applicable law, no Qualifying Employer Stock or other Company security acquired with the proceeds of such loan shall be subject to a put, call or other option, or buy-sell or similar arrangement while held by

and when distributed from the Trust, whether or not the Trust is then an employee stock ownership plan as described in Code Section 4975(e)(7).

All shares of Qualifying Employer Stock acquired by the Trust and pledged as collateral on any such loan shall be added to and maintained in a suspense account. Said shares shall be released from such encumbrance as follows: (1) For each Plan Year during the duration of the loan, the number of shares of Qualifying Employer Stock released shall equal the number of encumbered shares held immediately before release by a fraction. The numerator of the fraction is the amount of principal and interest paid to the lender by the Trust for the year, and the denominator of the fraction is the sum of the numerator plus the principal and interest to be paid for all future years; (2) For purposes of the foregoing determination, the number of future years under the loan must be definitely ascertainable, and shall be determined without taking into account any possible extensions or renewal periods. If the interest rate under the loan is variable, the interest to be paid in future years shall be computed by using the interest rate applicable as of the end of the Plan Year; and (3) To the extent of the foregoing release from encumbrance, shares shall be withdrawn from the suspense account, and nonmonetary units representing the Participants' interest therein shall be allocated, for each Plan Year. The shares of Qualifying Employer Stock held in the above-described suspense account shall be voted by the Trustee. With respect to shares released from encumbrance, said shares shall be voted as provided in paragraph 6. of this Article IX of the Plan.

To the extent any Company security is acquired by the Plan with the proceeds of an exempt loan, which security is not publicly traded when distributed or is subject to a trading limitation when distributed, then such security shall be subject to a put option exercisable only by Participant ("Participant" meaning for purposes of these provisions, the Participant and beneficiaries of the Participant), such Participant's donees, or by a person (including an estate or its distributee) to whom such security passes by reason of such Participant's death. Such put option must permit the Participant to put such security to the Company, and under no circumstances may the put option bind the Plan, except that such put option may grant the Plan an option to assume the rights and obligations of the Company at the time that the put option is exercised; the put option must be exercisable for at least 60 days following the date of distribution of stock of the Company and, if the put option is not exercised within such 60-day period, for an additional period of at least 60 days in the following Plan Year. The put option paid in installments shall include adequate security and will provide for interest on any unpaid amounts as required under IRC § 409(h)(5)(B). A Company notification shall inform the individual distributes of the term of the put options that they are to hold. Any such put option is to be exercised by the holder notifying the Company in writing that the put option is being exercised. The period during which such a put option is exercisable shall not include any time when the distributee is unable to exercise it because the party bound by the put option is prohibited from honoring it by applicable federal and state law. All put options are subject to the protections and rights regarding any put option and buy-sell arrangement as provided for in Reg. 54.4975-II(a)(3)(ii) and are non-terminable. The price at which any such put option must be exercisable is the value of the security, determined under Section 54.4975-II(d)(5) of the Treasury regulations. The terms and provisions for payment under any such put option must be reasonable terms within the meaning of Section 54.4975-7(b)(12)(iv) of the Treasury regulations and shall not exceed five (5) years in accordance with IRC § 409(h)(5)(A). The payment under any such put option shall not be restricted by the provisions of a loan or any other arrangement, including the Company's certificate of incorporation, unless so required by applicable state law.

10. Investment Diversification of Investments

A. Employee contributions and elective deferrals invested in employer securities. In the case of the portion of an account of an Applicable Individual attributable to employee contributions and elective deferrals which is invested in Employer Securities, the Applicable Individual shall be allowed to elect to

direct the Plan to divest any such securities and to reinvest an equivalent amount in other investment options meeting the requirements of paragraph 10.C., below.

B. Company contributions invested in Employer Securities. In the case of the portion of the account attributable to employer contributions other than elective deferrals which is invested in Employer Securities, each Applicable Individual who-

1. is a Participant who has completed at least 3 years of service, or

2. is a beneficiary of a Participant described in clause (i) or of a deceased Participant,

may elect to direct the Plan to divest any such Employer Securities and to reinvest an equivalent amount in other investment options meeting the requirements of paragraph 10.C., below.

C. Investment options. The requirements of this paragraph 10.C. are met if the Plan offers not less than three (3) investment options, other than Employer Securities, to which an Applicable Individual may direct the proceeds from the divestment of Employer Securities pursuant to this paragraph 10.C., each of which is diversified and has materially different risk and return characteristics. The Plan shall not be treated as failing to meet the requirements of this paragraph 10.C. merely because the Plan limits the time for divestment and reinvestment to periodic, reasonable opportunities occurring no less frequently than quarterly. Except as provided in Treasury regulations, the Plan shall not meet the requirements of this paragraph 10.C. if the Plan imposes restrictions or conditions with respect to the investment of Employer Securities which are not imposed on the investment of other assets of the Plan, except such limitation shall not apply to any restrictions or conditions imposed by reason of the application of securities laws.

D. The foregoing provisions shall not apply if the Plan is not an "applicable defined contribution plan" meaning a defined contribution plan which holds any publicly traded employer securities.

For this purpose the terms "applicable defined contribution plans" does not include an employee stock ownership plan if (i) there are no contributions to such plan (or earnings thereunder) which are held within such plan and are subject to Code Section 401 (k) or (m) , and (ii) such plan is a separate plan for purposes of Code Section 414(1) with respect to any other defined benefit plan or defined contribution plan maintained by the same employer or employers.

E. For purposes of this paragraph the following definitions of terms shall apply:

1. The terms "Applicable Individual" means –

(a) any Participant in the plan, and

(b) any beneficiary who has an account under the plan with respect to which the beneficiary is entitled to exercise the rights of a Participant.

2. The term "elective deferral" means an employer contribution described in Code Section 402(g)(3)(A) .

3. The term "Employer Security" has the meaning given such term by section 407(d)(l) of ERISA.

4. The term "employee stock ownership plan" has the meaning given such term by Code Section 4975(e)(7) .

5. The term "publicly traded employer securities" means employer securities which are readily tradable on an established securities market.

6. The term "year of service" has the meaning given such term by Code Section 411(a)(5).

F. Diversification of Investment. The following additional provisions apply to diversification of investment.

1. The investment options offered to Participants under the Plan shall be established, maintained and administered in accordance with the provisions of Code Section 40l(a)(35) that are applicable to the Plan.

2. The provisions of this paragraph apply if the Plan holds any publicly traded Employer Security; provided, if the Company, or any member of a controlled group of corporations (as described in Treasury regulations section 1.40l(a)(35)•l(f)(2)(iv)(A)) which includes the Company, has issued a class of stock which is a publicly traded Employer Security, and the Plan holds Employer Securities which are not publicly traded Employer Securities, then the Plan shall be treated as holding publicly traded Employer Securities.

3. With respect to a Participant (including for purposes of this paragraph an alternate payee who has an account under the Plan or a deceased Participant's beneficiary), if any portion of the Participant's account under the Plan attributable to elective deferrals (as described in Code Section 402(g)(3)(A)), employee contributions, or rollover contributions is invested in publicly traded employer securities, then the Participant must be offered the opportunity to elect to divest those employer securities and reinvest an equivalent amount in other investment options as described in subparagraph F.5., below.

4. With respect to a Participant who has completed at least three (3) years of vesting service (including for purposes of this paragraph an alternate payee who has an account under the Plan with respect to such Participant or a deceased Participant's beneficiary), if a portion of the Participant's account attributable to employer nonelective contributions is invested in publicly traded employer securities, then the Participant must be offered the opportunity to elect to divest those employer securities and reinvest an equivalent amount in other investment options as described subparagraph F.5., below.

5. At least three (3) investment options (other than employer securities) must be offered to Participants described above. Each investment option must be diversified and have materially different risk and return characteristics. Periodic reasonable divestment and reinvestment opportunities must be provided at least quarterly. Except as provided in sections 1.40l(a)(35)-l(e)(2) and (3) of the Treasury Regulations, restrictions (either direct or indirect) or conditions will not be imposed on the investment of publicly traded employer securities if such restrictions or conditions are not imposed on the investment of other plan assets.

6. For purposes of this paragraph and the Plan, a "publicly traded security" is a security which is traded on a national securities exchange that is registered under section 6 of the Securities Exchange Act of 1934 or which is traded on a foreign national securities exchange that is officially recognized, sanctioned, or supervised by a governmental authority and the security is deemed by the Securities and Exchange Commission as having a "ready market" under SEC Rule 15c3-1 (17 CFR 240.15c3).

11. No Guarantee or Indemnity.

Nothing contained in this Plan shall be construed as a guarantee by the Company or by the Trustee of the value of any security in which funds held by the Trustee under the Plan are invested or as an indemnity against any loss resulting from such investments.

ARTICLE X.

CREDITS AND CHARGES TO A PARTICIPANT'S ACCOUNT

PARAGRAPH

1. General Charges and Credits

All interest, dividends, and other income received by the Trustee in respect to assets included in a Participant's Account, and all gains or losses upon the sale of securities in the Participant's Account, as determined by the Trustee, shall be credited or charged, as the case may be, to the Participant's Account.

2. ESOP Dividend Distributions

A. Participant ESOP Reinvestment Election. Any ESOP Dividend on Qualifying Employer Stock which in accordance with the Plan provisions (1) is payable in cash to the Participants in the Plan or their beneficiaries, or (2) is payable to the Plan and is to be distributed in cash to Participants in the Plan or their beneficiaries not later than ninety (90) days after the close of the Plan Year in which paid, may at the election of such Participants or their beneficiaries, be (A) paid as provided in clause (1) or (2) of this subparagraph A., above, or (B) paid to the Plan and reinvested in Qualifying Employer Stock. In this regard, a Participant may elect in writing to either (i) receive and take payment in cash of one hundred percent (100%) of the ESOP Dividends for such Participant's Account, (ii) receive and take payment in cash of fifty percent (50%) of the ESOP Dividends for his/her Participant Account, and have the other fifty percent (50%) of such ESOP Dividends paid to the Plan and reinvested in Qualifying Employer Stock, or (iii) elect to receive and take no payment in cash of the ESOP Dividends for his/her Participant Account and have one hundred percent (100%) of such ESOP Dividends paid to the Plan and reinvested in Qualifying Employer Stock. A Participant who for any reason fails to make an election with respect to the payment or reinvestment of ESOP Dividends hereunder shall have all of the ESOP Dividends for his/her Participant Account paid to the Plan reinvested in Qualifying Employer Stock. Reinvestment of ESOP Dividends paid to the Plan shall be made in accordance with all applicable provisions of the Plan providing for the investment of Plan assets in Participant Accounts and for Qualifying Employer Stock to be a permissible investment thereof under the Plan.

The Committee shall provide for each Participant to make an election in writing to have dividends on Qualifying Employer Stock payable to the Participant or to the Plan to be reinvested in such Qualifying Employer Stock, at the time and in the manner provided in rules, forms and procedures prescribed by the Committee, which may include a required minimum amount of dividends to make an election, as determined to be administratively reasonable and practicable by the Committee, in its discretion.

B. Dividend Reinvestment.

1. Each individual who is a retired Employee, or a former Employee who has separated from service with the Company, may elect in writing to receive and take a payment and distribution in cash of either (i) one hundred percent (100%) of his/her ESOP Dividends, or (ii) fifty percent (50%) of his/her ESOP Dividends, notwithstanding that such individual shall have no right to elect any deferral of Compensation with respect to the dividend distribution to be received.

2. The elections provided to a Participant who is an Employee under the foregoing provisions, are intended to allow such Participant to elect to receive payment and distribution of ESOP Dividends from the Company and/or the Trust so as to increase the dollar amount of cash he/she receives in the form of ESOP Dividends by the percentage elected, without any

corresponding offset of such amount by any ESOP Dividend Distribution/401(k) Deferral Contribution or Reduction in Compensation under the Plan.

3. It is also intended that unless a Participant elects otherwise, a corresponding ESOP Dividend Distribution/Additional Deferral Contribution will be made with respect to ESOP Dividends paid and distributed in cash to a Participant under paragraph 2.A. above, to the extent provided therein and in paragraph 4. of Article III.

4. Notwithstanding the foregoing, the payment and distribution in cash of ESOP Dividends with respect to Qualifying Employer Stock in a Participant Account may be limited in a uniform and consistent manner, as determined by the Committee, so as to maximize the application of the limitations on elective deferrals and contributions contained in Code Sections 402(g) and 415 to a Participant's regularly designated elective deferrals of Compensation, and Company Matching Contributions thereon during a Plan Year, before application of such limitations with respect to any ESOP Dividend Distribution/Additional Deferral Contributions made by and for Participant arising during the Plan Year.

5. The payment and distribution of ESOP Dividends in cash pursuant to this paragraph 2.B. and the making of ESOP Dividend Distribution/Additional Deferral Contributions shall be administered by the Company and the Trustee, as determined, prescribed and found mutually acceptable by the Committee and the Trustee. Any amount of ESOP Dividends not so paid and distributed in cash to a Participant, retired Employee or former Employee under the foregoing provisions shall be credited to and remain in the Participant Account and shall not thereafter be distributable under the provisions of this paragraph, unless otherwise directed and approved by the Committee.

6. The elections made by Participants, retired Employees and former Employees to receive distributions of ESOP Dividends hereunder shall be made in writing at the time and in the form prescribed by the Committee.

3. Calculation of Charges and Credits to Participant Accounts

Except as otherwise directed by the Committee, within its discretion, the cost to be charged to a Participant's Account of any security purchased by the Trustee according to the Participant's direction shall be the cost of such security at the closing market price on the date such purchase is directed; and the proceeds credited to a Participant's Account upon the sale or redemption of any securities shall be the actual proceeds thereof.

4. Commissions, Taxes, and Charges on Security Purchases and Sales

Brokerage commissions, transfer taxes, and other charges and expenses in connection with the purchase or sale of securities shall be added to the cost of such securities or deducted from the proceeds thereof, as the case may be.

5. Investment Management Fees

Investment management fees charged or incurred by any person, firm, or entity for the management of investments made in or by any fund in connection with a Participant's investment in particular investment options shall be charged against the Participant's Account and may include amounts allocated toward the payment of Plan administrative expenses, as the Committee may prescribe and direct from time to time.

6. Allocation of Plan Administrative Expenses

The Committee may direct and cause all or part of reasonable Plan administrative expenses to be allocated and charged to the Plan accounts of current and former employees and their beneficiaries on a pro rata or other reasonable basis; and such allocation may from time to time be made by allocating all or part of certain reasonable Plan expenses to the Plan accounts of former employees on pro rata or other reasonable basis without similarly allocating and charging such expenses to the Plan accounts of current employees.

7. Calculation of Credits for Redemption

Upon the redemption or maturity or any nontransferable Government bonds included in a Participant's Account, the difference between the cost thereof and the amount received upon such redemption or maturity shall be credited to the Participant's Account as income.

8. Taxes

Taxes, if any, on any assets held by the Trustee or income therefrom which are payable by the Trustee shall be charged against the Participants' Accounts as the Trustee shall determine.

ARTICLE XI.

VESTING AND LIQUIDATION OF ACCOUNTS

PARAGRAPH

1. Vesting of Participant and Company Contributions

A Participant's contributions under Article IV and his/her rights in the accrued benefit derived therefrom are nonforfeitable. The Company's 401(k) Contributions and Matching Contributions for the account of a Participant, and any income and earnings therefrom and accretions thereon, shall become vested in such Participant immediately upon payment of such contributions to the Trustee and receipt by the Trustee of such income, earnings and accretions, and (subject to subsequent loss through decline in value of investments) the Participant may not thereafter be deprived of such funds under any provision of the Plan. All accounts of a Participant under the Plan shall be nonforfeitable. The vesting of benefits under the Plan for a Participant shall be provided in accordance with the provisions of USERRA contained in Code Section 414(u), or corresponding provision of any future tax code.

Notwithstanding anything to the contrary expressed or implied in the Plan as presently stated or hereafter amended, upon the termination or partial termination of the Plan, the rights of all affected Employees and Participants to benefits accrued to the date of such termination or partial termination, to the extent funded as of such date, or the amounts credited to the Employees or Participant Accounts shall be nonforfeitable in accordance with the provisions of the Code, including Section 411(d)(3), and applicable Treasury regulations.

2. Withdrawals

The Company's contributions and Participant After-Tax Deposits credited to the account of a Participant, and the income and earnings on and accretions to a Participant's account whether derived from the Participant's deposits or the Company's contributions or from any other funds at any time in said account, may be withdrawn by or paid to the Participant upon request by the Participant as provided for in Article XII or upon complete liquidation of the Participant's account as provided for in paragraphs 3., 7., and 8. of this Article XI, or upon termination of the Plan as provided in paragraph 14. of Article XII or upon adverse modification of the Plan as provided in paragraph 3. of Article XXIII or upon termination of the Trust as provided in paragraph 5. of Article XXIII.

3. Distribution of Participant Accounts

A. Distributions for Reasons Other than Death

Except as otherwise provided in the Plan, when a Participant's employment with the Company is terminated by retirement or for any reason other than death (except transfer of employment to a subsidiary of the Company participating in the Plan), the account of such Participant under the Plan will be distributed in the form of a single payment to the Participant if the benefit is $5,000 or less on the date of his/her retirement or separation from service (subject to paragraph 7. of this Article XI below).

If, however, the Participant account is greater than $5,000 on the date of his/her retirement or separation from service, the account of such Participant under the Plan will be distributed, pursuant to the election of the Participant, in one of the following methods:

1. one lump sum payment in cash (which shall be the normal form, except as otherwise provided); or

2. partial withdrawals.

Any distribution to a Participant whose account exceeds $5,000 on the date of his/her retirement or separation from service shall not be immediately distributed without the written consent of the Participant. Such requirement of consent shall not give a Participant a right to any form or method of payment of his/her account, and his/her account shall be maintained and distributed thereafter only in accordance with paragraphs 8. and 9. of this Article XI, below. Any such undistributed balance of the Participant's account shall be distributed upon his/her attaining age sixty-five (65); provided that a Participant, who has separated from employment with the Company by retirement or for any reason other than death, may make the affirmative election to defer distribution of his/her account beyond age sixty-five (65) pursuant to paragraph 6. of this Article XI below (but subject to paragraphs 9. and 11. of this Article XI below).

B. Distributions Upon Death

The death benefit payable pursuant to the Plan (see Article XIII) shall be paid to the beneficiary(ies) within a reasonable time after the Participant's death. Such benefit shall, if $5,000 or less on the date of death, be paid in the form of a lump sum distribution, or if greater than $5,000 on the date of death shall be paid in any of the following methods at the election of the beneficiary (subject, however, to the rules in paragraphs 9. and 11. of this Article XI below):

1. one lump sum payment in cash; or

2. partial withdrawals.

The determination of the distributee or distributees in the event of a Participant's death shall be made in accordance with Article XIII of the Plan. A Participant's beneficiary may make an election to defer the distribution of the Participant's account, if the account exceeds $5,000 on the date of the Participant's death. Such an election may be made in the manner determined and prescribed by the Committee. If the Participant's beneficiary makes an election to defer the distribution of the Participant's account, the account will not be distributed unless and until the beneficiary consents to the distribution (subject to paragraphs 9. and 11. of this Article XI). The failure of a beneficiary to request a distribution following the Participant's death will be deemed to be an election to defer the commencement of payment of any benefit until the time otherwise permitted under the Plan.

For all purposes under this paragraph 3., amounts in the Participant's rollover account will be considered as part of a Participant's benefit in determining whether the $1,000 or $5,000 thresholds have been exceeded.

4. Time of Distribution

Unless the Participant elects otherwise pursuant to paragraph 6. of this Article XI, or as otherwise provided for under the Plan, notwithstanding any other provisions of the Plan, pursuant to the requirements of Code Section 401(a)(14) the payment of benefits under the Plan to the Participant will begin not later than the sixtieth (60th) day after the latest of the close of the Plan Year in which:

1. the Participant attains the age sixty-five (65),

2. occurs the tenth (10th) anniversary of the year in which the Participant commenced participation in the Plan, or

3. the Participant terminates employment with the Company.

5. ESOP Employer Stock Distributions

Notwithstanding any other provisions of the Plan, the Qualifying Employer Stock in a Participant's Account to which the Employee Stock Ownership Plan provisions of the Plan are applicable (hereinafter referred to as "ESOP Account Balance"), shall be distributed on the earlier of (i) time when distribution would otherwise be made under the Plan, or (ii) if the Participant so elects, will be distributed commencing not later than one (1) year after the close of the Plan Year (I) in which the Participant separates from service by reason of attainment of normal retirement age under the Plan, disability or death, or (II) which is the fifth (5th) Plan Year in which the Participant otherwise separates from service, except that this clause (II) shall not apply if the Participant is reemployed by the Company before distribution is required to begin under this clause (II). If distribution of a Participant's ESOP Account Balance is ever required to be made under clause (ii) in the preceding sentence, then in such case, unless the Participant elects otherwise, the distribution of the Participant's ESOP Account Balance will be in substantially equal periodic payments (not less frequently than annually) over a period not longer than the greater of five (5) years, or in the case of a Participant with an Account balance in excess of One Million and One Hundred Five thousand Dollars ($1,105,000), five (5) years plus one (1) additional year (but not more than five (5) additional years) for each Two Hundred Twenty Thousand Dollars ($220,000) or fraction thereof by which such balance exceeds One Million and One Hundred Five thousand Dollars ($1,105,000), as such dollar amounts are adjusted for cost-of-living increases pursuant to Code Sections 409(o)(2) and 415(d). The foregoing provisions of this paragraph 5. are intended to provide for distribution of a Participant's ESOP Account Balance at least as soon as provided in Code Section 409(o) only if such form and timing of distribution would be earlier than otherwise generally provided by the Plan.

6. Participant Election to Defer Distribution

A Participant, whose employment with the Company is terminated by retirement or for any reason other than death, may make an affirmative election to defer the distribution of his/her account if it exceeds five thousand dollars ($5,000) on the date of his/her retirement or separation from service. Such affirmative election of deferral of distribution is separate and distinct from the requirement of consent to immediate distribution stated in paragraph 3. of this Article XI, and shall apply independently thereof. It shall be made by written statement describing the Participant's account in a form prescribed by the Committee, or by an election of the Participant made by electronic medium, telephone voice response system or other means and in the manner determined and prescribed by the Committee.

A Participant shall be deemed to have made such an election to defer the distribution of his/her account in the absence of any such affirmative election, upon termination of his/her employment by retirement or for any other reason.

7. Individual Retirement Account Distributions

In the event of mandatory distribution greater than $1,000 in accordance with the provisions of Paragraph 3. of this Article XI or otherwise, if the Participant does not elect to have such distribution paid directly to an Eligible Retirement Plan specified by the Participant in a direct rollover or to receive the distribution directly in accordance with Article V of the Plan, then the Committee shall cause the distribution to be paid in a direct rollover to an individual retirement account designated by the Committee.

8. Sequence of Deferred Distribution of Accounts

A. Subject to subparagraph 8.B., below, if a Participant refuses consent to immediate distribution of his/her account under paragraph 3. of this Article XI, above, or a Participant makes the affirmative election of deferral of distribution provided in paragraph 6. of this Article XI, his/her account shall continue to be maintained in the Trust in the manner provided by the Plan. The Participant may at any time thereafter request in writing that distribution of his/her account be made. The Participant's account shall be distributed to the Participant within a reasonable time following receipt of that request.

B. Notwithstanding the foregoing, a Participant (or former Employee) shall have the right to withdrawal of all or a portion of that part of his/her Pre-1999 KGS 401(k) Thrift Plan Account of which distribution was deferred pursuant to the provisions of the KGS 401(k) Thrift Plan in accordance with those provisions, which are incorporated herein by reference.

9. Required Deferred Distribution at Age 70½

A Participant or beneficiary who makes the election to defer the distribution of his/her Participant Account under Paragraph 3. or Paragraph 6. of this Article IX shall in all events commence payment and distribution of any undistributed balance of his/her account not later than the date provided for in paragraph 11. of this Article XI, below. No deferral of distribution permitted or provided for under paragraph 3. or paragraph 6. of this Article XI shall take precedence over or prevent such required distributions under paragraph 11.

10. Distribution of Deferred Accounts at Death of Participant

If a Participant who has refused to consent to immediate distribution under paragraph 3. of this Article XI, above, or who has made the affirmative election to defer receipt of his/her account under paragraph 6. of this Article XI, dies before a complete distribution of the account has been made, then upon his/her death, his/her entire account balance shall be distributed to his/her surviving spouse, beneficiaries, or legatees in the same manner following such death as are provided for under paragraph 3. of this Article XI in the case of a Participant's death prior to other termination of his/her employment with the Company.

11. Required Distributions.

A. General Rules.

1. Precedence. The requirements of this paragraph 11. of Article XI of the Plan will take precedence over any inconsistent provisions of the Plan.

2. Requirements of Treasury Regulations Incorporated. All distributions required under this article will be determined and made in accordance with the Treasury regulations under Code Section 401(a)(9).

B. Time and Manner of Distribution.

1. Required Beginning Date. The Participant's entire interest in the Plan will be distributed, or begin to be distributed, to the Participant no later than the Participant's Required Beginning Date, as provided for in this paragraph 11. and in accordance with Code Section 401(a)(9). The entire interest of an alternate payee under a qualified domestic relations order, as defined within Code Section 414(p), will be distributed, or begin to be distributed to the alternate payee no later than the Participant's Required Beginning Date as provided for in this paragraph 11. and in accordance with Code Section 401(a)(9) and the regulations thereunder.

2. Death of Participant before distributions begin. If the Participant dies before distributions begin, the Participant's entire death benefit will be distributed, or begin to be distributed, as follows:

   (i) If the Participant or beneficiary elects, distributions to the designated beneficiary will begin by December 31 of the calendar year immediately following the calendar year in which the Participant died, or, if the Participant's surviving Spouse is the Participant's designated beneficiary, by December 31 of the calendar year in which the Participant would have attained age 70 1/2, if later. Alternatively, the Participant or beneficiary may elect to have distribution of the Participant's death benefit be completed by the December 31 of the calendar year containing the fifth anniversary of the Participant's death. In the absence of any election (including the failure to commence required minimum distributions described by this Section by the December 31 of the calendar year immediately following the calendar year in which the Participant died), distribution of the Participant's death benefit shall be completed by December 31 of the calendar year containing the fifth anniversary of the Participant's death.

   (ii) If there is no beneficiary as of September 30 of the year following the year of the Participant's death, the distribution of the Participant's death benefit will be completed by December 31 of the calendar year containing the fifth anniversary of the Participant's death.

   (iii) If the Participant's surviving Spouse is the Participant's sole designated beneficiary and the surviving Spouse dies after the Participant but before distributions to the surviving Spouse begin, this paragraph 11.B., other than this paragraph, will apply as if the surviving Spouse were the Participant. Thus, in all such cases, the time at which distributions must commence (or be completed by) shall be determined solely by reference to the year that the Participant died, and not the year in which the Participant would have attained age 70 1/2.

For purposes of this paragraph 11.B., unless a surviving Spouse is electing to commence benefits based upon the date that the Participant would have attained age 70 1/2, distributions are considered to begin on the Participant's required beginning date. If the surviving Spouse election applies, distributions are considered to begin on the date distributions are required to begin to the surviving Spouse under paragraph 11.B. in this Article XI.

3. Forms of distribution. Unless the Participant's interest is distributed in a single sum on or before the required beginning date, as of the first distribution calendar year distributions will be made in accordance with paragraph 11.C. and paragraph 11.D. of this Article XI. All distributions under this paragraph shall be made in a manner which is consistent with and satisfies the provisions of paragraph 3. of this Article XI.

C. Required minimum distributions during Participant's lifetime

1. Amount of required minimum distribution for each distribution calendar year. During the Participant's lifetime, the minimum amount that will be distributed for each distribution calendar year is the lesser of:

(i) the quotient obtained by dividing the Participant's Account balance by the distribution period in the Uniform Lifetime Table set forth in Regulation §1.401(a)(9)-9, using the Participant's age as of the Participant's birthday in the distribution calendar year; or

(ii) if the Participant's sole designated beneficiary for the distribution calendar year is the Participant's Spouse and the Spouse is more than 10 years younger than the Participant, the quotient obtained by dividing the Participant's Account balance by the number in the Joint and Last Survivor Table set forth in Regulation §1.401(a)(9)-9, using the Participant's and Spouse's attained ages as of the Participant's and Spouse's birthdays in the distribution calendar year.

2. Lifetime required minimum distributions continue through year of Participant's death. Required minimum distributions will be determined under this paragraph 11.C. beginning with the first distribution calendar year and up to and including the distribution calendar year that includes the Participant's date of death.

D. Required minimum distributions after Participant's death

1. Death on or after date distributions begin.

(i) Participant survived by designated beneficiary. Except as provided in paragraphs 11.B.2. and 11.B.3. of this Article XI, if the Participant dies on or after the date distributions begin and there is a designated beneficiary, the minimum amount that will be distributed for each distribution calendar year after the year of the Participant's death is the quotient obtained by dividing the Participant's Account balance by the longer of the remaining life expectancy of the Participant or the remaining life expectancy of the Participant's designated beneficiary, determined as follows:

(A) The Participant's remaining life expectancy is calculated using the age of the Participant in the year of death, reduced by one for each subsequent year.

(B) If the Participant's surviving Spouse is the Participant's sole designated beneficiary, the remaining life expectancy of the surviving Spouse is calculated for each distribution calendar year after the year of the Participant's death using the surviving Spouse's age as of the Spouse's birthday in that year. For distribution calendar years after the year of the surviving Spouse's death, the remaining life expectancy of the surviving Spouse is calculated using the age of the surviving Spouse as of the Spouse's birthday in the calendar year of the Spouse's death, reduced by one for each subsequent calendar year.

(C) If the Participant's surviving Spouse is not the Participant's sole designated beneficiary, the designated beneficiary's remaining life expectancy is calculated using the age of the beneficiary in the year following the year of the Participant's death, reduced by one for each subsequent year.

(ii) No designated beneficiary. If the Participant dies on or after the date distributions begin and there is no designated beneficiary as of September 30 of the year after the year of the Participant's death, the minimum amount that will be distributed for each distribution calendar year after the year of the Participant's death is the quotient obtained by dividing

the Participant's Account balance by the Participant's remaining life expectancy calculated using the age of the Participant in the year of death, reduced by one for each subsequent year.

2 Death before date distributions begin.

(i) Participant survived by designated beneficiary. Except as provided in paragraph 11.B.3. of this Article XI, if the Participant dies before the date distributions begin and there is a designated beneficiary, the minimum amount that will be distributed for each distribution calendar year after the year of the Participant's death is the quotient obtained by dividing the Participant's Account balance by the remaining life expectancy of the Participant's designated beneficiary, determined as provided in paragraph 11.D.1. of this Article XI.

(ii) No designated beneficiary. If the Participant dies before the date distributions begin and there is no designated beneficiary as of September 30 of the year following the year of the Participant's death, distribution of the Participant's entire interest will be completed by December 31 of the calendar year containing the fifth anniversary of the Participant's death.

(iii) Death of surviving Spouse before distributions to surviving Spouse are required to begin. If the Participant dies before the date distributions begin, the Participant's surviving Spouse is the Participant's sole designated beneficiary, and the surviving Spouse dies before distributions are required to begin to the surviving Spouse under paragraph 11.B.2. of this Article XI, this paragraph 11.D.2. will apply as if the surviving Spouse were the Participant.

E. Required Distributions; Transferred Account.

1. Application. This paragraph 11.E. shall be applicable instead of the general rule stated above, but only with respect to accounts of Participants that constitute transferred accounts described and provided for in Articles XXI and XXII of the Plan ("Transferred Account").

2. Required Distribution.

(i) General. The entire interest of each Participant in a Transferred Account:

(A) shall be distributed to such Participant not later than the Participant's Required Beginning Date, or

(B) shall be distributed, beginning not later that the Participant's Required Beginning Date, in accordance with the Treasury regulations under Code Section 401(a)(9) over the life of such Participant or over the lives of such Participant and a Designated Beneficiary (or over a period not extending beyond the Life Expectancy of such Participant or the Life Expectancy of such Participant and a Designated Beneficiary).

(ii) Distribution Where Participant Dies Before Entire Interest is Distributed. In the event of the death of a Participant before the entire interest of the Participant has been distributed, the interest of the Participant shall be distributed in accordance with the following requirements:

(A) If the distribution of a Participant's interest has begun over the Participant's life, or over the life or Life Expectancy of such Participant and a Designated Beneficiary, and the Participant dies before the Participant's entire interest is distributed, the remaining portion of such interest shall be distributed at least as rapidly as under the method of distribution provided for under the Plan being used as of the date of the Participant's death.

(B) If the Participant dies before the distribution of the Participant's interest has begun in accordance with Paragraph 11.E.2.ii., above, the entire interest of the Participant shall be distributed in the manner and form provided for under the Plan in such event, but no case later than:

(1) within 5 years after the death of such Participant, or

(2) If any portion of the Participant's interest is payable to (or for the benefit of) a Designated Beneficiary pursuant to the provisions of the Plan, such portion shall be distributed (in accordance with Treasury regulations under Code Section 401(a)(9)) over the life of such Designated Beneficiary (or over a period not extending beyond the Life Expectancy of such Designated Beneficiary), and such distributions shall begin not later than one (1) year after the Participant's death or such later date as is prescribed in the Treasury regulations under Code Section 401(a)(9).

(C) If the Designated Beneficiary referred to in the foregoing provisions of this paragraph 11.E. is the surviving spouse of the Participant, then the date that distributions are required to begin shall not be earlier than the date the Participant would have attained age 70½, and if the surviving spouse dies before the distributions to such spouse begin, this subparagraph shall be applied as if the surviving spouse were the Participant.

F. Definitions. The following terms and definitions are applicable to this paragraph 11. and distributions provided for therein.

1. Designated Beneficiary. The individual who is designated as the beneficiary under Article XIII of the Plan and is the Designated Beneficiary under Code Section 401(a)(9) and Treasury regulations under Code Section 401(a)(9).

2. Life Expectancy. Life expectancy as determined under Code Section 401(a)(9) and the Treasury regulations to include life expectancy computed by use of the Single Life Table in Section 1.401(a)(9)-9 of the Treasury regulations.

3. Required Beginning Date. April 1 of the calendar year following the later of (i) the calendar year in which the Participant attains age 70½, or (ii) the calendar year in which the

Participant retires. Provided, that clause (ii) of the preceding sentence shall not apply except as provided in Code Section 409(d), in the case of a Participant who is a 5- percent owner (as defined in Code Section 416) with respect to the Plan Year ending in the calendar year in which the Participant attains age 70½.

G. Transition; TEFRA Section 242(b)(2) Elections. Notwithstanding the other provisions of this paragraph 11., distributions may be made under a designation made before January 1, 1984, in accordance with section 242(b)(2) of the Tax Equity and Fiscal Responsibility Act (TEFRA) and the provisions of the Plan that relate to section 242(b)(2) of TEFRA.

12. Form of Distributions

In so far as practicable, upon any complete liquidation of a Participant's account, upon distributions under paragraphs 7. or 8. of this Article XI, and upon withdrawals provided for in Article XII, any securities held in the account of the Participant will be distributed in kind if the Participant so requests, but where this form of distribution is impracticable, cash will be paid in an amount equal to the value at the time of distribution, as determined by the Trustee, of any investment that it is impracticable to distribute in kind. No other form of distribution (neither annuity contract nor other item) shall be made from the Trust; provided, that accrued benefits of accounts transferred to the Trust from the trust of a subsidiary plan pursuant to paragraphs 1. Or 2. of Article V, which are subject to the provisions of Articles XXII and XXIII hereof shall be distributed as provided therein.

13. Participant's Right to Demand Employer Securities

Notwithstanding any other provisions herein, each Participant who has his/her Participant Account invested in Qualifying Employer Stock, and each Participant who is participating in the Employee Stock Ownership Plan part of the Plan and is entitled to a distribution from the Plan shall have a right to demand that his/her Participant Account and benefits under the Plan be distributed in the form of Qualifying Employer Stock. Prior to commencement of a distribution from a Participant's Account to the Participant, the Committee and the Trustee shall notify the Participant in writing that the Participant has the right to demand that his/her Participant Account and benefits be distributed in the form of Qualifying Employer Stock. Such right shall expire at the time specified in such notice, which shall be not less than thirty (30) days after the delivery of such notice to the Participant. A Participant who has the stock of a former employer in his/her Plan account by reason of a merger, spin-off or transfer of plan accounts from a former employer plan shall have a similar right to demand distribution of such stock in accordance with the provisions of this paragraph 13.

To the extent required by Code Section 411(d)(6), such rights shall also apply to ONEOK, Inc. common stock.

14. Qualified Domestic Relations Orders; Distributions

Notwithstanding any other provisions of the Plan, if a Participant's account is ordered paid, transferred, or assigned, in whole or in part, to an alternate payee pursuant to an order determined by the Plan Administrator to be a Qualified Domestic Relations Order within the meaning of Code Section 414(p), the payment and distribution to such alternate payee of amounts attributable to the Participant's account shall be made by the Plan and Trustee, at the election of the alternate payee (subject to the requirements of Paragraph 11. of this Article XI), in the form and at the time allowed in paragraph 3. of this Article XI. A distribution to an alternate payee shall be permitted if such distribution is authorized by a Qualified Domestic Relations Order and is otherwise permissible under Code Section 414(p), even if the affected Participant has not separated from service and has not reached the "earliest retirement age." For purposes

of this paragraph 14., the term "earliest retirement age" shall mean the earlier of (i) the date on which the Participant is entitled to a distribution under the Plan, or (ii) the later of (a) the date the Participant attains age fifty (50), or (b) the earliest date on which the Participant could begin receiving benefits under the Plan if the Participant separated from service. Periodic distributions authorized from plan accounts assigned to alternate payees under the KGS 401(k) Thrift Plan pursuant to a Qualified Domestic Relations Order shall be made in accordance with such Order, notwithstanding the foregoing provisions generally providing for immediate distribution.

ARTICLE XII.

WITHDRAWALS, DISTRIBUTIONS, PLAN LOANS

PARAGRAPH

1. Hardship Withdrawals from 401(k) Contribution Account

Subject to paragraph 10., and the limitations of paragraph 5. of this Article XII, below, a Participant may withdraw amounts from his/her 401(k) Contribution Account by submitting his/her written request to the Committee at such time and in such manner as shall be prescribed by the Committee under the following conditions:

A. The withdrawal request must be on account of an immediate and heavy financial need (sometimes hereinafter referred to as "hardship") of the Participant and the withdrawal must be necessary to satisfy such hardship, all as determined by the Committee in accordance with the nondiscriminatory and objective standards set forth herein.

B. No hardship withdrawal shall be made in an amount in excess of the amount of the immediate and heavy financial need of the Participant. The amount of an immediate and heavy financial need may include any amounts necessary to pay any federal, state, or local income taxes or penalties reasonably anticipated to result from the distribution.

C. No hardship withdrawal shall be permitted unless the Participant has obtained all distributions other than hardship distributions from the 401(k) Contributions in the Participant's Account, and has obtained all nontaxable loans currently available under all plans maintained by the Company.

D. A withdrawal will be deemed to be made on account of an immediate and heavy financial need if it is on account of:

1. Expenses for (or necessary to obtain) medical care that would be deductible under Code Section 213(d)(determined without regard to whether the expenses exceed 7.5% of adjusted gross income described in Code Section 213(d) previously incurred by the Participant, the Participant's spouse, or any dependents;

2. Costs directly related to the purchase of a principal residence for the Participant (excluding mortgage payments);

3. Payment of tuition, related educational fees and room and board expenses, for up to the next twelve (12) months of post-secondary education for the Participant, or the Participant's spouse, children, or dependents, as defined in Code Section 152, without regard to Code Section 152(b)(1),(b)(2) and (d)(1)(B);

4. Payments necessary to prevent the eviction of the Participant from his/her principal residence or foreclosure on the mortgage on that residence;

5. Payments for burial or funeral expenses for the Participant's deceased parent, spouse, children or dependents (as defined in Code Section 152, without regard to Code Section 152(d)(l)(B);

6. Expenses for the repair or damage to the Participant's principal residence that would qualify for the casualty deduction under Code Section 165 (determined without regard to whether the loss exceeds ten percent (10%) of adjusted gross income; and

7. Such other facts and circumstances as the Commissioner of Internal Revenue lists as deemed immediate and heavy financial needs through publication of regulations, revenue rulings, notices, and other documents of general applicability.

E. Notwithstanding anything otherwise expressed or implied in the Plan, or under Code Section 401(k), or the regulations under that section, a hardship distribution shall not be determined or allowed under the Plan on account of an event or condition of immediate and heavy financial need of a person who is a beneficiary of a Participant under the Plan, unless such person, in addition to being such a beneficiary, also has a relationship of being the spouse or a dependent of the Participant and an immediate and heavy financial need of such person for which a hardship distribution is expressly allowable to a spouse, child or dependent under the terms and provisions of paragraph 1.D., above; and a hardship distribution shall not otherwise be allowed under the Plan for or with respect to circumstances of immediate and heavy financial need of a beneficiary of a Participant if such beneficiary is not either the spouse, child or a dependent of the Participant.

F. A Participant's Elective Deferrals under the Plan (and Participant Contributions) shall be suspended for six (6) months after receipt of the hardship distribution.

G. The hardship withdrawal, if approved by the Committee, shall be paid to the Participant as soon as practicable following the date the Participant's written request is submitted to the Committee. A hardship withdrawal for payment of tuition under subparagraph D.3., above, may be made in two (2) parts over the twelve (12) month period to conform the withdrawal to the amount of tuition determined to be needed by the student.

H. A hardship withdrawal and distribution is not an eligible rollover distribution under Code Section 402(c) and the Plan shall be administered consistent with such classification and treatment.

I. A Participant who has received a hardship withdrawal pursuant to the foregoing provisions of the Plan, and who has thereby been suspended from making Participant deposits and contributions for six (6) months, shall be reinstated to the amount of his/her elected Reduction in Compensation and other contributions in effect at the time of the hardship withdrawal unless the Participant changes such amount after notice from the Committee which shall be provided not less than thirty (30) days prior to the end of the suspension. A Participant may be required to provide such other written application or election to the Committee, as it may determine under rules prescribed by it, in order to resume making Participant contributions under the Plan.

J. Notwithstanding the foregoing, a hardship distribution may be made on account of a hardship resulting from Hurricane Harvey on or after August 23, 2017 and continuing through January 31, 2018, in the manner allowed and authorized under guidance published by the Internal Revenue Service, including Internal Revenue Service Announcement 2017-11. A Participant's Elective Deferrals under the Plan (and Participant Contributions) shall not be suspended pursuant to subparagraph 1.F. above after receipt of a hardship distribution made pursuant to this subparagraph.

2. Participant Withdrawals of After-Tax Deposits

A Participant may request to withdraw in a lump sum of all or any part of the value of his/her After• Tax Deposits in his/her Account, provided that the withdrawal is for a least $500 or the full value of the Account, if less. A Participant may request a withdrawal in writing on a form prescribed by the

Committee, or by electronic medium, telephone voice response system or other means determined and prescribed by the Committee.

The amount of the withdrawal shall be withdrawn from the Participant's After-Tax Deposits in proportion to the value of the Participant's total Plan Account balance.

A withdrawal pursuant to this paragraph may be made upon request of the Participant subject to such limitations on frequency of withdrawals as the Committee, in its discretion, may determine. Such withdrawal shall be paid as soon as practicable after the appropriate request is received by the Trustee. A withdrawal shall be paid in cash, except that if a Participant's After-Tax Deposits are invested in the Qualifying Employer Stock, the Participant may request that the value withdrawn be distributed in whole shares of Qualifying Employer Stock. Any fractional shares shall be paid in cash, the amount of such payment to be based upon the closing price of Qualifying Employer Stock on the New York Stock Exchange Consolidated Tape, on a trading date which does not precede the date of the distribution by more than 10 days. A Participant who has After-Tax Deposits in his/her Plan Account invested in stock of a prior employer which has been transferred to the Trust pursuant to any merger, acquisition or similar transaction may also request distribution of such stock in a manner comparable to that provided in the foregoing provisions with respect to Qualifying Employer Stock.

3. Withdrawal Penalty

In the event a Participant makes a withdrawal of After-Tax Deposits in his/her Plan Account pursuant to paragraph 2., above, such Participant shall not be entitled to Company Matching Contributions otherwise required to be made under the Plan until the first of the next month following the expiration of six (6) months from the date of such withdrawal by such Participant. This suspension and abatement of the Participant's right to receive Company Matching Contributions shall not affect the Participant' s right to elect a Reduction in Compensation or make After-Tax Deposits to the extent otherwise permissible under the Plan.

4. Participant Withdrawals of Matching Contributions or Other Amounts

Except as otherwise provided in paragraph 10., below, or as expressly provided differently herein, a Participant shall not be permitted or allowed to withdraw any Company Matching Contributions or other amounts in excess of the amount of 401(k) Contributions or After-Tax Deposits coming into his/her account.

5. Sequence of Permitted Withdrawals

In the event a Participant desires to withdraw funds credited to his/her accounts from After-Tax Deposits, the withdrawal sequence shall be: first, the Participant's contributions which are in the Participant's Prior ONEOK Thrift Plan Pre-1987 Employee Contribution Account Balance; second, the Participant's KGS 401(k) Thrift Plan Account Balances (to the extent they are subject to withdrawal pursuant to paragraph 10. of this Article XII, below); third, the Participant's Separate Section 72(d) Employee Contribution Account, if any; and fourth, the balance of the Participant's Account, if any, which may be withdrawn under this Article XII.

6. Distribution Upon Severance From Employment

Amounts attributable to elective contributions to the Plan by Participants may be distributed upon the Participant's severance from employment with an employer maintaining the Plan, even if the Participant

continues on the same job for a different employer following a liquidation, merger, consolidation, or other corporate or business entity transaction.

7. Voluntary Withdrawal After Age Fifty-Nine and One-Half (59½)

Except as otherwise provided in paragraph 11., below, a Participant who has completed five (5) years of participation in this Plan may be allowed to withdraw from the Plan at any time and from time to time an amount not exceeding the entire balance in his/her Accounts, less any Roth Elective Deferral and earnings and losses thereon, at any time after his/her attainment of age fifty-nine and one-half (59½); provided, the amount of any Participant withdrawal shall be at least Five Hundred Dollars ($500.00) or the full value of the Participant's Account, if less. This right to withdrawal shall be exercised by application or request to the Committee or its authorized representative in writing or by electronic medium, telephone voice response system or other means determined and prescribed by the Committee.

8. Distributions in Certain Events

Notwithstanding any other provisions hereof limiting the distribution or withdrawal of a Participant's 401(k) Contribution Account or other amounts of a Participant's Account, a Participant's Account may be distributed in the event of (i) the termination of the Plan without establishment or maintenance of another defined contribution plan by the Company (other than an employee stock ownership plan as defined in Code Section 4975(e)(7)), (ii) the disposition by the Company of substantially all of the assets (within the meaning of Code Section 409(d)(2)) used by the Company in a trade or business of the Company, but only with respect to a Participant who continues employment with the corporation acquiring such assets, or (iii) the disposition by the Company of the Company's interest in a subsidiary (within the meaning of Code Section 409(d)(3)), but only with respect to a Participant who continues employment with such subsidiary. No such distribution shall be permitted to a Participant unless it is made in the form of a lump sum distribution as defined in Code Section 401(k)(10)(B)(ii); and a distribution by reason of an event described in clause (ii) or (iii) of the preceding sentence of this paragraph shall not be permitted unless the transferor corporation continues to maintain the Plan after the disposition. Payment and distribution of ESOP Dividends to Participants and retired or terminated Employees may be made to the extent otherwise provided for in the Plan, and as allowed and authorized by Code Sections 4975(e) and 404(k) and Treasury regulations pertaining to such payments and distributions.

9. ESOP Dividend Distributions

The Committee and Trustee may have ESOP dividends paid and distributed to a Participant, and to a retired or terminated Employee in accordance with and to the extent provided in paragraph 2. of Article X, above.

10. No Withdrawal of Deferred Account

Subject to paragraph 11., below, when a Participant's employment with the Company is terminated by retirement or for any other reason other than death, and he/she either does not consent to immediate distribution of his/her account under paragraph 3. of Article XI, or he/she elects to defer the distribution of his/her account under paragraph 6. of Article XI, he/she shall thereafter receive distribution of his/her account only in accordance with the provisions of paragraphs 7., 8., 9., and 11. of Article XI, and he/she shall not be permitted thereafter to make withdrawal of the funds in his/her account pursuant to the withdrawal provisions of this Article XII.

11. Limited Withdrawal Rights; Pre-1999 KGS 401(k) Thrift Plan Account

Notwithstanding anything to the contrary expressed herein a Participant shall have the right to make a withdrawal from his/her Pre-1999 KGS 401(k) Thrift Plan Account balance at January 11, 1999, pursuant to the following provisions:

A. Withdrawal from Matching Contribution Account. In the event that a Participant withdraws the full value of the After Tax Deposits under the provisions of paragraph 2., above, a Participant who has been a Participant in the Plan for a period of five (5) years or more may additionally withdraw in a lump sum any or all of the Company Matching Contributions (Company Matching Account) in such Participant's Pre-1999 KGS 401(k) Thrift Plan Account, provided that the aggregate amount of the withdrawal from the Participant's After Tax Deposits and Company Matching Contributions is for at least $500 or the full value of the Account, if less. A Participant may request a withdrawal in writing or by electronic medium, telephone voice response system or other means determined and prescribed by the Committee.

The amount of the withdrawal shall be withdrawn from the Participant's Company Matching Contributions in proportion to the value of the Participant's total Account balance.

A withdrawal may be made at any time and from time to time, subject to the minimum amount stated above, and shall be paid as soon as practicable after the appropriate request is received by the Trustee. A withdrawal shall be paid in cash, except that if a Participant's Company Matching Contributions are invested in Qualifying Employer Stock a Participant may request that the value withdrawn be distributed in whole shares of Qualifying Employer Stock. Any fractional shares shall be paid in cash, the amount of such payment to be based upon the closing price of Qualifying Employer Stock on the New York Stock Exchange Consolidated Tape, on a trading date which does not precede the date of the distribution by more than 10 days.

B. Withdrawal From Rollover Account. In the event that a Participant withdraws the full value of the After-Tax Deposits and the Company Matching Contributions under the provisions of paragraphs 2. and 11.A., above, the Participant may additionally withdraw in a lump sum any or all of the Participant's Rollover Account in his/her Pre-1999 KGS 401(k) Thrift Plan Account; provided, that the aggregate amount of the withdrawal from the Participant's After Tax Deposits Account, Company Matching Contributions, and rollover balance in the Participant's account is at least $500 or the full value of the Account, if less. A Participant may request a withdrawal in writing or by electronic medium, telephone voice response system or other means determined and prescribed by the Committee. The amount of the withdrawal shall be withdrawn from the Participant's After Tax Deposits, Company Matching Contributions, and Rollover balance in his/her account.

A withdrawal may be made at any time and from time to time, subject to the minimum required amount stated above and shall be paid as soon as practicable after the appropriate withdrawal request is received by the Trustee. A withdrawal shall be paid in cash, except that if a Participant's Rollover balance in his/her Account is invested in Qualifying Employer Stock, a Participant may request that the value withdrawn be distributed in whole shares of Qualifying Employer Stock. Any fractional shares shall be paid in cash, the amount of such payment to be based upon the closing price of Qualifying Employer Stock on the New York Stock Exchange Consolidated Tape, on a trading date which does not precede the date of the distribution by more than 10 trading days.

C. Prior Employer Stock. A Participant who has After-Tax Deposits in his/her Plan account invested in stock of a prior employer which has been transferred to the Trust pursuant to any merger, acquisition

or similar transaction may request distribution of such stock in a manner comparable to that provided in subparagraphs 11.A. and 11.B., above, with respect to Qualifying Employer Stock.

D. Withdrawals After Age 59½. A Participant who has attained age 59½ may withdraw all or a portion of his/her 401(k) Account contributions in his/her Pre-1999 KGS 401(k) Thrift Plan Account as of the end of the month next following such Participant's delivery of request for withdrawal to the Trustee in writing or by electronic medium, telephone voice response system or other means determined and prescribed by the Committee. A withdrawal may be made at any time and from time to time during the Plan Year and shall be paid as soon as practicable after the appropriate request is received by the Trustee.

E. Hardship Withdrawals. A Participant may request an in-service distribution from his/her 401(k) Contribution Account in his/her Pre-1999 KGS 401(k) Thrift Plan Account on the basis of a hardship based upon immediate and heavy financial need to the extent and only as described and authorized under paragraph 1., of this Article XII.

F. Withdrawal Penalty. In the event a Participant withdraws sums pursuant to subparagraphs 11.A. or 11.B., above, such Participant shall not be entitled to Company Matching Contributions until the first of the next month following the expiration of six (6) months from the date of such withdrawal by such Participant. This abatement of the Participant's right to receive Company Matching Contributions shall not affect the Participant' s right to elect a Reduction in Compensation or make After-Tax Deposits to the extent otherwise permissible under the Plan.

In the event a Participant withdraws sums pursuant to the hardship distribution provisions of paragraph 1. of this Article XII, Participant shall not be entitled to Company Matching Contributions until the first of the month next following the expiration of twelve (12) months from the date of such withdrawal by the Participant.

12. Qualified Reservist Distribution

Notwithstanding anything to the contrary provided in the Plan, a Participant may receive a distribution of his/her Plan Account attributable to Company contributions made pursuant to elective deferrals if such distribution constitutes a qualified reservist distribution within the meaning of Code Sections 401(k)(2)(B)(i)(V) and 72(t).

13. Suspension During Approved Leave of Absence

A Participant's deposits and the corresponding Company Matching Contributions will be suspended automatically for the period of any Company-approved leave of absence without pay, including military and other governmental service. The Participant's employment with the Company shall not be treated as terminated thereby for the purposes of paragraph 3. of Article XI.

14. Effect of Termination or Suspension of Participation

Any termination or suspension under any provision of this Plan, except suspension of deposits under paragraph 11. of this Article XII, shall have the effect of ending the period of the Participant's current Plan participation. Upon or at any time after expiration of the required period following any termination, the Participant may again commence participation in the manner provided in paragraph 2. of Article II hereof as of the first day of the calendar month following the month in which he/she elects to recommence participation and a new period of such Participant's current Plan participation shall thereupon commence.

15. No Forfeiture for Suspension or Termination

No termination or suspension of participation in the Plan or failure to resume participation at any time shall affect the Participant's right to receive distribution of his/her account upon complete liquidation upon the terms and at the time provided in paragraph 3. of Article XI, or upon termination of the Plan as provided in this paragraph 16. of this Article XII or upon adverse modification of the Plan as provided in paragraph 3. of Article XXIII, or upon termination of the Trust as provided in paragraph 5. of Article XXIII. Furthermore, and notwithstanding any other terms or provisions of this Plan, no suspension or termination of participation under the Plan shall operate to alter a Participant's rights, privileges, or obligations thereunder with respect to the management or disposition of his/her account with the Trustee.

16. Termination of Plan

Upon a partial termination of the Plan, or upon a termination of the Plan as an entirety or as to any subsidiary of the Company, each Participant of the Company or of such subsidiary then participating, as the case may be, will receive distribution of the entire balance of his/her account, subject to the successor plan rule in 401(k)(10)(A).

17. Valuation of Securities

For the purpose of valuing a Participant's Account in connection with any withdrawal under the provisions of this Article XII and for the purpose of any distribution in kind, any nontransferable Government bonds shall be valued at the then current redemption price thereof, and other securities shall be valued at prices determined by the Trustee, as near as practicable to those then obtainable upon a sale in the open market.

18. Plan Loans

A. Loan Policy

The Plan Administrator, at any time and in its sole discretion, may establish, amend or terminate a policy which the Trustee must observe in making Plan loans, if any, to Participants and to Beneficiaries. If the Plan Administrator adopts a loan policy, the loan policy must be nondiscriminatory and must be in writing.

B. Requirements for Plan Loans

The Trustee, as directed by the Plan Administrator will make a Plan loan to a Participant or to a Beneficiary in accordance with the Plan's loan policy, provided:

1. Loans shall be made available to all Participants and beneficiaries on a reasonably equivalent basis.
2. Loans shall not be made available to Highly Compensated Employees in an amount greater that the amount made available to other employees.
3. Loans shall be adequately secured and bear a reasonable rate of interest.
4. No Participant loan may be made from a Participant Roth Elective Deferral Account.
5. If a Participant Account is subject to Qualified Joint and Survivor Annuity requirements, a Participant must obtain the consent of his or her spouse, if any, to use of the Participant's Account Balance as security for the loan. Spousal consent shall be obtained no earlier than the beginning of the 90-day period that ends on the date on which the loan is to be so secured. The consent must be in writing, must acknowledge the effect of the loan, and must be witnessed by a Plan representative or notary public. Such consent shall thereafter

be binding with respect to the consenting spouse or any subsequent spouse with respect to that loan.

6. In the event of default, foreclosure on the note and attachment of security will not occur until a distributable event occurs in the Plan.
7. The Loan provides for repayment within a specified time, except that repayments may be suspended as permitted under Code Section 414(u)(4).
8. If a valid spousal consent has been obtained in accordance with paragraph 18.B.5., above, then notwithstanding any other provision of the Plan, the portion of the Participant's vested account balance used as a security interest held by the Plan by reason of a loan outstanding to the Participant shall be taken into account for purposes of determining the amount of the Participant's Account Balance payable at the time of death or distribution, but only if the reduction is used as repayment of the loan. If less than one hundred percent (100%) of the Participant's vested Account Balance (determined without regard to the preceding sentence) is payable to the surviving spouse, then the Participant's Account Balance shall be adjusted by first reducing the vested Account Balance by the amount of the security used as repayment of the loan, and then determining the benefit payable to the surviving spouse.
9. The amount of the loan does not exceed the lesser of:

    a. Fifty Thousand Dollars ($50,000) reduced by the excess (if any) of (i) the highest outstanding balance of loans during the one year period ending on the day before the loan is made, over (ii) the outstanding balance of loans from the Plan on the date the loan is made, or

    b. one-half of the present value of nonforfeitable Accrued Benefit of the Participant

    For purposes of the above limitation, all loans from all plans of the Company and other members of a group of employers described in Code Sections 414(b), 414(c) and 414(m) are aggregated.
10. The loan otherwise conforms to the exemption provided Section 408(b)(1) of ERISA and Code Section 4975(d)(1).

19. No Withdrawal of Loan Amount

A Participant to whom a loan has been made pursuant to the provisions of paragraph 18. of this Article XII, shall not be allowed at any time to withdraw any amount from his/her Account in excess of the amount which is equal to the current value of his/her Account minus the outstanding unpaid balance of such loan together with any accrued interest thereon.

ARTICLE XIII.

BENEFICIARIES IN THE EVENT OF DEATH

PARAGRAPH

1. Surviving Spouse as Primary Beneficiary

A Participant's nonforfeitable Accrued Benefit (reduced by any security interest held by the Plan by reason of a loan outstanding to such Participant) shall be payable in full, on the death of the Participant, to the Participant's surviving spouse, or if there is no surviving spouse or the surviving spouse consents, in the manner provided in paragraph 2. of this Article XIII, below, then to a designated beneficiary of the Participant under paragraph 3. of this Article XIII.

2. Election and Consent to Alternate Beneficiary or Beneficiaries

A Participant may elect at any time to waive the required distribution and payment of his/her Account to his/her surviving spouse in the event of his/her death. Any such election must be made in writing or by electronic means or other means by the Participant in the form and manner prescribed by the Committee. Any election by a Participant to waive the surviving spouse benefit may be revoked at any time by the Participant by a declaration of revocation delivered to the Committee in writing or by electronic medium or other means in such form and manner as it may prescribe. Any election to waive the surviving spouse benefit provided under paragraph 1. of this Article XIII above shall not take effect unless the spouse of the Participant consents to such election in writing or by electronic medium or other means prescribed by the Committee, such election designates a beneficiary which may not be changed without spousal consent (or the consent of the spouse expressly permits designations by the Participant without requirement of further consent by the spouse), and the spouse's consent acknowledges the effect of such election and is witnessed by a Plan representative or notary public; or it is established to the satisfaction of the Plan representative that the consent required of the spouse, as hereinabove provided, may not be obtained because the spouse cannot be located, or because of such other circumstances as may be prescribed by Treasury Regulations; provided, that any such consent by a spouse shall be effective only with respect to such spouse.

3. Designation of Beneficiary or Beneficiaries

A Participant who has no spouse, or who with his/her spouse's consent has elected to waive the surviving spouse benefit as hereinabove provided, may file with the Committee, a written designation or provide and state a designation by electronic medium or other means, in the form and/or manner determined and prescribed by the Committee, of the beneficiary or the beneficiaries to receive all or part of his/her account upon his/her death, and the Participant shall also file with or provide by electronic or other means to the Committee such information as to the identity of the beneficiary or beneficiaries and the relationship of the beneficiary or beneficiaries to the Participant as the Committee may from time to time require. The last designation received by the Committee shall be controlling over any testamentary or other disposition; provided, however, that no designation, or change or cancellation thereof, under this Plan shall be effective unless received by the Committee prior to the Participant's death, and in no event shall it be effective as of a date prior to such receipt.

4. Payment and Distribution to Beneficiary or Beneficiaries

Upon the death of a Participant, his/her account shall be paid or distributed to the Participant's spouse, or beneficiary or beneficiaries designated by him/her as provided in the preceding paragraphs 1. through 3. of this Article XIII, or, in the absence of such designation, to the estate of the Participant or to the beneficiary or beneficiaries entitled thereto under the intestacy laws governing the disposition of his/her estate, and thereupon the Trustee, the Company, and the Committee shall not be under any further liability to anyone. Provided, that the provisions for payment of a distribution to a surviving spouse of a deceased Participant in the KGS 401(k) Thrift Plan for a designated period of time shall remain in effect and be applicable until such distribution is completed pursuant to such provisions.

5. Rollover to IRA For Non-Spouse Beneficiary

Notwithstanding the foregoing, a direct trustee-to-trustee transfer may be made of any portion of a distribution of the Plan Account of a deceased Participant or Employee to an individual retirement account established for the purpose of receiving the distribution on behalf of an individual who is a designated beneficiary of the Participant or Employee and who is not the surviving spouse of the Participant or Employee pursuant to Code Section 402(c)(II).

6. Death Benefits; Qualified Active Military Service

In the case of a Participant who dies while performing qualified military service (as defined in Code Section 414(u)), the survivors of the Participant shall be entitled to any additional benefits (other than benefit accruals relating to the period of qualified military service) provided under the Plan had the Participant resumed and then terminated employment on account of death.

7. Death or Disability Resulting from Active Military Service; Treatment Allowed

The Company may treat an individual who dies or becomes disabled (as defined under the terms of the Plan) while performing qualified military service with respect to the Company as if the individual has resumed employment in accordance with the individual's reemployment rights under chapter 43 of title 38, United States Code, on the day preceding death or disability (as the case may be) and terminated employment on the actual date of death or disability. In the case of any such treatment, and subject to the provisions of this paragraph, any full or partial compliance by the Plan with respect to the benefit accrual USERRA requirements of Code Section 414(u)(8) with respect to such individual shall be treated for purposes of Code Section 414(u)(I) as if such compliance were required under such chapter 43. This paragraph shall apply only if all individuals performing qualified military service with respect to the Company (as determined under Code Section 414(b), (c), (m), and (o)) who die or became disabled as a result of performing qualified military service prior to reemployment by the Company are credited with service and benefits on reasonably equivalent terms. The amount of employee contributions and the amount of elective deferrals of an individual treated as reemployed under this paragraph for purposes of applying Code Section 414(u)(9)(C) shall be determined on the basis of the individual's average actual employee contributions or elective deferrals for the lesser of (i) the 12-month period of service with the employer immediately prior to qualified military service, or (ii) if service with the employer is less than such 12-month period, the actual length of continuous service with the employer .

ARTICLE XIV.

SUBSIDIARIES

PARAGRAPH

The Plan may be modified and amended from time to time pursuant to the provisions of Article XXIII hereof for purposes of extending its benefits to one (1) or more Subsidiaries of the Company.

ARTICLE XV.

ADMINISTRATION

Notwithstanding the January 1, 2018 general effective date, the effective date of the creation of the committees described herein is the date previously determined by the Board of Directors, which was an amendment to the Plan as of that date.

PARAGRAPH

1. ONE Gas, Inc. Benefits Committee & ONE Gas, Inc. Benefit Plan Sponsor Committee

The Plan shall be administered by the ONE Gas, Inc. Benefits Committee. (the "Committee") The Committee shall serve as the plan administrator within the meaning of Section 3(16)(A) of ERISA and as the term "Plan Administrator" is used in the Plan.

In acting with respect to and administering each Plan, the Committee shall have the authority and power, in its exclusive discretion, (i) to make and enforce rules and regulations, and to prescribe forms with respect to the administration of the Plan, (ii) to establish rules and procedures required by the applicable laws and regulations or the terms of the Plan, (iii) to interpret and apply the terms of all documents governing the establishment, administration or operation of the Plan, (iv) to decide all matters and questions concerning the Plan and its administration, including, without limitation, those concerning eligibility of any person to participate in or benefit under the Plan, (v) to establish and administer an investment policy or funding policy of the Plan, (vi) to appoint agents, counsel, accountants, actuaries, consultants, investment managers, including investment managers qualified to be appointed and act under ERISA, to manage any assets of the Plan under the terms of the Plan, and other persons to assist in administration of the Plan, (vii), to make, sign, furnish, deliver or file reports, returns, forms or other instruments with respect to or for the Plans and Plan administrator, (viii) to allocate and delegate its authority, responsibilities, duties and powers under these resolutions or the terms and provisions of the Plan to other persons, as it determines, in its exclusive discretion, and (ix) to take such other actions and do all other things that it determines, in its discretion, with respect to the administration and operation of the Plan.

The Committee shall have such other powers and duties as are specified in this instrument, any Charter for the Committee, or any Board directive, as the same may from time to time be constituted, and not in limitation but in amplification of the foregoing, the Committee shall have power, to direct the administration of the Plan, Trust, and that part of the funds held by the insurance company pursuant to contracts entered into from time to time by the Employer and an insurance company, with the Trustee and the insurance company to the extent described in such contracts being subject to the direction of the Committee. The Committee may supply any omission or reconcile any inconsistency in this instrument in such manner and to such extent as it shall deem expedient to carry the same into effect and it shall be the sole and final judge of such expediency. The Committee may adopt such regulations with respect to the signature by an Employee, Participant, and/or Spouse of an Employee or Participant, to any documents to be signed by Employees or Participants as the Committee shall determine in view of federal and state laws.

The Company, separate from the Plan, shall to the fullest extent permissible by law, defend, indemnify, and hold harmless any officer or employee of the Company serving as a member of the Committee against all liabilities, losses, damages, costs, and expenses, including attorneys' fees and amounts paid in settlement of any claims or liabilities in connection with the Plan by reason of any action taken or failure

to act by such person as a member of the Committee or by the Committee with respect to the Plan if the person, or Committee, acted in good faith and in a manner that was reasonably believed to be in or not opposed to the best interest of the Plan and, with respect to any criminal action or proceeding, had no reasonable cause to believe his, her, or its conduct was unlawful.

The settlor function of the Plan shall be administered by the ONE Gas, Inc. Benefit Plan Sponsor Committee ("Sponsor Committee"). The Sponsor Committee shall have all settlor functions regarding Plan establishment, design, pricing, amendment, and termination, but shall have no fiduciary functions. The Sponsor Committee shall have such other powers and duties as are specified in this instrument, any Charter for the Sponsor Committee, or any Board directive.

The Company, separate from the Plan, shall to the fullest extent permissible by law, defend, indemnify, and hold harmless any officer or employee of the Company serving as a member of the Sponsor Committee against all liabilities, losses, damages, costs, and expenses, including attorneys' fees and amounts paid in settlement of any claims or liabilities in connection with the Plan by reason of any action taken or failure to act by such person as a member of the Sponsor Committee or by the Sponsor Committee with respect to the Plan if the person, or Sponsor Committee, acted in good faith and in a manner that was reasonably believed to be in or not opposed to the best interest of the Plan and, with respect to any criminal action or proceeding, had no reasonable cause to believe his, her, or its conduct was unlawful

2. Trust, Trustee and Committee

The Company and Fidelity Management Trust Company have entered into a Trust Agreement pursuant to which the Fidelity Management Trust Company is to act as Trustee under the Plan. The Company may, without further reference to or action by any Employee, Participant, or any subsidiary of the Company participating in the Plan, (a) from time to time enter into such further agreements with the Trustee or other parties, and make such amendments to said Trust Agreement or such further agreements, as the Company may deem necessary or desirable to carry out the Plan; (b) from time to time designate successor Trustees which in each case shall be a bank or trust company having capital and surplus of not less than five hundred million dollars ($500,000,000); and (c) from time to time take such other steps and execute such other instruments as the Company may deem necessary or desirable to put the Plan into effect or to carry it out. The Board shall determine the manner in which the Company shall take any such action. Moreover, the Committee may execute such further agreements with the Trustee or other parties as it reasonably deems necessary to fulfill its own obligations with respect to administration of the Plan. The Committee shall advise the Trustee in writing with respect to all benefits which become payable under the terms of the Plan and shall direct the Trustee to pay such benefits from the respective Participants' Accounts. The Committee shall have such other powers and duties as are specified in this instrument as the same may from time to time be constituted, and not in limitation but in amplification of the foregoing, the Committee shall have power, to the exclusion of all other persons, in its sole discretion, to make all determinations and interpretations with respect to administration of the Plan, to interpret or construe the provisions of this instrument and to determine all questions that may arise hereunder as to the status and rights of Participants and others hereunder, to decide any disputes which may arise hereunder; to construe and determine the effect of beneficiary designations; to determine all questions that shall arise under the Plan, including questions as to the rights of Employees to become Participants, as to the rights of Participants, and including questions submitted by the Trustee on all matters necessary for it properly to discharge its duties, powers, and obligations; to employ legal counsel, accountants, actuaries, consultants and agents; to establish and modify such rules and regulations for carrying out the provisions of the Plan not inconsistent with the terms and provisions hereof, as the Committee may consider proper and desirable; and in all things and respects whatsoever, without limitation, to direct the administration of the Plan and Trust with the Trustee being subject to the direction of the Committee. The Committee shall establish and

maintain reasonable procedures governing the filing of benefit claims, notification of benefit determinations and appeal of adverse benefit determinations, as described in and consistent with paragraph 7. of this Article, below, and which shall also be described in the summary plan description for the Plan. The Committee may supply any omission or reconcile any inconsistency in this instrument in such manner and to such extent as it shall deem expedient to carry the same into effect and it shall be the sole and final judge of such expediency. The Committee may adopt such regulations with respect to the signature by an Employee, Participant and/or the spouse of an Employee or Participant to any directions or other papers to be signed by Employees or Participants and similar matters as the Committee shall determine in view of the laws of any state or states.

3. Plan Fiduciaries

The named fiduciary of the Plan (within the meaning of Section 402(a) of ERISA), who shall have authority to control and manage the operation and administration of the Plan, is the Committee (which, again, is the Benefits Committee). The Fiduciary may serve in more than one (1) fiduciary capacity under the Plan. The Committee may appoint or employ such assistants or representatives as they deem necessary for the effective exercise of its duties in the administration of the Plan including without limitation the appointment of an investment manager or managers. The Committee may delegate to such assistants and representatives any powers and duties, both ministerial and discretionary, as it may deem expedient or appropriate. The Trustee and the Company may by agreement in writing arrange for the delegation by the Trustee to the Committee of any of the Trustee's functions except the custody of the assets, the voting with respect to shares held by the Trustee, and the purchase and sale or redemption of securities. Any appointment of an additional or replacement named fiduciary in accordance with this paragraph will be subject to advance approval of the Board of Directors of the Company.

4. Action by the Committee

Any act which this instrument authorizes or requires the Committee to do may be done by a majority of the then members of the Committee. The action of such majority of the members expressed either by a vote at a meeting or in writing without a meeting, shall constitute the action of the Committee and shall have the same effect for all purposes as if assented to by all of the members of the Committee at the time in office, provided, however, that the Committee may, in specific instances, authorize one (1) of its members to act for the Committee when and if it is found desirable and convenient to do so.

5. Costs of Plan Administration

Except as provided in Paragraphs 4., 5., 6. and 8. of Article X hereof, or otherwise determined and directed by the Committee, the Company shall pay all costs and expenses incurred in administering the Plan including without limitation the expenses of the Committee, the fees and expenses of the Trustee, the fees of its counsel, and other administrative expenses. Notwithstanding the foregoing, the Company may apply forfeitures toward the satisfaction of the costs and expenses incurred in administering the Plan and/or towards the satisfaction of any Company Matching Contributions to the Plan. Forfeitures must be used no later than the last day of the Plan Year following the Plan Year in which the forfeiture occurs.

6. Uniform and Nondiscriminatory Application

All rules and decisions of the Committee shall be uniformly and consistently applied to all Employees and Participants in similar circumstances. The Committee shall be entitled to rely upon information furnished by the Company pertinent to any calculation or determination made pursuant to this Plan.

7. Summary Plan Description; Claims Procedures

The Committee shall cause to be furnished to each Participant, in a manner calculated to ensure actual receipt, a written summary plan description of the Plan and shall periodically update such summary plan description or furnish a written summary of material modifications describing any amendments to the Plan. Such summary plan description shall include the designation of the plan administrator, name of the Trustee, and shall set forth the Participant's rights and duties with respect to the benefits available to him/her under the Plan; provided, however, that in the event of any conflict between the terms of this Plan and such written summary plan description or summary of material modifications, the terms of this Plan shall control.

The summary plan description shall include a description of claims procedures, which shall contain provisions that are consistent with the following terms of this paragraph. Any decisions of the Plan respecting an Employee's right to become a Participant in the Plan or the right of a Participant or beneficiary to benefits shall be delivered to the Employee, Participant or beneficiary in writing.

If a claim for benefits under the Plan is wholly or partially denied, the Plan shall notify the claimant within a reasonable period of time, but not later than ninety (90) days after the claim is received by the Plan, unless the Plan determines that special circumstances require an extension of time for processing the claim. If the Plan determines an extension of time for processing the claim is required, a written notice of the extension will be furnished to the claimant prior to the end of the initial 90-day period. An extension for processing because of special circumstances will not exceed a period of ninety (90) days from the end of the initial 90-day period. The written notice of an extension of time for processing a claim will indicate the special circumstances requiring the extension, and the date by which the Plan expects to make a decision on the claim.

If the claim concerns disability benefits under the Plan, the Plan must notify the claimant in writing within 45 days after the claim is received by the Plan This period may be extended by the Plan for up to 30 days, if the Plan Administrator determines that such an extension is necessary due to matters beyond the control of the Plan, and the Plan notifies the claimant, prior to the expiration of the initial 45-day period, of the circumstances requiring the extension of time and the date by which the Plan expects to render a decision. An additional 30-day extension may be required if, prior to the end of the first 30-day extension period, the Plan Administrator determines that such an extension is necessary due to matters beyond the control of the Plan, and the Plan notifies the claimant, prior to the expiration of the first 30-day extension period, of the circumstances requiring the extension of time and the date by which the Plan expects to render a decision. Any notice of extension will specifically explain: (i) the standards on which entitlement to benefits is based; (ii) the unresolved issues that prevent a decision on the claim; (iii) the additional information needed to resolve those issues; and (iv) that the claimant will have 45 days to provide any specified additional information. If a period of time is extended because the claimant failed to provide necessary information, the period for making the benefit determination is tolled from the date the Plan sends notice of the extension to the claimant until the date on which the claimant responds to the request for additional information.

If an Employee, Participant or beneficiary is denied benefits under the Plan, the Plan shall notify the Employee, Participant or beneficiary of its decision with a written or electronic notification of the denial. This notification will be provided in a culturally and linguistically appropriate manner and shall set forth (i) the specific reason or reasons for the denial of the claim, (ii) the specific Plan provisions on which the determination to deny the claim is based, (iii) a description of any additional material or information necessary for the Employee, Participant or beneficiary (hereinafter also referred to as a "claimant") to perfect the claim and an explanation of why such material or information is necessary, and (iv) a description of the Plan's review procedures and time limits applicable to such procedures, including a statement of the right of a claimant to bring a civil action under ERISA following an adverse benefit determination on review.

If a claim concerns disability benefits under the Plan, the written or electronic notification shall also include the following: (i) a discussion of the decision including an explanation of the basis for disagreeing with or not following (a) the views presented by the claimant to the Plan of health care professional treating the claimant and vocational professional who evaluated the claimant, (b) the views of medical or vocational experts whose advice was obtained on behalf of the Plan in connection with a claimant's adverse benefit determination, without regard to whether the advice was relied upon in making the benefit determination; and (c) a disability determination regarding the claimant presented by the claimant to the Plan by the Social Security Administration; (ii) if the adverse determination is based on medical necessity or experimental treatment or similar exclusion or limit, either (a) an explanation of the scientific or clinical judgment for the determination, applying the terms of the Plan to the claimant's medical circumstances, or (b) a statement that such explanation will be provided free of charge upon request; (iii) either (a) the specific internal rules, guidelines, protocols, standards or other similar criterion of the Plan relied upon in making the adverse determination, or (b) a statement that such rules, guidelines, protocols, standards or other similar criterion of the Plan do not exist; and (iv) a statement that the claimant is entitled to receive, upon request and free of charge, reasonable access to and copies of all documents, records, and other information relevant to the claimant's claim for benefits.

A claimant shall have a right to a full and fair review of a claim and adverse benefit determination, and in all cases of such review (i) a claimant shall have sixty (60) days following receipt of notification of an adverse benefit determination within which to appeal such determination, (ii) a claimant shall have the opportunity to submit written comments, documents, records and other information relating to the claim for benefits (iii) a claimant shall be provided, upon request and free of charge, reasonable access to and copies of all documents, records and other information relevant to the claimant's claim for benefits, and (iv) a review that takes into account all comments, documents, records and other information submitted by the claimant relating to the claim, without regard to whether such information was submitted or considered in the initial benefit determination. A claimant shall be notified of the determination of the Plan on review within a reasonable time, but not later than sixty (60) days after the receipt of the claimant's request for review, unless the Plan determines that special circumstances require an extension of time for processing of the claim and review, in which event written notice of such extension shall be furnished to the claimant prior to the termination of the initial sixty (60) day period, and in no event shall such extension exceed a period of sixty (60) days from the end of such initial period; and such notice of extension shall indicate the special circumstances requiring an extension of time and the date by which the Plan expects to render the determination on review.

If the initial claim was for disability benefits under the Plan and is denied, a claimant shall have one hundred eighty (180) days following receipt of notification of an adverse benefit determination within which to appeal such determination. The appeal will be handled completely independently of the findings and decision made regarding the initial claim and will be processed by an individual or committee who is not a subordinate of the individual or committee who denied the initial claim. If the claim requires medical

judgment, the individual or committee handling the appeal will consult with a medical professional who was not consulted regarding the initial claim and who is not a subordinate of anyone consulted regarding the initial claim and identify that medical professional to the claimant. If the Plan considers, relies upon, or creates any new or additional evidence during the review of the appeal, the Plan will provide such new or additional evidence to the claimant. This new or additional evidence will be provided free of charge, as soon as possible and sufficiently in advance of the time within which a final determination on appeal is required to allow the claimant time to respond. Additionally, before the Plan issues a notice of determination on appeal that is based on new or additional rationale, the claimant must be provided a copy of the rationale at no cost. The rationale must be provided as soon as possible and sufficiently in advance of the time within which a final determination on appeal is required to allow the claimant time to respond. A claimant shall be notified of the determination of the Committee and Plan on review within a reasonable time, but not later than forty-five (45) days after the receipt of the claimant's request for review, unless the Committee and Plan determine that special circumstances require an extension of time for processing of the claim and review, in which event written notice of such extension shall be furnished to the claimant prior to the termination of the initial forty-five (45) day period and in no event shall such extension exceed a period of forty-five (45) days from the end of such initial period. The notice of extension shall indicate the special circumstances requiring an extension of time and the date by which the Plan expects to render a determination on review. If a period of time is extended because the claimant failed to provide necessary information, the period for making the benefit determination is tolled from the date the Plan sends notice of the extension to the claimant until the date on which the claimant responds to the request for additional information.

A claimant shall be provided by the Plan a written or electronic notification of a benefit determination on review. This notification will be provided in a culturally and linguistically appropriate manner and shall set forth (i) the specific reason or reasons for the adverse determination, (ii) reference to the specific Plan provisions on which the benefit determination is based, (iii) a statement that the claimant is entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, or other information relevant to the claimant's claim for benefits, and (iv) a statement describing any voluntary appeal procedures offered by the Plan and the claimant's right to obtain information about such procedures, and a statement of the claimant's right to bring an action under Section 502(a) of ERISA.

If a claim concerns disability benefits under the Plan, the written or electronic notification shall also include the following: (i) a discussion of the decision including an explanation of the basis for disagreeing with or not following (a) the views presented by the claimant to the Plan of health care professional treating the claimant and vocational professional who evaluated the claimant, (b) the views of medical or vocational experts whose advice was obtained on behalf of the Plan in connection with a claimant's adverse benefit determination, without regard to whether the advice was relied upon in making the benefit determination; and (c) a disability determination regarding the claimant presented by the claimant to the Plan by the Social Security Administration; (ii) if the adverse determination is based on medical necessity or experimental treatment or similar exclusion or limit, either (a) an explanation of the scientific or clinical judgment for the determination, applying the terms of the Plan to the claimant's medical circumstances, or (b) a statement that such explanation will be provided free of charge upon request; and (iii) either (a) the specific rules, guidelines, protocols, standards or other similar criterion of the Plan relied upon in making the adverse determination, or (b) a statement that such rules, guidelines, protocols, standards or other similar criterion of the Plan do not exist.

The Company, the Committee and other Plan fiduciaries shall be fully protected in relying on the accuracy and completeness of all personal data, consents, elections and designations provided by any Participant, and each Participant shall be solely responsible for the accuracy and completeness of such information. If the Committee or any other Plan fiduciary acts or fails to act with respect to a Participant or a Participant's

Account under the Plan, and the Participant knows or reasonably should have known of such act or failure to act (such as by timely reviewing periodic Account statements and timely reviewing payroll statements), then the Participant's failure to notify the Committee or other applicable Plan fiduciary within a reasonable period of time (not to exceed one year) shall be deemed an acceptance and ratification of such act or failure to act, and the Company, the Plan, the Committee and applicable Plan fiduciary shall be forever discharged from liability with respect to such act or failure to act to the same extent as if the absence of such liability had been finally adjudicated in federal court.

8. Electronic Medium Notices and Elections; ERISA Disclosure and Reporting

A. The Plan may use an electronic medium to provide applicable notices and for the making of Participant elections to the maximum extent permitted by law. Any electronic system used by the Plan shall be reasonably designed to provide the information in any notice to an Employee, Participant or other recipient in a manner that is no less understandable to the recipient than a written document. Such electronic system used by the Plan shall be reasonably designed to alert the recipient at the time a notice is provided, to the significance of the information in the notice, any instructions needed to access the notice and the availability of a paper copy at no cost to the recipient.

B. Notwithstanding any other provision stated, expressed or implied to the contrary in this Plan document, the Plan may be administered with respect to any election, consent, direction or other right, act, or feature provided for under or in connection with the Plan, by the Committee authorizing, directing or allowing that such things be done, delivered, provided or communicated by written instrument or by electronic medium, telephone voice response system or any other means authorized and permitted under applicable laws and regulations, and determined and prescribed from time to time by the Committee.

9. Recognition of Agency Relationships

The Trustee need not recognize the agency of any party for an Employee or Participant unless it shall receive documentary evidence thereof satisfactory to it and thereafter from time to time, as the Trustee may determine, additional documentary evidence showing the continuance of such agency; provided that the Trustee shall not be required to recognize any agency which the Trustee deems to be a device for violating the provisions of Article XVII. Until such time as the Trustee shall receive documentary evidence satisfactory to it of the cessation or modification of any agency, the Trustee shall be entitled to rely upon the continuance of such agency and to deal with the agent as if he/she or it were the Employee or Participant.

10. Valuation of Trust Assets

The Trustee shall value the assets of the Plan Trust as of the close of the last day of the Plan Year, and more frequently, if directed by the Committee. The assets of the Trust shall be valued at their fair market value and the Committee shall, in accordance with a method consistently followed and uniformly applied, allocate the sums contributed by the Company and Participants, plus the net income or minus the net loss of the Trust, and plus the net appreciation or minus the net depreciation in the Trust assets, to the separate Participants' Accounts of the respective Participants under the Plan in accordance with the foregoing and the provisions of Article X of the Plan.

11. Allocation and Delegation of Committee Responsibilities

The Committee may (i) allocate among any of the members of the Committee any of the responsibilities of the Committee under the Plan or (ii) designate any person, firm, or corporation that is not a member of the Committee to carry out any of the responsibilities of the Committee under the Plan. Any such

allocation or designation shall be made pursuant to a written instrument signed by a majority of the members of the Committee or its duly authorized representative and fiduciary. If such allocation or designation occurs, then the person, firm, or corporation designated, or to whom such allocation and delegation of authority, responsibilities, or duties is made, shall, upon acceptance thereof by them, be solely responsible for performing the delegated, allocated, or designated duties and functions until such delegation may terminate from time to time.

12. Audit

The independent accountants who audit the books and accounts of the Company shall annually examine the records of the Company and the Committee in respect of the Plan and, on the basis of such examination, make such report to the Trustee as it may request. The records of the Trustee and (subject to such report by said independent accountants) the records of the Company and the Committee shall be conclusive in respect of all matters involved in the administration of the Plan.

13. Annual Reports

The Committee shall annually furnish to each Participant a statement as of the end of the previous Plan Year, at such time and in such form as the Committee shall determine, setting forth the account of such Participant. Such statement shall be deemed to have been accepted as correct unless written notice to the contrary is received by the Trustee within thirty (30) days after the mailing of such statement to the Participant.

ARTICLE XVI.

NOTICES AND OTHER COMMUNICATIONS

PARAGRAPH

1. Delivery of Notices and Other Documents

All notices, reports, and statements given, made, delivered, or transmitted to a Participant shall be deemed duly given, made, delivered, or transmitted when mailed, by such class of mail as the Trustee may deem appropriate, with postage prepaid and addressed to the Participant at the address last appearing on the books of the Company. A Participant may change his/her address from time to time by written notice in form prescribed by the Committee.

2. Delivery of Communications by Participants

Written directions, notices, and other communications from Participants to the Company, the Trustee, or the Committee shall be mailed by first-class mail or delivered to such location as shall be specified in regulations or upon the forms prescribed by the Committee, and shall be deemed to have been given when received at such location.

ARTICLE XVII.

NON-ASSIGNABILITY

PARAGRAPH

1. General

To the extent permitted by law, it is a condition of the Plan, and all rights of each Participant shall be subject thereto, that no right or interest of any Participant in the Plan or in his/her account shall be assignable or transferable in whole or in part, either directly or by operation of law or otherwise, including (but without limitation) execution, levy, garnishment, attachment, pledge, bankruptcy, or in any other manner, but excluding devolution by death or mental incompetency; and no right or interest of any Participant in the Plan or in his/her account shall be liable for or subject to any obligation or liability of such Participant.

2. Loans

The foregoing limitation in paragraph 1. shall not apply to a loan made to a Participant if such loan is secured by the Participant's accrued nonforfeitable benefit and such loan is made in accordance with the nondiscriminatory loan policy prescribed in paragraph 18. of Article XII.

3. Qualified Domestic Relations Orders

The foregoing limitation shall not apply to a Qualified Domestic Relations Order, and payments shall be made hereunder in accordance with the applicable requirements of any such Qualified Domestic Relations Order in accordance with written procedures to be established by the Committee to determine the qualified status of domestic relations orders and to administer distributions under such orders in accordance with Section 206(d)(3) of ERISA, and regulations thereunder. For purposes of this Plan a "Qualified Domestic Relations Order" means any judgment, decree, or order (including approval of a property settlement) which creates or recognizes the existence of an alternate payee's right to, or assigns to an alternate payee the right to receive all or a portion of the benefits payable with respect to a Participant under this Plan, and relates to the provision of child support, alimony payments, or marital property rights to a spouse, former spouse, child, or other dependent of a Participant, is made pursuant to a state domestic relations law (including a community property law), and which meets the requirements of Section 206(d)(3)(C) and (D) of ERISA. For purposes of the foregoing, an "alternate payee" means any spouse, former spouse, child, or other dependent of a Participant who is recognized by a Qualified Domestic Relations Order as having a right to receive all or a portion of, the benefits payable under the Plan with respect to such Participant.

ARTICLE XVIII.

TERMS OF EMPLOYMENT UNAFFECTED

PARAGRAPH

1. Participation in the Plan by a Participant shall in no way affect any of the Company's rights to assign such Participant to a different job or position; to change his/her title, authority, duties, or rate of compensation; or to terminate his/her employment.

ARTICLE XIX.

CONSTRUCTION OF PLAN

PARAGRAPH

1. To the extent federal law does not apply, Plan shall be governed by and construed in accordance with the laws of the State of Oklahoma. Any interpretation of the Plan by the Committee shall be conclusive and may be relied upon by the Trustee and all parties in interest.

ARTICLE XX.

TOP-HEAVY RULES

PARAGRAPH

1. Minimum Contribution

If this Plan is top-heavy in any Plan Year, the Plan guarantees a minimum contribution of three percent (3%) of Compensation for each Non-key Employee who is a Participant employed by the Company on the last day of the Plan Year. If the contribution rate for the Key Employee with the highest contribution rate is less than three percent (3%), the guaranteed minimum contribution for Non-key Employees under this paragraph 1. shall equal the highest contribution rate received by a Key Employee. The contribution rate is the sum of Company contributions (not including Company contributions to Social Security) and any forfeitures allocated to the Participant's Account for the Plan Year divided by his/her Compensation for the Plan Year taking into consideration amounts contributed as a result of a salary reduction arrangement in determining the contributions made on behalf of Key Employees. All qualified defined contribution plans maintained by the Company shall be considered as a single plan for purposes of determining the contribution rate. For any year in which the Plan is top-heavy, each Non-key Employee shall receive a minimum contribution if not separated from service at the end of the Plan Year regardless of whether such Non-key Employee has declined to make any mandatory contribution otherwise required by the Plan.

If this Plan is top-heavy and any Participant in the Plan is a Participant in any other top-heavy defined contribution plan(s) maintained by the Company, then this Plan shall provide the defined contribution plan minimum contribution for all such top-heavy defined contribution plans.

If any Participant in the Plan is also covered by a top-heavy defined benefit plan of the Company, the aggregate top-heavy minimum benefit requirement for such Participant for all plans affected shall be satisfied by such Participant receiving a safe harbor minimum defined contribution under this Plan equal to at least five percent (5%) of his/her Compensation for each Plan Year such plans are top-heavy, all in accordance with and pursuant to the provisions of Treasury Regulations, §1.416-1, M-12, and any amendment thereto.

2. Rate of Minimum Contribution

To the extent the contribution rate with respect to a Non-key Employee for a Plan Year as described in paragraph 1. above, is less than the minimum contribution, the Company will increase its contribution for such Employee to the extent necessary so his/her contribution rate for the Plan Year shall equal the guaranteed minimum contribution. The required additional contribution shall be made from net profits of the Company to the extent available, but if for a particular Plan Year there are no profits out of which to make contributions to the Plan, the Company shall nevertheless make the minimum guaranteed contribution for each Non-key Employee. The Committee shall allocate the additional contribution to the account of the Non• key Employee for whom the Company makes the contribution.

3. Top-Heavy Status Determination

The Plan is top-heavy for a Plan Year if the top-heavy ratio as of the Determination Date exceeds sixty percent (60%). The top-heavy ratio is a fraction, the numerator of which is the present value of the Accrued Benefit of all Key Employees as of the Determination Date, the contributions due as of the

Determination Date, and distributions made within the one-year period immediately preceding the Determination Date, and the denominator of which is a similar sum determined for all Participants under this Plan; provided, that if any individual has not performed services for the Company at any time during the one (1)-year period ending on the Determination Date, any accrued benefit for such individual (and on account of such individual) shall not be taken into account. The foregoing determination of top-heaviness, and the top-heavy ratio shall also apply to distributions under a terminated plan which if it had not been terminated would have been required to be included in an aggregation group including the Plan. The Committee shall calculate the top-heavy ratio without regard to any Non-key Employee who was formerly a Key Employee. The Committee shall calculate the top-heavy ratio, including the extent to which it must take into account any distributions, rollovers, and other transfers, in accordance with Code Section 416 and the regulations thereunder.

If the Company maintains any other qualified plans, this Plan is a top-heavy plan only if it is part of the Top-Heavy Aggregation Group, and the top-heavy ratio for both the Top-Heavy Aggregation Group and the Additional Aggregation Group exceeds sixty percent (60%). The Committee shall calculate the top-heavy ratio and determine top-heavy status for the aggregation of plans for a particular year by the following procedures:

A. The present value of accrued benefits (including distribution to Key Employees) is determined separately for each plan as of each plan's Determination Date;

B. The plans are then aggregated by adding together the results for each plan as of the Determination Dates for such plans that fall within the same calendar year, and

C. The combined results shall indicate whether or not the plans so aggregated are top heavy. The Plan shall not be considered to be a top-heavy plan if it at any time consists solely of a cash or deferred arrangement which meets the requirements of Code Section 401(k)(12) or 401(k)(13), and matching contributions with respect to which the requirements of Code Section 401(m)(11) and 401(m)(12) are met. If, but for the preceding sentence, the Plan would be treated as a top-heavy plan because it is a member of an aggregation group which is a top-heavy group, contributions under the Plan may be taken into account in determining whether any other plan in the group meets the requirements of requirements of providing minimum contributions and benefits under Code Section 416(c).

4. Vesting

The vesting in Plan benefits for Participants provided in paragraph 1. of Article XI, shall be applicable to this Plan as a top-heavy plan.

5. Definitions

For purposes of applying the provisions of this Article XX, the following definitions shall be applicable:

A. "Key Employee" means as of any Determination Date, any Participant or former Employee (including any deceased Employee) who at any time during the Plan Year that includes the Determination Date was an officer of the Company having an annual compensation greater than One Hundred Seventy-Five Thousand Dollars ($175,000) (as adjusted under Code Section 416(i)(l)), a five-percent (5%) owner of the Company, or a one-percent (1%) owner of the Company who has total annual compensation from the Company of more than One Hundred Fifty Thousand Dollars ($150,000). For this purpose, annual compensation means compensation within the meaning of Code Section 415(c)(3). The determination of who is a key employee shall be made in accordance with Code Section 416(i)(l) and the applicable regulations and other guidance of general applicability thereunder.

B. "Non-key Employee" means a Participant who does not meet the definition of Key Employee, and such Participant's beneficiary or beneficiaries.

C. "Five percent (5%) owner" means any person who owns (or is considered as owning within the meaning of Code Section 318) more than five percent (5%) of the outstanding stock of the Company or stock possessing more than five percent (5%) of the total combined voting power of all stock of the Company.

D. "One percent (1%) owner" means any person who would be described in subparagraph C., above, if "one percent (1%)" were substituted for "five percent (5%)" each place it appears in subparagraph C., above.

For purposes of the foregoing, subparagraph (C) of Code Section 318(a)(2) shall be applied by substituting "five percent (5%)" for "fifty percent (50%);" the rules of Subsection (b), (c), and (m) of Code Section 414 shall not apply for purposes of determining ownership of the Company; and the term "compensation" shall have the meaning given such term by Code Section 414(q)(7).

E. "Accrued Benefit" shall mean the amount of the Participant's account under this Plan as of any particular date derived within the limitation year for this Plan.

F. "Top-Heavy Aggregation Group" means each qualified plan of the Company in which at least one (1) Key Employee participates (in the Plan Year containing the Determination Date or any of the four (4) preceding Plan Years) and any other qualified plan of the Company which, when considered with such qualified plans with Key Employee participants, enables such plans (those with at least one (1) Key Employee) to meet the coverage and nondiscrimination rules of Code Sections 401(a)(4) or 410.

G. "Additional Aggregation Group" means the Top-Heavy Aggregation Group plus any other qualified plans maintained by the Company, but only if such group would satisfy in the aggregate the requirements of Code Sections 401(a)(4) and 410. The Committee shall determine which plan or plans to consider in determining the Additional Aggregation Group.

H. "Determination Date" for any Plan Year is the last day of the preceding Plan Year. For the first Plan Year, this date shall be the last day of such Plan Year.

I. "Valuation Date" means the annual date on which Plan assets are to be valued hereunder for the purpose of determining the value of account balances, which occurred most recently within a twelve (12)-month period ending on the determination date.

ARTICLE XXI.

TRANSFERRED SUBSIDIARY PLAN ACCOUNTS

PARAGRAPH

1. General

If a Participant was a participant in a defined contribution plan of a subsidiary of ONEOK that is subject to Code Sections 401(a)(11) and 417 with respect to that Participant, from which assets in which the Participant had a vested account and benefits have been transferred directly or indirectly on or after January 1, 1985, to the Trust of this Plan pursuant to paragraphs 1. and 2. of Article V, that vested account and benefits (hereinafter referred to as "Transferred Participant Account") of the Participant shall be held, invested, maintained and distributed in accordance with this Article XXI.

2. Separate Accounting and Accrual

A Participant's Transferred Participant Account shall be accounted for separately from all other of his/her contributions hereunder and the Company's contributions to his/her regular Participant Account. The Participant's rights in his/her accrued benefit derived from his/her Transferred Participant Account shall be nonforfeitable, and any income and earnings therefrom and accretions thereon, shall be separately accounted for and become vested in such Participant immediately upon receipt thereof by the Trustee of such income, earnings and accretions, and (subject to subsequent loss through decline in value of investments) and the Participant may not thereafter be deprived of such funds under any provision of the Plan.

3. Other Plan Provisions Applicable

Except as otherwise provided in this Article XXI, the Transferred Participant Account of any Participant shall be separately held, accounted for, and distributed, but in the same manner and subject to the same rules, requirements, and limitations as generally apply to a Participant's account under all provisions of this Plan.

4. Distributions

Subject to paragraphs 7. and 8., below, the Transferred Participant Account of a Participant shall not be distributed under a method of payment which, as of the Required Beginning Date, does not satisfy the minimum distribution requirements established by this Article XXI or paragraph 11. of Article XI, or which is not consistent with Treasury regulations. The minimum distribution for a calendar year equals the Participant's nonforfeitable accrued benefit in his/her Transferred Participant Account at the beginning of the year divided by the Participant's life expectancy or, if applicable, the life expectancy of such Participant and his/her designated beneficiary. For the purposes of this Article XXI, the "Required Beginning Date" shall mean the latest date for distribution to a Participant stated in paragraph 11. of Article XI. In computing a minimum distribution, the life expectancy multiples under Treasury Regulations, Section 1.72-9 shall be used. For purposes of such computation, a Participant's life expectancy may be recalculated no more frequently than annually, but the life expectancy of a nonspouse beneficiary may not be recalculated. If the Participant's spouse is not the designated beneficiary, the method of distribution selected must provide that the present value of the payments to be made to the Participant is more than fifty percent (50%) of the present value of the total payments to the Participant and his/her beneficiaries.

5. Consent of Distribution

A Participant and the spouse of the Participant (or where the Participant has died, the surviving spouse) must consent to the form of the distribution of the Transferred Participant Account the Committee directs the Trustee to make if: (i) the present value of the Participant's nonforfeitable accrued benefit exceeds five thousand dollars ($5,000); (ii) the Qualified Joint and Survivor Annuity provisions stated below in this Article XXI apply to the distribution; and (iii) a distribution in a form other than a Qualified Joint and Survivor Annuity is to be made.

6. Time of Distribution

If distribution of a Participant's Transferred Participant Account in other than lump-sum is authorized by this Article XXI, then upon the death of the Participant, the Participant's Transferred Participant Account shall be paid in accordance with this paragraph. If the Participant's death occurs after payment of the Participant's Transferred Participant Account has begun, payment thereof shall be completed over a period which does not exceed the payment period which had commenced. If the Participant's death occurs prior to the time payment of the Participant's benefit from the Transferred Participant Account has begun, the payment thereof shall be made over a period not exceeding (i) five (5) years after the date of the Participant's death, or (ii) if the beneficiary is a designated beneficiary, over the designated beneficiary's life expectancy; but payment of the Participant's Transferred Participant Account over a period described in (ii) shall not be made unless such payment to the designated beneficiary begins no later than one (1) year after the date of the Participant's death or, if later, and the designated beneficiary is the Participant's surviving spouse, the date the Participant would have attained age seventy and one-half(70½).

7. Qualified Joint and Survivor Annuity; Qualified Preretirement Survivor Annuity

The Committee shall direct the Trustee to distribute a married or unmarried Participant's Transferred Participant Account, otherwise payable in annuity form, in the form of a Qualified Joint and Survivor Annuity or a Qualified Preretirement Survivor Annuity, unless the Participant makes a valid election to waive the Qualified Joint and Survivor Annuity or Qualified Preretirement Survivor Annuity under paragraph 8. Of this Article XXI, below.

If a Participant elects at any time during the Applicable Election Period to waive the Qualified Joint and Survivor Annuity form of benefit or the Qualified Preretirement Survivor Annuity form of benefit (or both), the Participant shall be allowed to elect the Qualified Optional Survivor Annuity form of benefit at any time during the Applicable Election Period.

A "Qualified Joint and Survivor Annuity" is an annuity which is purchasable with the Participant's Transferred Participant Account and which is payable for the life of the Participant with, if the Participant is married on the Annuity Starting Date, a survivor annuity payable for the life of the Participant's surviving spouse equal to fifty percent (50%) of the amount of the annuity payable during the joint lives of the Participant and his/her spouse, and which is the actuarial equivalent of a single annuity for the life of the Participant. On or before the Annuity Starting Date, the Committee, in its sole discretion without Participant or spousal consent, may direct the Trustee to pay the Participant's Transferred Participant Account in a lump sum, in lieu of a Qualified Joint and Survivor Annuity, if the present value of the Participant's Transferred Participant Account (excluding accumulated deductible employee contributions) does not exceed five thousand dollars ($5,000).

"Qualified Optional Survivor Annuity" means (ii) an annuity for the life of the Participant with a survivor annuity for the life of the spouse which is equal to the applicable percentage of the amount of the annuity

which is payable during the joint lives of the Participant and the spouse, and (ii) which is the actuarial equivalent of a single annuity for the life of the Participant. Such term also includes any annuity in a form having the effect of an annuity described in the preceding sentence. For purposes of this paragraph and definition if the survivor annuity percentage is less than 75 percent (75%), the applicable percentage is 75 percent (75%), and if the survivor annuity percentage is greater than or equal to 75 percent (75%), the applicable percentage is 50 percent (50%). For purposes of this paragraph and definition, the term "survivor annuity percentage" means the percentage which the survivor annuity under the Plan's qualified joint and survivor annuity bears to the annuity payable during the joint lives of the Participant and the spouse.

If a married Participant dies before the Annuity Starting Date and such Participant has a surviving spouse, the Committee shall direct the Trustee to distribute the Participant's Transferred Participant Account to the Participant's surviving spouse in the form of a Qualified Preretirement Survivor Annuity, unless the Participant has a valid waiver election in effect. A "Qualified Preretirement Survivor Annuity" is an annuity which is actuarially equivalent to fifty percent (50%) of the Participant's Transferred Participant Account (determined as of the date of the Participant's death) and which is payable for the life of the Participant's surviving spouse. Any security interest held by reason of a loan outstanding to the Participant shall be taken into account in determining the amount of the Qualified Preretirement Survivor Annuity. The Participant's surviving spouse may elect to have the Trustee commence payment of the Qualified Preretirement Survivor Annuity within a reasonable period of time following the date of the Participant's death. Furthermore, if the present value of the Participant's Transferred Participant Account exceeds five thousand dollars ($5,000), the Committee shall not direct the Trustee to distribute the Qualified Preretirement Survivor Annuity to the Participant's surviving spouse prior to the date the Participant would have attained age sixty-five (65) without the written consent of the surviving spouse. The Committee, in its sole discretion, may direct the Trustee to make a lump-sum distribution to the Participant's surviving spouse in lieu of a Qualified Preretirement Survivor Annuity, if the present value of the Participant's Transferred Participant Account is not greater than five thousand dollars ($5,000).

If the Participant has in effect a valid waiver election regarding the Qualified Joint and Survivor Annuity or the Qualified Preretirement Survivor Annuity, the Committee shall direct the Trustee to distribute the Participant's Transferred Participant Account in accordance with paragraphs 3. and 4., above. For purposes of applying this Article XXI, the Committee shall treat a former spouse as the Participant's spouse or surviving spouse to the extent provided under a Qualified Domestic Relations Order (as defined in Code Section 414(p)).

8. Notices; Waiver Election

Within the Applicable Notice Period with respect to such Participant, the Company shall provide the Participant a written explanation of the terms and conditions of the Qualified Joint and Survivor Annuity and a Qualified Optional Survivor Annuity, the Participant's right to make and the effect of an election to waive the Qualified Joint and Survivor Annuity form of benefit, the effect of an election of a Qualified Optional Survivor Annuity, the rights of the Participant's spouse to consent to such a waiver election, and the right to make and the effect of a revocation of the Participant's waiver election. A Participant may elect at any time during the Applicable Election Period to waive the Qualified Joint and Survivor Annuity form of benefit. The Participant may revoke a waiver of the Qualified Joint and Survivor Annuity, or an elected Qualified Optional Survivor Annuity or make a new waiver at any time during the Applicable Election Period.

The Annuity Starting Date for a distribution in a form other than a Qualified Joint and Survivor Annuity may be less than thirty (30) days after receipt of the written explanation described in the preceding

paragraph provided: (1) the Participant has been provided with information that clearly indicates that the Participant has at least thirty (30) days to consider whether to waive the Qualified Joint and Survivor Annuity and elect (with spousal consent) to a form of distribution other than a Qualified Joint and Survivor Annuity, including a Qualified Optional Survivor Annuity; (2) the Participant is permitted to revoke any affirmative distribution election at least until the Annuity Starting Date or, if later, at any time prior to the expiration of the 7-day period that begins the day after the explanation of the Qualified Joint and Survivor Annuity is provided to the Participant; and (3) the Annuity Starting Date is a date after the date that the written explanation was provided to the Participant.

A married Participant's waiver election is not valid after December 31, 1984, unless (i) the Participant's spouse (to whom the survivor annuity is payable under the Qualified Joint and Survivor Annuity) has consented in writing to the waiver election, (ii) such election designates a beneficiary (or form of benefit) which may not be changed without spousal consent (or the consent of the spouse expressly permits designations by the Participant without any requirement of further consent by the spouse), and (iii) the spouse's consent acknowledges the effect of the election, and a notary public or the Company (or its Plan representative) witnesses the spouse's consent. The spouse's consent to a waiver of the Qualified Joint and Survivor Annuity shall be irrevocable unless the Participant revokes the waiver election.

The Company may accept as valid a waiver election which does not satisfy the spousal consent requirements, if the Company establishes the Participant does not have a spouse, the Company is not able to locate the Participant's spouse, or other circumstances exist under which the Treasury Regulations excuse the consent requirement.

Notwithstanding the foregoing, a Qualified Joint and Survivor Annuity, Qualified Optional Survivor Annuity and Qualified Preretirement Survivor Annuity will not be provided unless the Participant and spouse had been married throughout the one-year period ending on the earlier of (i) the Participant's Annuity Starting Date or (ii) the date of the Participant's death; except that if a Participant marries within one (1) year before the Annuity Starting Date, and the Participant and the Participant's spouse in such marriage have been married for at least a one-year period ending on or before the date of the Participant's death, such Participant and such spouse shall be treated as having been married throughout the one-year period ending on the Participant's Annuity Starting Date.

With respect to any Participant's Transferred Participant Account subject to paragraph 7., the Company shall provide to each Participant, within the Applicable Notice Period with respect to such Participant in a manner consistent with Treasury Regulations, a written explanation of the terms and conditions of the Qualified Optional Survivor Annuity comparable to the explanation of the Qualified Joint and Survivor Annuity required hereunder.

With respect to any Participant's Transferred Participant Account subject to paragraph 7., the Company shall provide to each Participant, within the Applicable Notice Period with respect to such Participant in a manner consistent with Treasury Regulations, a written explanation of the terms and conditions of the Qualified Preretirement Survivor Annuity comparable to the explanation of the Qualified Joint and Survivor Annuity required hereunder. If the Participant's Transferred Participant Account is not subject to paragraph 7. above prior to the time the Company must provide the written explanation of the Qualified Preretirement Survivor Annuity, the Company shall provide the written explanation within a reasonable period consistent with Treasury Regulations following the time the Participant's Transferred Participant Account first is subject to this Article XXI, but not later than the close of the second Plan Year following the Plan Year in which the Participant enters the Plan or first becomes subject to paragraph 7. A Participant may elect at any time during the Applicable Election Period to waive the Qualified Preretirement Survivor

Annuity form of benefit. A Participant may revoke a waiver of the Qualified Preretirement Survivor Annuity or make a new waiver at any time during the Applicable Election Period.

A Participant's waiver election of the Qualified Preretirement Survivor Annuity is not valid unless (i) the Participant makes the waiver election no earlier than the first day of the Plan Year in which he/she attains age thirty-five (35), and (ii) after December 31, 1984, the Participant's spouse (to whom the Qualified Preretirement Survivor Annuity is payable) satisfies the consent requirements described above. The spouse's consent to a waiver of the Qualified Preretirement Survivor Annuity is irrevocable unless the Participant revokes the waiver election. Irrespective of the time of election requirement described in (i), if the Participant separates from service prior to the first day of the Plan Year in which he/she attains age thirty-five (35), the Company may accept a waiver election with respect to the Transferred Participant Account attributable to his/her service prior to his/her separation from service.

9. Definitions; and Applicable Rules

For purposes of paragraphs 7. and 8. of this Article XXI, the term "Annuity Starting Date" means with respect to the Participant's Transferred Participant Account (i) the first day of the first period for which an amount is payable as an annuity, or (ii) in the case of a benefit not payable in the form of an annuity, the first day on which all events have occurred which entitle the Participant to such benefit.

The term "Earliest Retirement Age" means the earliest date on which, under the Plan, the Participant could elect to receive retirement benefits with respect to his/her Transferred Participant Account. The term "Applicable Notice Period" means, with respect to a Qualified Joint and Survivor Annuity for a Participant, a reasonable period of time of not less than thirty (30) days and not more than one hundred eighty (180) days before the Annuity Starting Date (as consistent with applicable Treasury Regulations).

With respect to a Qualified Preretirement Survivor Annuity for a Participant, the "Applicable Notice Period" means whichever of the following periods ends last: (i) the period beginning with the first day of the Plan Year in which the Participant attains age thirty-two (32) and ending with the close of the Plan Year preceding the Plan Year in which the Participant attains age thirty-five (35); (ii) a reasonable period after the individual becomes a Participant; (iii) a reasonable period ending after the Plan ceases to fully subsidize costs of the benefit, if applicable; or (iv) a reasonable period ending after Code Section 401(a)(11) applies to the Participant provided that in the case of a Participant who separates from service before attaining age thirty-five (35), the Applicable Notice Period shall be a reasonable period after separation.

The term "Applicable Election Period" means (i) with respect to a Qualified Joint and Survivor Annuity, the one hundred eighty (180) day period ending on the Annuity Starting Date and (ii) with respect to a Qualified Preretirement Survivor Annuity, the period which begins on the first day of the Plan Year in which the Participant attains age thirty-five (35) and ends on the Participant's death.

The present value of a qualified joint and survivor annuity benefit or a qualified preretirement survivor annuity benefit shall be calculated by using the Applicable Mortality Table and the Applicable Interest Rate. For purposes of the preceding sentence the terms "Applicable Mortality Table" and "Applicable Interest Rate" shall have the meaning for such terms stated in Code Section 417(e)(3), Treasury regulations promulgated under that section, and in applicable rulings and guidance published by the Internal Revenue Service with respect to such terms and the Code, including without limitation, changes enacted by the Pension Protection Act of 2006 (P. L. 109-280). Provided, that the Plan and amendment thereof to add the preceding sentence shall be applied and interpreted consistent with the Code in such manner as does not decrease the accrued benefit of a Participant.

ARTICLE XXII.

NGC PROFIT SHARING/401(K) SAVINGS PLAN TRANSFERRED ACCOUNTS

PART A.

General Provisions/Administration Of Transferred NGC Accounts

PARAGRAPH

1. General

If a Participant was a participant in the NGC Profit Sharing/401(k) Savings Plan ("NGC Plan") from which assets in which the Participant had a vested account and benefits have been transferred directly to the Trust of this Plan pursuant to Paragraph 3. of Article V, that vested account and benefits (hereinafter referred to as "Transferred NGC Account") of the Participant shall be held, invested, maintained, administered and distributed in accordance with this Article XXII.

2. Separate Accounting and Accrual

A Participant's Transferred NGC Account shall be accounted for separately from all other of his/her contributions hereunder and the Company's contributions to his/her regular Participant Account. The Participant's rights in his/her accrued benefit derived from his/her Transferred NGC Account shall be fully vested and nonforfeitable, and any income and earnings therefrom and accretions thereon, shall be separately accounted for and become vested in such Participant immediately upon receipt thereof by the Trustee of such income, earnings and accretions, and (subject to subsequent loss through decline in value of investments) and the Participant may not thereafter be deprived of such funds under any provision of the Plan. The Transferred NGC Account of a Participant shall be paid and distributed in the forms of benefit provided under the NGC Plan prior to the transfer thereof to this Plan in such manner as is required to satisfy the applicable provisions of Section 411(d)(6) of the Code, and Treasury Regulations thereunder.

3. Other Plan Provisions Applicable

Except as otherwise provided in this Article XXII, the Transferred NGC Account of any Participant shall be separately held, accounted for, and distributed, but in the same manner and subject to the same rules, requirements, and limitations as generally apply to a Participant's Account or parts thereof pertinent under all provisions of this Plan.

PART B.

Transferred NGC Accounts; Retirement Benefits

A Participant who terminates his/her employment on or after his/her Normal Retirement Date shall be entitled to a retirement benefit, payable at the time and in the form provided in Part F of this Article XXII, equal in value to the aggregate amount in his/her Transferred NGC Account on his/her Annuity Starting Date. Any contribution or addition allocable to a Participant's Transferred NGC Account after his/her Annuity Starting Date shall be distributed, if his/her benefit was paid in a lump sum, or used to increase his/her payments, if his/her benefit is being paid on a periodic basis, as soon as administratively feasible after the date that such contribution or addition is paid to the Trust of the Plan.

PART C.

Transferred NGC Accounts; Disability Benefits

1. Disability Benefits

In the event a Participant's employment is terminated, and such Participant is totally and permanently disabled, as determined pursuant to Paragraph 2. of this Part C, below, such Participant shall be entitled to a disability benefit, payable at the time and in the form provided in Part F of this Article XXII equal in value to the aggregate amount in his/her Transferred NGC Account on his/her Annuity Starting Date. Any contribution or addition allocable to a Participant's Transferred NGC Account after his/her Annuity Starting Date shall be distributed, if his/her benefit was paid in a lump sum, or used to increase his/her payments, if his/her benefit is being paid on a periodic basis, as soon as administratively feasible after the date that such contribution or addition is paid to the Trust of the Plan.

2. Total and Permanent Disability Determined

A Participant shall be considered totally and permanently disabled if the Committee determines, based on a written medical opinion (unless waived by the Committee as unnecessary), that such Participant is permanently incapable of performing his/her job for physical or mental reasons.

PART D.

Transferred NGC Accounts; Severance Benefits

Each Participant whose employment is terminated prior to his/her Normal Retirement Date for any reason other than total and permanent disability (as defined in Paragraph 2. of Part C of this Article XXII) or death shall be entitled to a benefit that is payable at the time and in the form provided in Part F of this Article XXII, equal in value to his/her Vested Interest in the aggregate amount in his/her Transferred NGC Account on his/her Annuity Starting Date. A Participant's Vested Interest in any contribution allocable to such Participant's Transferred NGC Account after his/her Annuity Starting Date shall be distributed, if his/her benefit was paid in a lump sum, or used to increase his/her payments, if his/her benefit is being paid on a periodic basis, as soon as administratively feasible after the date that such contribution is paid to the Trust of the Plan.

PART E.

Transferred NGC Accounts; Death Benefits

Upon the death of a Participant while an Employee, the Participant's Eligible Surviving Spouse or designated beneficiary shall be entitled to a death benefit, payable at the time and in the form provided in Part F of this Article XXII, equal in value to the aggregate amount in his/her Transferred NGC Account on his/her Annuity Starting Date. Any contribution allocable to a Participant's Transferred NGC Account after his/her Annuity Starting Date shall be distributed, if his/her benefit was paid in a lump sum, or used to increase payments, if his/her benefit is being paid on a periodic basis, as soon as administratively feasible after the date that such contribution is paid to the Trust of the Plan.

PART F.

Transferred NGC Accounts; Time And Form Of Payment Of Benefits

1. Time of Payment

A. Subject to the provisions of the remaining Paragraphs of this Part, a Participant's Annuity Starting Date shall be the date that is as soon as administratively feasible after the date the Participant or his/her beneficiary becomes entitled to a benefit pursuant to Parts B, C, D and E, of this Article XXII, but no earlier than the expiration of the seven-day period that begins the day after the information required to be furnished pursuant to Paragraph 2.C. of this Part F, has been furnished to the Participant.

B. Unless a Participant (1) has attained age sixty-five, (2) has died (A) without leaving an Eligible Surviving Spouse or (B) with an election in effect, pursuant to Paragraph 3.B. of this Part F, not to receive the standard death benefit set forth in Paragraph 3.A of this Part F, or (3) consents to a distribution pursuant to Paragraph 1.A. of this Part F, and, if such Participant has an Eligible Surviving Spouse, unless such Eligible Surviving Spouse consents (with such consent being irrevocable) in accordance with the requirements of section 417 of the Code and applicable Treasury regulations thereunder) within the one hundred eighty (180) day period ending on the date payment of his/her benefit hereunder is to commence pursuant to Paragraph 1.A. of this Part F, his/her Annuity Starting Date shall be deferred to the date which is as soon as administratively feasible after the date the Participant attains (or would have attained) age sixty-five, or such earlier date as the Participant (with the consent of his/her Eligible Surviving Spouse, if applicable) may elect by written notice to the Committee prior to such date. Consent of the Participant's Eligible Surviving Spouse under this Paragraph shall not be required if the Participant's benefit is to be paid in the form of the standard benefit described in this part. The Committee shall furnish information pertinent to his/her consent to each Participant no less than thirty days (unless such thirty-day period is waived by an affirmative election in accordance with applicable Treasury regulations) and no more than one hundred eighty (180) days before his/her Annuity Starting Date, and the furnished information shall include a general description of the material features of, and an explanation of the relative values of, the alternative forms of benefit available under the Plan and must inform the Participant of his/her right to defer his/her Annuity Starting Date and of his/her Direct Rollover right pursuant to Paragraph 5. of this Part F, below, if applicable. In the case of a married Participant who dies before his/her Annuity Starting Date without electing not to receive the standard death benefit set forth in Paragraph 3.A. of this Part F, the consent and election set forth in this Paragraph may be made by his/her Eligible Surviving Spouse.

C. A Participant's Annuity Starting Date shall in no event be later than the sixtieth day following the close of the Plan Year during which such Participant attains, or would have attained, his/her Normal Retirement Date or, if later, terminates his/her employment with the Company.

D. A Participant's Annuity Starting Date shall be in compliance with the provisions of Section 401(a)(9) of the Code and applicable Treasury regulations and shall in no event be later than:

1. April 1 of the calendar year following the later of (A) the calendar year in which such Participant attains the age of seventy and one-half (70½) or (B) the calendar year in which such Participant terminates his/her employment with the Employer (provided, however, that clause (B) of this sentence shall not apply in the case of a Participant who is a "five-percent owner" (as defined in section 416 of the Code) with respect to the Plan Year ending in the calendar year in which such Participant attains the age of seventy and one-half (70½); and

2. In the case of a benefit payable pursuant to Part E of this Article XXII, (A) if payable to other than the Participant's spouse, the last day of the one-year period following the death

of such Participant or (B) if payable to the Participant's spouse, after the date upon which such Participant would have attained the age of seventy and one-half (70½), unless such surviving spouse dies before payments commence, in which case the Annuity Starting Date may not be deferred beyond the last day of the one-year period following the death of such surviving spouse.

The preceding provisions of this Part F, notwithstanding, a Participant may not elect to defer the receipt of his/her benefit hereunder to the extent that such deferral creates a death benefit that is more than incidental within the meaning of section 401(a)(9)(G) of the Code and applicable Treasury regulations thereunder. Further, in determining compliance with the provisions of section 401(a)(9) of the Code, the life expectancies of a Participant and the Participant's spouse shall not be recalculated after the Annuity Starting Date. Finally, a Participant (other than a Participant who is a "five-percent owner" (as defined in section 416 of the Code) with respect to the Plan Year ending in the calendar year in which such Participant attains the age of seventy and one-half (70½) who attains age seventy and one-half (70½) in calendar years 1996, 1997, or 1998 may elect to defer his/her Annuity Starting Date until no later than April 1 of the calendar year following the later of (A) the calendar year in which such Participant attains the age of seventy and one-half (70½) or (B) the calendar year in which such Participant terminates his/her employment with the Employer, provided, that such election is made by the later of the end of the calendar year in which such Participant attains age seventy and one-half (70½) or December 31, 1997.

E. Subject to the provisions of Subparagraph D., a Participant's Annuity Starting Date shall not occur unless the events under Parts B, C, D and E of this Article XXII entitling the Participant (or his/her beneficiary) to a benefit constitutes a distributable event described in Section 401(k)(2)(B) of the Code and shall not occur while the Participant is employed by the Company or any Subsidiary (irrespective of whether the Participant has become entitled to a distribution of his/her benefit pursuant to Part B, C, D, or E of this Article XXII).

F. Subparagraphs A., B. and C., above, notwithstanding, a Participant whose vested interest in his/her Transferred NGC Account is $5,000 or more may elect to defer his/her Annuity Starting Date beyond the date specified in such subparagraphs, subject to the provisions of Subparagraph D., above, by submitting to the Committee a written statement, signed by the Participant, which describes the benefit and designates the date on which the payment of such benefit shall commence.

2. Standard and Alternative Forms of Benefit for Participants

A. For purposes of Parts B, C or E of this Article XXII, the standard benefit for any Participant who is married on his/her Annuity Starting Date shall be a joint and survivor annuity. Such joint and survivor annuity shall be a commercial annuity which is payable for the life of the Participant with a survivor annuity for the life of the Participant's Eligible Surviving Spouse which shall be one-half of the amount of the annuity payable during the joint lives of the Participant and the Participant's Eligible Surviving Spouse. The standard benefit for any Participant who is not married on his/her Annuity Starting Date shall be a commercial annuity which is payable for the life of the Participant.

B. Any Participant who would otherwise receive the standard benefit may elect not to take his/her benefit in such form by executing the form prescribed by the Committee for such election during the election period described in Subparagraph C., below. Any election may be revoked and subsequent elections may be made or revoked at any time during such election period. Notwithstanding the foregoing, an election by a married Participant not to receive the standard benefit as provided in Subparagraph A., above, shall not be effective unless (1) the Eligible Surviving Spouse has consented thereto in writing (including consent to the specific designated beneficiary to receive payments following the Participant's death or to the specific benefit form elected, which designation or election may not subsequently be

changed by the Participant without spousal consent) and such consent acknowledges the effect of such election and is witnessed by a Plan representative (other than the Participant) or a notary public, or (2) the consent of such spouse cannot be obtained because the Eligible Surviving Spouse cannot be located or because of other circumstances described by applicable Treasury regulations. Any such consent by such Eligible Surviving Spouse shall be irrevocable.

C. The Committee shall furnish certain information, pertinent to the Subparagraph B. election, to each Participant no less than thirty (30) days (unless such thirty-day period is waived by an affirmative election in accordance with applicable Treasury regulations) and no more than one hundred eighty (180) days before his/her Annuity Starting Date. The furnished information shall include an explanation of (1) the terms and conditions of the standard benefit, (2) the Participant's right to elect to waive the standard benefit and the effect of such election, (3) the rights of the Participant's Eligible Surviving Spouse, if any, (4) the right to revoke such election and the effect of such revocation, (5) a general description of the eligibility conditions and other material features of the alternative forms of benefit available pursuant to Subparagraph D., below, and (6) sufficient additional information to explain the relative values of such alternative forms of benefit. The period of time during which a Participant may make or revoke such election shall be the one hundred eighty (180) day period ending on such Participant's Annuity Starting Date provided that such election may also be revoked at any time prior to the expiration of the seven-day period that begins the day after the information required to be furnished pursuant to this Paragraph has been furnished to the Participant.

D. If a Participant elects at any time during the Applicable Election Period to waive the standard form of benefit or the qualified preretirement survivor annuity form of benefit (or both), the Participant shall be allowed to elect the Qualified Optional Survivor Annuity form of benefit at any time during the Applicable Election Period.

"Qualified Optional Survivor Annuity" means (ii) an annuity for the life of the Participant with a survivor annuity for the life of the spouse which is equal to the applicable percentage of the amount of the annuity which is payable during the joint lives of the Participant and the spouse, and (ii) which is the actuarial equivalent of a single annuity for the life of the Participant. Such term also includes any annuity in a form having the effect of an annuity described in the preceding sentence. For purposes of this paragraph and definition if the survivor annuity percentage is less than 75 percent, the applicable percentage is 75 percent, and is greater than or equal to 75 percent, the applicable percentage is 50 percent. For purposes of this paragraph and definition, the term "survivor annuity percentage" means the percentage which the survivor annuity under the Plan's qualified joint and survivor annuity bears to the annuity payable during the joint lives of the Participant and the spouse.

E. For purposes of Parts B, C or D of this Article XXII, the benefit for any Participant who has elected not to receive the standard benefit shall be paid in one of the following alternative forms to be selected by the Participant or, in the absence of such election, by the Committee; provided, however, that the period and method of payment of any such form shall be in compliance with the provisions of Section 401(a)(9) of the Code and applicable Treasury regulations thereunder:

1. A commercial annuity in the form of a single life annuity for the life of such Participant.

2. A commercial annuity (a) for the joint lives of the Participant and any person designated by the Participant, (b) for a term certain (of 5, 10, or 15 years) and continuous for the life of the Participant if he/she survives such term certain, or (c) for a term certain to the Participant and any designated beneficiary of the Participant if the Participant does not survive such term certain.

3. A lump sum.

4. Periodic installment payments to such Participant for a term certain or, in the event of such Participant's death before the end of such term certain, to his/her designated beneficiary; provided, however, that such term certain shall not exceed the lesser of (i) ten years or (ii) the life expectancy of the Participant or the joint and last survivor expectancy of the Participant and his/her designated beneficiary. Upon the death of a beneficiary who is receiving installment payments under this Paragraph, the remaining balance in the Participant's Transferred NGC Account shall be paid as soon as administratively feasible, in one lump sum cash payment, to the beneficiary's executor or administrator or to his/her heirs at law if there is no administration of such beneficiary's estate.

The Annuity Starting Date for a distribution in a form other than a survivor annuity may be less than thirty (30) days after receipt of the written explanation described in the preceding paragraph provided: (1) the Participant has been provided with information that clearly indicates that the Participant has at least thirty (30) days to consider whether to waive the survivor annuity and elect (with spousal consent) to a form of distribution other than a survivor annuity; (2) the Participant is permitted to revoke any affirmative distribution election at least until the Annuity Starting Date, or, if later, at any time prior to the expiration of the 7-day period that begins the day after the explanation of the survivor annuity is provided to the Participant; and (3) the Annuity Starting Date is a date after the date that the written explanation was provided to the Participant.

F. If a Participant, who terminated his/her employment under circumstances such that he/she was entitled to a benefit pursuant to Parts B, C, or D, dies prior to his/her Annuity Starting Date, the amount of the benefit to which he/she was entitled shall be paid pursuant to Paragraph 3. of this Part F, just as if such Participant had died while employed by the Employer except that his/her vested interest shall be determined pursuant to Parts B, C, or D, whichever is applicable.

3. Standard and Alternative Forms of Death Benefit

A. For purposes of Part E, the standard death benefit for a deceased Participant who leaves an Eligible Surviving Spouse shall be a survivor annuity. Such survivor annuity shall be a commercial annuity which is payable for the life of such Eligible Surviving Spouse.

B. Any Participant who would otherwise have his/her death benefit paid in the standard survivor annuity form may elect not to have his/her benefit paid in such form by executing the beneficiary designation form prescribed by the Committee and filing same with the Committee, designating a primary beneficiary other than his/her Eligible Surviving Spouse or electing some form of payment other than a survivor annuity. Any election may be revoked and subsequent elections may be made or revoked at any time prior to a Participant's date of death.

C. Subparagraph B., above, to the contrary notwithstanding:

1. An election not to have the death benefit paid in the standard survivor annuity form as provided in Subparagraph A., above, shall not be effective unless (a) the Eligible Surviving Spouse has consented thereto in writing and such consent (i) acknowledges the effect of such election, (ii) either consents to the specific designated beneficiary (which designation may not subsequently be changed by the Participant without spousal consent) or expressly permits such designation by the Participant without the requirement of further consent by the spouse, and (iii) is witnessed by a Plan representative (other than the Participant) or a notary public or (b) the consent of such spouse cannot be obtained because the Eligible Surviving Spouse cannot be located or because of other circumstances described by applicable Treasury regulations. Any such consent by such Eligible Surviving Spouse shall be irrevocable.

2. An election not to have the death benefit paid in the standard survivor annuity form may be made before the first day of the Plan Year in which a Participant attains the age of thirty-five (35) only (a) after the Participant separates from service and only with respect to benefits accrued under the Plan before the date of such separation and (b) in the case of a Participant who has not separated from service, if the Participant has been furnished the information described in Subparagraph D., with such election to become invalid upon the first day of the Plan Year in which the Participant attains the age of thirty-five (35), whereupon a new election may be made by such Participant.

D. The Committee shall furnish certain information pertinent to the Subparagraph B. election to each Participant within the period beginning with the first day of the Plan Year in which he/she attains the age of thirty-two (32) (but no earlier than the date such Participant begins participation in the Plan) and ending with the later of (1) the last day of the Plan Year preceding the Plan Year in which the Participant attains the age of thirty-five (35), or (2) a reasonable time after the Employee becomes a Participant. If a Participant separates from service before attaining age thirty-five (35), such information shall be furnished to such Participant within the period beginning one year before the Participant separates from service and ending one year after such separation. Such information shall also be furnished to a Participant who has not attained the age of thirty-five (35) or terminated employment, within a reasonable time after written request by such Participant. The furnished information shall include an explanation of (1) the terms and conditions of the survivor annuity, (2) the Participant's right to elect to waive the survivor annuity and the effect of such election, (3) the rights of the Participant's Eligible Surviving Spouse, (4) the right to revoke such election and the effect of such revocation, (5) a general description of the eligibility conditions and other material features of the alternative forms of benefit available pursuant to Subparagraph F., below, and (6) sufficient additional information to explain the relative value of such alternative forms of benefit.

E. In the event a survivor annuity is to be paid to a Participant's Eligible Surviving Spouse, such Eligible Surviving Spouse may elect to receive the benefit in one of the alternative forms set forth in Subparagraph 3.F. Within a reasonable time after written request by such Eligible Surviving Spouse, the Committee shall provide to such Eligible Surviving Spouse a written explanation of such survivor annuity form and the alternative forms of payment which may be selected along with the financial effect of each such form.

F. For purposes of Part E, the death benefit of a deceased Participant who is not survived by an Eligible Surviving Spouse or who has elected not to have his/her death benefit paid in the standard survivor annuity form set forth in Subparagraph 3.A. shall be paid to his/her designated beneficiary in one of the following alternative forms to be selected by such beneficiary or, in the absence of such selection, by the Committee; provided, however, that the period and method of payment of any such form shall be in compliance with the provisions of Section 401(a)(9) of the Code and applicable Treasury regulations thereunder:

1. A commercial annuity in the form of a single life annuity for the life of the designated beneficiary.

2. A lump sum.

G. If a deceased Participant who either is not survived by an Eligible Surviving Spouse or has elected (with spousal consent) not to have his/her standard death benefit paid in the standard survivor annuity form set forth in Subparagraph 3.(A.) does not have a valid beneficiary designation on file with the Committee at the time of his/her death, the designated beneficiary or beneficiaries to receive such Participant's death benefit shall be as follows:

1. If a Participant leaves an Eligible Surviving Spouse, his/her designated beneficiary shall be such Eligible Surviving Spouse;

2. If a Participant leaves no Eligible Surviving Spouse, his/her designated beneficiary shall be (a) such Participant's executor or administrator or (b) his/her heirs at law if there is no administration of such Participant's estate.

4. Cash-Out of Benefit

If a Participant terminates his/her employment and his/her vested interest in his/her Transferred NGC Account is not in excess of $5,000, such Participant's benefit shall be paid in one lump sum payment in lieu of any other form of benefit herein provided. Any such payment shall be made at the time specified in Subparagraph I.A. of this Part F, without regard to the consent restrictions of Subparagraph I.B. of this Part F, and the election and spousal consent requirements of Paragraphs 2. and 3 .of this Part F, except that a married Participant's death benefit shall be paid to his/her Eligible Surviving Spouse unless another beneficiary has been designated pursuant to the provisions of Subparagraph 3.B. The provisions of this Paragraph shall not be applicable to a Participant following his/her Annuity Starting Date.

5. Direct Rollover Election

Notwithstanding any provision of the Plan to the contrary that would otherwise limit a Distributee's election under this Part F, a Distributee may elect, at the time and in the manner prescribed by the Committee, to have all or any portion of an Eligible Rollover Distribution (other than any portion attributable to the offset of an outstanding loan balance of such Participant pursuant to the Plan's loan procedure) paid directly to an Eligible Retirement Plan specified by the Distributee in a Direct Rollover. The preceding sentence notwithstanding, a Distributee may elect a Direct Rollover pursuant to this Paragraph only if such Distributee's Eligible Rollover Distributions during the Plan Year are reasonably expected to total $200 or more. Furthermore, if less than 100% of the Participant's Eligible Rollover Distribution is to be a Direct Rollover, the amount of the Direct Rollover must be $500 or more. Prior to any Direct Rollover pursuant to this Paragraph, the Committee may require the Distributee to furnish the Committee with a statement from the plan, account, or annuity to which the benefit is to be transferred verifying that such plan, account, or annuity is, or is intended to be, an Eligible Retirement Plan.

6. Benefits from Account Balances

With respect to any benefit payable in any form pursuant to the Plan, such benefit shall be provided from the Transferred NGC Account balance(s) to which the particular Participant or beneficiary is entitled.

7. Commercial Annuities

At the direction of the Committee, the Trustee may pay any form of benefit provided hereunder other than a lump sum payment or a Direct Rollover pursuant to Paragraph 5. of this Part F by the purchase of a commercial annuity contract and the distribution of such contract to the Participant or beneficiary. Thereupon, the Plan shall have no further liability with respect to the amount used to purchase the annuity contract and such Participant or beneficiary shall look solely to the company issuing such contract for such annuity payments. All certificates for commercial annuity benefits shall be nontransferable, except for surrender to the issuing company, and no benefit thereunder may be sold, assigned, discounted, or pledged (other than as collateral for a loan from the company issuing same). Notwithstanding the foregoing, the terms of any such commercial annuity contract shall conform with the time of payment, form of payment, and consent provisions of Paragraphs 1., 2., and 3. of this Part F.

8. Present Value Determinations

The present value of a qualified joint and survivor annuity benefit or a qualified preretirement survivor annuity benefit shall be calculated by using the Applicable Mortality Table and the Applicable Interest Rate. For purposes of the preceding sentence, the terms "Applicable Mortality Rate" and "Applicable Interest Rate" shall have the meaning for such terms stated in Code Section 417(e)(3), Treasury regulations promulgated under that section, and in applicable rulings and guidance published by the Internal Revenue Service with respect to such terms and the Code, including without limitation, changes enacted by the Pension Protection Act of 2006 (P. L. 109-280). Provided, that the Plan and amendment thereof to add the preceding sentence shall be applied and interpreted consistent with the Code in such manner as does not decrease the accrued benefit of a Participant.

9. Unclaimed Benefits

In the case of a benefit payable on behalf of a Participant, if the Committee is unable to locate the Participant or beneficiary to whom such benefit is payable, upon the Committee's determination thereof, such benefit shall be forfeited. Notwithstanding the foregoing, if subsequent to any such forfeiture the Participant or beneficiary to whom such benefit is payable makes a valid claim for such benefit, such forfeited benefit shall be restored to the Plan.

10. Claims Review

A claim for Plan benefits by a Participant or beneficiary shall be administered in accordance with paragraph 7 of Article XV.

PART G.

Transferred NGC Accounts; In-Service Withdrawals

1. In-Service Withdrawals

A. A Participant may withdraw any or all amounts held in his/her Transferred NGC After- Tax Account.

B. A Participant who has a financial hardship, as determined by the Committee, and who has made all available withdrawals pursuant to Subparagraph 1.A., above, and Paragraphs 3. and 4. of this Part G, below, as applicable, and pursuant to the provisions of any other plans of the Company of which he is a Participant and who has obtained all loans available pursuant to Article XII of the Plan and pursuant to the provisions of any other plans of the Company of which he is a Participant, may withdraw from his/her Transferred NGC Rollover Contribution Account and his/her Transferred NGC Before-Tax Account amounts not to exceed the amount determined by the Committee as being available for withdrawal pursuant to this Paragraph. Such withdrawal shall come, first, from the Participant's Transferred NGC Rollover Contribution Account and, second, from his/her Transferred NGC Before-Tax Account. For purposes of this Paragraph, financial hardship shall mean the immediate and heavy financial needs of the Participant. A withdrawal based upon financial hardship pursuant to this Paragraph shall not exceed the amount required to meet the immediate financial need created by the hardship and not reasonably available from other resources of the Participant. The amount required to meet the immediate financial need may include any amounts necessary to pay any federal, state, or local income taxes or penalties reasonably anticipated to result from the distribution. The determination of the existence of a Participant's financial hardship and the amount required to be distributed to meet the need created by the hardship shall be made by the Committee. The decision of the Committee shall be final and binding, provided that all Participants

similarly situated shall be treated in a uniform and nondiscriminatory manner. A withdrawal shall be deemed to be made on account of an immediate and heavy financial need of a Participant if the withdrawal is for:

1. Expenses for medical care described in Section 213(d) of the Code previously incurred by the Participant, the Participant's spouse, or any dependents of the Participant (as defined in Section 152 of the Code) or necessary for those persons to obtain medical care described in Section 213(d) of the Code and not reimbursed or reimbursable by insurance;

2. Costs directly related to the purchase of a principal residence of the Participant (excluding mortgage payments);

3. Payment of tuition and related educational fees, and room and board expenses, for the next twelve months of post-secondary education for the Participant or the Participant's spouse, children, or dependents (as defined in Section 152 of the Code);

4. Payments necessary to prevent the eviction of the Participant from his/her principal residence or foreclosure on the mortgage of the Participant's principal residence; or

5. Payments for burial or funeral expenses for the Participant's deceased parent, spouse, children or dependents (as defined in Code Section 152, without regard to Code Section 152(d)(1)(B);

6. Expenses for the repair or damage to the Participant's principal residence that would qualify for the casualty deduction under Code Section 165 (determined without regard to whether the loss exceeds ten percent (10%) of adjusted gross income; and

7. Such other financial needs that the Commissioner of Internal Revenue may deem to be immediate and heavy financial needs through the publication of revenue rulings, notices, and other documents of general applicability.

The above notwithstanding, (1) withdrawals under this Paragraph from a Participant's Transferred NGC Before-Tax Account shall be limited to the sum of the Participant's Transferred NGC Before-Tax Contributions to the Plan, plus income allocable thereto and credited to the Participant's Transferred NGC Before-Tax Account as of December 31, 1988, less any previous withdrawals of such amounts, and (2) amounts allocated to a Participant's Transferred NGC Before-Tax Account pursuant to the provisions of Subparagraph 2.E, below, of this Part G shall not be subject to withdrawal. A Participant who makes a withdrawal from his/her Transferred NGC Before-Tax Account under this Paragraph may not make elective contributions or employee contributions to the Plan or any other qualified or nonqualified plan of the Company for a period of twelve (12) months following the date of such withdrawal.

A Participant shall be allowed a Qualified Reservist Distribution with respect to a Transferred NGC Before-Tax Account in the same manner and to the same extent as is applicable under Article XII of the Plan.

2. Restriction on In-Service Withdrawals

A. All withdrawals pursuant to this Part G shall be made in accordance with the provisions and within the time period prescribed by the Committee prior to the proposed date of withdrawal.

B. Notwithstanding the provisions of this Part G, not more than one withdrawal pursuant to Subparagraph 1.A shall be made in any one calendar quarter, and (ii) no withdrawal shall be made from a Transferred NGC Account to the extent such Account has been pledged to secure a loan from the Plan.

C. If a Participant's Transferred NGC Account from which a withdrawal is made is invested in more than one investment option under the Plan, the withdrawal shall be made pro rata from each investment option under the Plan in which such Transferred NGC Account is invested.

D. All withdrawals under this paragraph shall be paid in cash.

E. Any withdrawal hereunder shall be subject to the Direct Rollover election described in Paragraph 5. of Part F of this Article XXII.

F. Except as provided in Paragraph 3. of this Part G, below, this Part G shall not be applicable to a Participant following termination of employment and the amounts in such Participant's Transferred NGC Account shall be distributable only in accordance with the provisions of Part F.

3. Withdrawal Exception Following Termination

Withdrawal following a termination of employment may be allowed to the extent such withdrawal would be permissible under the provisions of Appendices A and B and related provisions of the NGC Plan with respect to withdrawals from a Trident Account or Destec Account, if applicable, which provisions are incorporated herein and made a part of this paragraph and the Plan by reference for all purposes.

PART H.

Definitions

Where the following words and phrases appear in this Article XXII of the Plan, they shall have the respective meanings set forth below, unless their use in a particular context indicates to the contrary.

1. Annuity Starting Date

With respect to each Participant or beneficiary, the first day of the first period for which an amount is payable to the Participant or beneficiary from the Trust of the Plan as an annuity or in any other form.

2. Eligible Surviving Spouse

(a) In the case of a Participant who is living on his/her Annuity Starting Date, the spouse to whom a deceased Participant was married on his/her Annuity Starting Date and

(b) in the case of a Participant who dies before his/her Annuity Starting Date, the spouse to whom a deceased Participant was married on the date of his/her death.

3. Normal Retirement Date

The date the Participant attains age sixty-five (65).

4. Transferred NGC After-Tax Account

An individual account for each Participant which is credited with the balance, if any, of such Participant's Prior Employee (Post-Tax) Contribution Account under the NGC Plan as of December 31, 1997, and

which is credited with (or debited for) such account's allocation of net income (or net loss) and changes in value of the trust fund of said Plan and this Plan.

5. Transferred NGC Before-Tax Account

An individual account for each Participant, which

(a) is credited with

(1) the balance in such Participant's Elective Deferral Contributions Account (also known as the Pre-tax Contributions Account) under the NGC Plan as of December 31, 1997, and

(2) the Before-Tax Contributions made by the Employer on such Participant's behalf and the Employer Safe Harbor Contributions, if any, made on such Participant's behalf pursuant to Section 3.5 of said Plan to satisfy the restrictions set forth in Section 3.1(e) thereof, and

(3) is credited with (or debited for) such account's allocation of net income (or net loss) and changes in value of the Trust of said plan and this Plan.

6. Transferred NGC Rollover Contribution Account

An individual account for a Participant, which is credited with the sum of

(a) the amount, if any, credited to such Participant's Rollover Contributions Account under the NGC Plan as of December 31, 1997, and

(b) the Rollover Contributions of such Participant and which is credited with (or debited for) such account's allocation of net income (or net loss) and changes in value of the Trust Fund.

7. Vested Interest

The portion of the Participant's Transferred NGC Account which, pursuant to the Plan, is nonforfeitable.

ARTICLE XXIII.

MODIFICATION AND TERMINATION

PARAGRAPH

1. Amendment and Termination of Plan

The Company hopes and expects to continue the Plan indefinitely. However, the right to amend, modify or terminate the Plan is necessarily reserved by the Company. The amendment or modification of the Plan may be made by the Sponsor Committee, executing a written instrument signed by its designee containing such amendment or modification as the Sponsor Committee deems necessary or advisable (pursuant to authority which has been duly delegated to the designee by the Board or Sponsor Committee and is hereby acknowledged and recognized).

2. Limit to Effect of Modification

A modification may affect Participants at the time thereof as well as future Participants, but no modification, termination or partial termination or discontinuance of the Plan for any reason may diminish the account of any Participant as of the effective date of such modification or discontinuance. No modification may alter the allocation of the benefits as between Officers and Directors on the one hand and other Employees on the other hand. A modification which affects the rights or duties of the Trustee may be made only with the consent of the Trustee.

3. Participant Rights in Case of Modification

In the event that any modification of the Plan shall adversely affect the rights of any Participant as to the use of or withdrawal from his/her account, such Participant, for a period of ninety (90) days after the effective date of such modification, shall have the option, to be exercised by written notice to the Trustee in form prescribed by the Committee (a copy of which form of notice shall accompany the notice of modification), to have liquidated and distributed to him/her his/her entire account as of the effective date of such modification; provided, that such right of distribution shall be subject to any applicable qualification requirements of the Code and regulations thereunder, and shall not be permitted to the extent the Committee determines that such distribution will adversely affect the qualified status of the Plan, or is otherwise not permissible or authorized under the Code and regulations.

4. Nonforfeitability

Notwithstanding any other provisions of the Plan, in the case of any merger or consolidation with, or transfer of assets or liabilities to, any other plan after the date of the enactment of the Employee Retirement Income Security Act of 1974, each Participant in the Plan shall (if the Plan then terminated) receive a benefit immediately after the merger, consolidation, or transfer which is equal to or greater than the benefit he/she would have been entitled to receive immediately before the merger, consolidation, or transfer (if the Plan had then terminated).

5. Termination Distributions

The Company reserves the right to terminate the trust under the Trust Agreement, but upon any termination or partial termination of the trust, each Participant will receive distribution of the entire balance of his/her account held under the Trust (subject to the successor plan rule in Treas. Reg. 1.401(k)-

I(d)(4)), provided that if the Participant's Account exceeds $5,000, it shall not be immediately distributed prior to his/her attaining age sixty-five (65) without the written consent of the Participant; but no consent to immediate distribution shall be required in the event of death of the Participant, and such requirement of consent shall not give a Participant a right to any form or method of payment of his/her account other than immediate distribution of his/her entire account balance.

6. Transfer or Sponsorship of Plan

The Plan is sponsored by the Company for the exclusive benefit of the employees of the Company and its Subsidiaries and their subsidiaries and their beneficiaries. Any transfer of sponsorship of the Plan to a successor employer may be permissible in connection with the acquisition of business assets or operations, but such a transfer of sponsorship of the Plan shall not be made if it is not in connection with the acquisition of a business assets or operations or if substantially all business risks and opportunities under the transaction are those associated with the transfer of the sponsorship of the Plan.

ARTICLE XXIV.

ONEOK 401(K) PLAN TRANSFER PROVISIONS

PARAGRAPH

1. Definitions

A. Former ONE Gas Employee

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

B. ONE Gas Employee

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

C. ONE Gas Group

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

D. ONEOK Group

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

E. ONE Gas Participant

"ONE Gas Participant" for purposes of this Article XXIV is each person who satisfies both (a) and (b) as follows, where: (a) requires the person to be a Former ONE Gas Employee or ONE Gas Employee who was a Participant in the ONEOK, Inc. 401(k) Plan prior to January 1, 2014; and where (b) requires the person's ONEOK, Inc. 401(k) Plan Account to be transferred to the ONE Gas, Inc. 401(k) Plan on or after January 1, 2014 in connection with the Separation.

F. Separation

"Separation" means the distribution of all of the outstanding shares of ONE Gas, Inc. common stock to the holders of shares of ONEOK, Inc. common stock.

G. Transferred Participants.

"Transferred Participants" means ONE Gas Employees and Former ONE Gas Employees who were participants in the ONEOK, Inc. Profit Sharing Plan.

2. Trust to Trust Transfer

The Company shall direct the Trustee to receive, accept transfer of, and hold as a part of the Trust, the funds, deposits, property, assets, and/or accounts from the ONEOK, Inc. 401(k) Plan on behalf of ONE Gas Participants ("Transfer"). If a ONE Gas Participant whose account is so Transferred is otherwise eligible and not already participating in the Plan, he/she shall become a Participant at the time of such Transfer. Any funds or property from the account of a Participant under the ONEOK, Inc. 401(k) Plan which are so Transferred and accepted by the Trustee shall be received and deposited in full to an account or accounts of that Participant under this Plan, and shall thereupon become a part of the Trust held for the account of that Participant in accordance with all the terms and provisions, rules, requirements and limitations of this Plan, except as otherwise provided in this Article XXIV. The Committee shall determine and prescribe reasonable and appropriate procedures, certifications, and other requirements to be accomplished and performed by the Company, the Trustee, the Participant, ONEOK and the plan administrator and trustee of the ONEOK, Inc. 401(k) Plan, in order to assure an effective and satisfactory Transfer, and any such Transfer shall be conditioned upon compliance with all such requirements. Notwithstanding any of the foregoing, the Company shall have no obligation to make any contributions to the Plan to or for the benefit of any ONE Gas Participant by reason of any such transfer or deposit to the Trust under this Paragraph 2.

3. Crediting of Service

Notwithstanding any other provision of the Plan, this Plan shall recognize all Days of Service, Hours of Service and Years of Service credited for a ONE Gas Participant in the ONEOK, Inc. 401(k) Plan prior to January 1, 2014 for purposes of eligibility, benefit accrual and vesting in this Plan. For the period beginning after December 31, 2013 through the Separation, Severance from Employment shall not include a transfer from the ONE Gas Group to the ONEOK Group or from the ONEOK Group to the ONE Gas Group. Following the Separation, a Severance from Employment shall include a transfer from the ONE Gas Group to the ONEOK Group.

4. Recognition of Elections

Notwithstanding any other provision of the Plan, this Plan shall recognize all elections made by ONE Gas Participants in the ONEOK, Inc. 401(k) Plan, including, but not limited to, investment and payment form elections, dividend elections, beneficiary designations and the rights of alternate payees under qualified domestic relations orders.

Exhibit 10.30

ONE GAS, INC.
ANNUAL OFFICER INCENTIVE PLAN
Effective January 1, 2019

ARTICLE I
PURPOSE

1.1 *Purpose of the Plan* . The ONE Gas, Inc. Annual Officer Incentive Plan (the "Plan") is a performance-based annual bonus program. The purpose of the Plan is to provide cash-based incentive compensation to those officers who, in the opinion of ONE Gas, Inc. (the "Company"), contribute significantly to the growth and success of the Company; and to align the interests of those who hold positions of major responsibility in the Company with the interests of Company shareholders.

ARTICLE II
DEFINITIONS

Unless context otherwise indicates, the following definitions shall be applicable:

2.1 " *Award* " shall mean a right granted to a Participant pursuant to Article IV of the Plan to receive a cash payment from the Company based upon achievement of the Participant's Performance Goal(s) during the relevant Performance Period and subject to the Committee's discretion pursuant to Section 6.2 of the Plan.

2.2 " *Base Wages Earned* " shall mean the Participant's base salary earned for the fiscal year of the Company, before deductions for taxes or benefits and deferrals of compensation pursuant to any Company sponsored plans. Base Wages Earned does not include bonuses, shift differential, benefits, overtime, or any other type of pay other than base salary.

2.3 " *Board* " shall mean the Board of Directors of the Company.

2.4 "Change of Control" shall mean the occurrence of any of the following:

(a) An acquisition (other than directly from the Company) of any voting securities of the Company (the "Voting Securities") by any "Person" (as the term person is used for purposes of Section 13(d) or 14(d) of the Exchange Act), immediately after which such Person has "Beneficial Ownership" (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of twenty percent (20%) or more of the then outstanding Shares or the combined voting power of the Company's then outstanding Voting Securities; *provided, however* , in determining whether a Change in Control has occurred pursuant to this Section 2.4(a), Shares or Voting Securities which are acquired in a "Non-Control Acquisition" (as hereinafter defined) shall not constitute an acquisition which would cause a Change in Control. A "Non-Control Acquisition" shall mean an acquisition by (i) an employee benefit plan (or a trust forming a part thereof) maintained by (A) the Company or (B) any company or other Person of which a majority of its voting power or its voting equity securities or equity interest is owned or controlled, directly or indirectly, by the Company (for purposes of this definition, a "Related Entity"), (ii) the Company or any Related Entity, or (iii) any Person in connection with a "Non-Control Transaction" (as hereinafter defined);

(b) The individuals who, as of November 18, 2016, are members of the Board of Directors (the "Incumbent Board"), cease for any reason to constitute at least a majority of the members of the Board of Directors; or, following a Merger which results in a Parent Company, the board of directors of the ultimate Parent Company; provided, however, that if the election, or nomination for election by the Company's common stockholders, of any new director was approved by a vote of at least two-thirds of the Incumbent Board, such new director shall, for purposes of this Plan, be considered as a member of the Incumbent Board; provided further, however, that no individual shall be considered a member of the Incumbent Board if such individual initially assumed office as a

result of either an actual or threatened "Election Contest" (as described in Rule 14a-11 promulgated under the Exchange Act) or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board of Directors (a "Proxy Contest"), including by reason of any agreement intended to avoid or settle any Election Contest or Proxy Contest; or

(c) The consummation of:

(1) A merger, consolidation or reorganization with or into the Company or in which securities of the Company are issued (a "Merger"), unless such Merger is a "Non-Control Transaction." A "Non-Control Transaction" shall mean a Merger where:

(A) the stockholders of the Company, immediately before such Merger, own directly or indirectly immediately following such Merger at least fifty percent (50%) of the combined voting power of the outstanding voting securities of (x) the company resulting from such Merger (the "Surviving Company") if fifty percent (50%) or more of the combined voting power of the then outstanding voting securities of the Surviving Company is not Beneficially Owned, directly or indirectly by another Person (a "Parent Company"), or (y) if there is one or more Parent Companies, the ultimate Parent Company;

(B) the individuals who were members of the Incumbent Board immediately prior to the execution of the agreement providing for such Merger constitute at least a majority of the members of the board of directors of (i) the Surviving Company, if there is no Parent Company, or (ii) if there is one or more Parent Companies, the ultimate Parent Company; and

(C) no Person other than (1) the Company, (2) any Related Entity, (3) any employee benefit plan (or any trust forming a part thereof) that, immediately prior to such Merger was maintained by the Company or any Related Entity, or (4) any Person who, immediately prior to such Merger had Beneficial Ownership of thirty percent (30%) or more of the then outstanding Voting Securities or Shares, has Beneficial Ownership of thirty percent (30%) or more of the combined voting power of the outstanding voting securities or common stock of (i) the Surviving Company if there is no Parent Company, or (ii) if there is one or more Parent Companies, the ultimate Parent Company.

(2) A complete liquidation or dissolution of the Company; or

(3) The sale or other disposition of all or substantially all of the assets of the Company to any Person (other than a transfer to a Related Entity or under conditions that would constitute a Non-Control Transaction with the disposition of assets being regarded as a Merger for this purpose or the distribution to the Company's stockholders of the stock of a Related Entity or any other assets).

Notwithstanding the foregoing, a Change in Control shall not be deemed to occur solely because any Person (the "Subject Person") acquired Beneficial Ownership of more than the permitted amount of the then outstanding Shares or Voting Securities if: (1) such acquisition occurs as a result of the acquisition of Shares or Voting Securities by the Company which, by reducing the number of Shares or Voting Securities then outstanding, increases the proportional number of shares Beneficially Owned by the Subject Person, provided that if a Change in Control would occur (but for the operation of this subparagraph) as a result of

the acquisition of Shares or Voting Securities by the Company, and after such share acquisition by the Company, the Subject Person becomes the Beneficial Owner of any additional Shares or Voting Securities which increases the percentage of the then outstanding Shares or Voting Securities Beneficially Owned by the Subject Person, then a Change in Control shall occur, or (2) (A) within five business days after a Change in Control would have occurred (but for the operation of this subparagraph), or if the Subject Person acquired Beneficial Ownership of twenty percent (20%) or more of the then outstanding Shares or the combined voting power of the Company's then outstanding Voting Securities inadvertently, then after the Subject Person discovers or is notified by the Company that such acquisition would have triggered a Change in Control (but for the operation of this subparagraph), the Subject Person notifies the Board of Directors that it did so inadvertently, and (B) within two business days after such notification, the Subject Person divests itself of a sufficient number of Shares or Voting Securities so that the Subject Person is the Beneficial Owner of less than twenty percent (20%) of the then outstanding Shares or the combined voting power of the Company's then outstanding Voting Securities.

Notwithstanding any provisions to the Plan to the contrary, with respect to an Award subject to Section 409A of the Code that provides for payment upon a Change in Control, then no Change in Control shall be deemed to have occurred upon an event described in this Section 2.4 unless the event would also constitute a "change in ownership" of the Company, a "change in effective control" of the Company, or a "change in ownership of a substantial portion of the Company's assets" under Section 409A of the Code.

2.5 " *Code* " shall mean the Internal Revenue Code of 1986, as amended from time to time; references to particular sections of the Code include references to regulations and rulings thereunder and to successor provisions.

2.6 " *Committee* " shall mean the Executive Compensation Committee of the Board.

2.7 " *Company* " shall mean ONE Gas, Inc., its divisions and subsidiaries, or, any successor thereto by merger, consolidation, liquidation or other reorganization.

2.8 " *Disability* " shall mean a physical or mental infirmity which impairs the Participant's ability to perform substantially his or her duties for a period of one-hundred eighty (180) consecutive days. With respect to any Award that is subject to Section 409A of the Code that provides for payment due to a Participant's Disability, the Committee may not find that a Disability exists with respect to such Participant unless, in the Committee's opinion, such Participant is also "disabled" within the meaning of Code Section 409A.

2.9 " *Employee* " shall mean an active full-time employee of the Company, and shall exclude independent contractors, or leased or temporary employees. Employees included in other annual cash incentive plans (including but not limited to participants in the ONE Gas, Inc. Annual Employee Incentive Plan) shall not be considered as Employees for the purpose of this Plan. Except as otherwise specifically provided in this Plan, separated and retired employees shall not be considered as Employees for purposes of this Plan.

2.10 " *Exchange Act* " shall mean the Securities Exchange Act of 1934, as amended from time to time.

2.11 " *GAAP* " shall mean generally accepted accounting principles set forth in the opinions, statements and pronouncements of the Financial Accounting Standards Board (or predecessors or successors thereto or agencies with similar functions) or in such other statements by such other entity as may be in general use by significant segments of the accounting profession, which are applicable to the circumstances as of the date of determination and in any event applied in a manner consistent with the application thereof used in the preparation of the Company's financial statements.

2.12 " *Maximum Award Opportunity* " shall mean an amount equal to a percentage of Base Wages Earned to be awarded to a Participant with respect to a single Performance Period upon achieving the maximum level of performance respecting a Performance Goal as established by the Committee pursuant to Article 5 of the Plan, provided however that no payment to a Participant in respect of any Performance Period under this Plan shall exceed $4 million.

2.13 " *ONEOK Group* " shall mean ONEOK, Inc. and any of its direct or indirect subsidiaries.

2.14 " *Participant* " shall mean an Employee of the Company who is eligible to participate in the Plan under the eligibility provisions of Article IV.

2.15 " *Performance Goal* " shall mean performance objectives established by the Committee for each Performance Period for the purpose of determining the extent to which a Participant will receive an Award for such Performance Period. Each Performance Goal selected for a particular Performance Period shall include any one or more of the following performance criteria, either individually or in any combination, applied to the Company as a whole, to a Subsidiary, to a business unit of the Company or any Subsidiary, to an affiliate of the Company or any Subsidiary or to any individual, measured either annually or cumulatively over a period of time, on an absolute basis or relative to an identified index or peer group, and, where applicable, may be measured on a pre-tax or post-tax basis, in the aggregate or on a per- share basis and on an absolute basis or as a percentage change over a period of time:

(i) increased revenue;

(ii) net income measures, including without limitation, income after capital costs, and income before or after taxes;

(iii) stock price measures, including without limitation, growth measures and total stockholder return;

(iv) market share;

(v) earnings per share (actual or targeted growth);

(vi) earnings before interest, taxes, depreciation, and amortization;

(vii) economic value added;

(viii) cash flow measures, including without limitation, net cash flow, and net cash flow before financing activities;

(ix) return measures, including without limitation, return on equity, return on average assets, return on capital, risk adjusted return on capital, return on investors' capital and return on average equity;

(x) operating measures, including without limitation, operating income, funds from operations, cash from operations, after-tax operating income, sales volumes, production volumes, and production efficiency;

(xi) expense measures, including but not limited to, finding and development costs, overhead costs, and general and administrative expense;

(xii) margins;

(xiii) shareholder value;

(xiv) reserve addition;

(xv) proceeds from dispositions;

(xvi) total market value; and

(xvii) corporate value criteria or standards including, without limitation, ethics, environmental and safety compliance.

2.16 " *Performance Period* " shall mean the period designated by the Committee and communicated to each Participant over which the attainment of the Performance Goal(s) will be measured for purposes of determining payment of an Award or, for an Employee who is first hired as an employee after the first day of such period and who becomes a Participant during such period, such portion of the period as determined by the Committee.

2.17 " *Plan* " shall mean the ONE Gas, Inc. Annual Officer Incentive Plan.

2.18 " *Retirement* " shall mean a voluntary termination of employment of the Participant with the Company by the Participant if at the time of such termination of employment the Participant has completed both five (5) years of service with the Company and attained age fifty (50). For this purpose, "years of service" means the number of full years of service of a Participant, based on such Participant's period of continuous employment with the Company; provided that a Participant shall receive service credit for continuous service provided to members of the ONEOK Group as if that service had been rendered to the Company if there is no break in service between the Participant's service with a member of the ONEOK Group and the Participant's service with the Company.

2.19 " *SEC Rule 16b-3* " shall mean Rule 16b-3 of the Securities and Exchange Commission promulgated under the Exchange Act, as such rule or any successor rule may be in effect from time to time.

2.20 " *Subsidiary* " shall mean any entity that is directly or indirectly controlled by the Company; as determined by the Committee.

ARTICLE III
PLAN ADMINISTRATION

3.1 *The Committee* . The Plan will be administered by a committee appointed by the Board consisting of two or more directors, each of whom is a "non-employee director" within the meaning of SEC Rule 16b-3(the "Committee"). The Committee may adopt rules and regulations for carrying out the Plan and may designate such other committee or committees, in its discretion, to administer the Plan with respect to Participants who are not subject to Section 16 of the Exchange Act. The interpretation and construction of any provision of the Plan by the Committee shall be final and conclusive. The Committee may consult with counsel, who may be counsel to the Company, and shall not incur any liability for any action taken in good faith in reliance upon the advice of counsel. In accordance with and subject to the provisions of the Plan, the Committee will have full authority and discretion with respect to Awards made under the Plan, including without limitation the following: (a) selecting the officers for participation in the Plan; (b) establishing the terms of each Award; (c) determining the time or times when Awards will be granted; and (d) establishing the restrictions and other conditions to which the payment of Awards may be subject. Except as provided

in Section 3.2 and Article X, the Committee will have no authority under the Plan to amend or modify, in any manner, the terms of any outstanding Award; provided, however, that the Committee shall have the authority to reduce or eliminate the compensation or other economic benefit due pursuant to an Award upon the attainment of the Performance Goals included in such Award. Each determination, interpretation, or other action made or taken by the Committee pursuant to the provisions of the Plan will be conclusive and binding for all purposes and on all persons.

3.2 *Adjustments* . The Committee may provide in any Award that any evaluation of performance may include or exclude the impact, if any, on reported financial results of any of the following events that occurs during a Performance Period: (a) asset write-downs, (b) litigation or claim judgments or settlements, (c) changes in tax laws, accounting principles or other laws or provisions, (d) reorganization or restructuring programs, (e) acquisitions or divestitures, (f) foreign exchange gains and losses or (g) gains and losses that are treated as unusual in nature or that occur infrequently under Accounting Standards Codification Topic 225.

ARTICLE IV
PARTICIPATION

The Participants for any Performance Period shall be those officers who are granted Awards by the Committee under the Plan for such Performance Period.

ARTICLE V
PERFORMANCE GOALS

Prior to the beginning of each Performance Period, or not later than ninety (90) days following the commencement of the relevant Performance Period (or, in the case of a Performance Period for a period of time of less than 12 months' duration, no later than by the end of the first 25% of such period), the Committee shall establish and communicate in writing to each Participant the specific Performance Goals which must be achieved for each Participant to receive an Award payment for such Performance Period.

For an Employee who is first hired as an employee and who becomes a Participant after the first day of the Performance Period, the Performance Goals and other criteria as set forth in this Article V shall be established by the Committee and communicated to the Participant upon their selection for participation in the Plan.

ARTICLE VI
PAYMENT OF AWARDS

6.1 *Performance Period Payments* . The Committee shall make a determination as soon as practicable after appropriate financial and other data respecting the Performance Goal(s) respecting the applicable Performance Period, or such portion of the applicable Performance Period as the Committee shall determine, whether the Performance Goal(s) have been achieved and the amount of the Award payment for each Participant, provided, however, that in no event will an Award payment payable under this Plan exceed the Maximum Award Opportunity for any Performance Period. The Committee shall certify the foregoing determinations in writing. Payment of each Award in a cash lump sum, less applicable withholding taxes pursuant to Article IX of the Plan, shall be made as soon as practicable after certification by the Committee, provided, however, that any such payment shall be made no later than March 15 of the year immediately following the year in which the applicable Performance Period expires.

6.2 *Discretionary Downward Adjustments* . At any time after an Award has been granted but before the Award has been paid, the Committee, in its sole and absolute discretion, may reduce or eliminate the Award granted to any Participant for any reason or for no reason, including, without limitation, the Committee's judgment that the Performance Goals have become an inappropriate measure of achievement, additional Performance Goals are necessary to measure achievement, change in the employment status, position or duties of the Participant, unsatisfactory performance of the Participant, or the Participant's service for less than the entire Performance Period.

ARTICLE VII
TERMINATION OF EMPLOYMENT

7.1 *Termination Due to Death, Disability, or Retirement* . In the event a Participant's employment with the Company and all Subsidiaries is terminated by reason of death, Disability, or Retirement prior to the payment date of an Award or during a Performance Period, the Participant (or the Participant's estate) (subject to the Committee's discretion as allowed by Sections 3.2 and 6.2 of the Plan) shall be entitled to a distribution of the Award on the payment date that would otherwise have been payable to the Participant pursuant to Article VI of the Plan after the completion of the Performance Period, pro-rated based upon a fraction, the numerator of which is the number of full days worked on active payroll in an incentive-eligible position during the applicable Performance Period and the denominator of which is the number of days in such Performance Period (or the number of days remaining in such Performance Period after the individual is assigned to an incentive-eligible position), as determined by the Committee. In the event no Award is payable under Article 6 upon completion of the Performance Period, no amount will be payable to a Participant.

7.2 *Termination for Reasons Other than Death, Disability, or Retirement* . In the event a Participant's employment is terminated with the Company and all Subsidiaries prior to the end of the Performance Period for any reason other than death, Disability, or Retirement, the Participant's Award for such Performance Period shall be immediately forfeited and the Participant shall have no right to any payment thereafter; provided, however, that under such circumstances the Committee may, in its sole discretion, pay the Participant an amount not to exceed a percentage of the amount earned according to the terms of the Award equal to the portion of the Performance Period through the Participant's termination. In the event no Award is payable under Article VI upon completion of the Performance Period, no amount will be payable to a Participant.

ARTICLE VIII
CHANGE OF CONTROL

If a Change of Control occurs, then notwithstanding any other provisions of the Plan, each outstanding Award shall be deemed to have achieved a level of performance equal to the actual performance level achieved as of the occurrence of such Change of Control as determined by the Committee. In determining whether a performance level is achieved in this circumstance, the Committee may make any adjustment in the Performance Goals by measuring such criteria over the period commencing on the first day of the Performance Period and ending on the date of the Change of Control, instead of over the entire Performance Period. In the event of a Change of Control, payment of an award shall be made as soon as practicable, but in no event later than 60 days following such Change of Control.

ARTICLE IX
PAYMENT OF WITHHOLDING TAXES

All distributions under the Plan are subject to withholding of all applicable taxes. The Company may condition the delivery of benefits under the Plan on satisfaction of the applicable withholding obligations and is entitled to withhold and deduct from the payment made pursuant to an Award or from future wages of the Participant (or from other amounts that may be due and owing to the Participant from the Company), or make other arrangements for the collection of, all legally required amounts necessary to satisfy any and all federal, state, and local withholding and employment-related tax requirements attributable to any payment made pursuant to an Award.

ARTICLE X
AMENDMENT; MODIFICATION; TERMINATION

The Committee or the Board may suspend or terminate the Plan or any portion thereof at any time and for any reason in its sole discretion. The Board may amend the Plan from time to time in such respects as the Board may deem advisable in order that Awards under the Plan will conform to any change in applicable laws or regulations or in any other respect the Board may deem to be in the best interests of the Company; provided, however, that no amendments to the Plan will be effective without the approval of the shareholders of the Company if shareholder approval of the amendment is then required for payments under the Plan to continue to qualify as performance-based compensation pursuant to Section 162(m) of the Code. Any termination, suspension, or amendment of the Plan may adversely affect any outstanding Award without the consent of the affected Participant. Any payments pursuant to Awards outstanding upon termination of the Plan may continue to be made in accordance with the terms of the Awards, subject to the authority of the Committee pursuant to Articles III and IX of the Plan.

ARTICLE XI
NON-FUNDED, UNSECURED OBLIGATION

11.1 Neither a Participant nor any other person shall, by reason of participation in the Plan, acquire any right in or title to any assets, funds or property of the Company whatsoever, including, without limitation, any specific funds, assets, or other property which the Company, in its sole discretion, may set aside in anticipation of a liability under the Plan. A Participant shall have only a contractual right to the cash, if any, payable under the Plan (subject to the authority of the Committee pursuant to Article III), unsecured by any assets of the Company, and nothing contained in the Plan shall constitute a guarantee that the assets of the Company shall be sufficient to pay any benefits to any person. To the extent that a Participant acquires a right to receive such a cash payment under the Plan, such right shall be no greater than the right of any unsecured, general creditor of the Company.

11.2 No portion of any amount payable to Participants under the Plan shall be held by the Company in trust or escrow or any other form of asset segregation.

ARTICLE XII
EFFECTIVE DATE; DURATION OF THE PLAN

The Plan was approved by the Board on November 18, 2016. The Plan became effective upon approval by the shareholders at the Company's 2017 annual meeting of the shareholders on May 25, 2017. The Plan is hereby amended and restated effective January 1, 2019. The terms of the Plan as it existed on December 31, 2018 shall continue to apply to Awards granted prior to January 1, 2019. The terms of this amended and restated Plan shall apply to Awards granted on or after January 1, 2019. The Plan shall remain in effect until such time as the Plan is terminated as provided in Article X.

ARTICLE XIII
MISCELLANEOUS

13.1 *Employment* . The Plan does not constitute a contract of employment and nothing in the Plan will interfere with or limit in any way the right of the Company to terminate the employment or otherwise modify the terms and conditions of the employment of any Employee or Participant at any time, nor confer upon any Employee or Participant any right to continue in the employ of the Company.

13.2 *Restrictions or Transfer* . Except pursuant to testamentary will or the laws of descent and as otherwise expressly permitted by the Plan, no right or interest of any Participant in an Award will be assignable or transferable, or subjected to any lien, during the lifetime of the Participant, either voluntarily or involuntarily, directly or indirectly, by operation of law or otherwise.

13.3 *Governing Law* . Except in connection with other matters of corporate governance and authority (all of which shall be governed by the laws of the Company's jurisdiction of incorporation), the validity, construction, interpretation, administration, and effect of the Plan and any rules, regulations, and actions relating to the Plan will be governed by and construed exclusively in accordance with the internal, substantive laws of the State of Oklahoma, without regard to the conflict of law rules of the State of Oklahoma or any other jurisdiction.

13.4 *Clawbacks* . Awards made pursuant to the Plan are subject to recovery pursuant to the Company's compensation recovery policy then in effect. To the extent required by applicable laws, rules, regulations or securities exchange listing requirements and the company's compensation recovery policy then in effect, the Company shall have the right, and shall take all actions necessary, to recover any amounts paid to any individual under this Plan.

13.5 *Code Section 409A* . The Plan and all Awards granted hereunder are intended to comply with, or otherwise be exempt from, Code Section 409A. The Plan and all Awards shall be administered, interpreted, and construed in a manner consistent with Code Section 409A or an exemption therefrom. Should any provision of the Plan, any Award hereunder, or any other agreement or arrangement contemplated by the Plan be found not to comply with, or otherwise be exempt from, the provisions of the Code Section 409A, such provision shall be modified and given effect (retroactively if necessary), in the sole discretion of the Committee, and without the consent of the Participant, in such manner as the Committee determines to be necessary or appropriate to comply with, or to effectuate an exemption from, Code Section 409A. Without limiting the foregoing and notwithstanding anything contained herein to the contrary, to the extent required in order to avoid accelerated taxation or tax penalties under Section 409A, amounts that would otherwise be payable and benefits that would otherwise be provided pursuant to this Plan during the six-month period immediately following the Employee's separation from service shall instead be paid on the first business day after the date that is six months following the Executive's termination date (or death, if earlier), with interest from the date such amounts would otherwise have been paid at the short-term applicable federal rate, compounded semi-annually, as determined under Section 1274 of the Code, for the month in which payment would have been made but for the delay in payment required to avoid the imposition of an additional rate of tax on the Employee under Section 409A. Any payments to be made under this Plan upon a termination of employment shall only be made if such termination of employment constitutes a "separation from service" under Section 409A. Notwithstanding the foregoing, the Company makes no representations that the payments and benefits provided under this Plan comply with Section 409A and in no event shall the Company be liable for all or any portion of any taxes, penalties, interest or other expenses that may be incurred by the Employee on account of non-compliance with Section 409A.

13.6 *Successors* . The Plan will be binding upon and inure to the benefit of the successors of the Company and the Participants.

Exhibit 21.1

SUBSIDIARIES OF ONE Gas, Inc.

1. ONE Gas Properties, L.L.C., an Oklahoma limited liability company.
2. Utility Insurance Company, an Oklahoma company.

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (Nos. 333-216276 and 333-218383) and Form S-8 (Nos. 333-226394, 333-205099, and 333-193690) of ONE Gas, Inc. of our report dated February 20, 2019, relating to the financial statements and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers, LLP

Tulsa, Oklahoma
February 20, 2019

Exhibit 31.1

Certification

I, Pierce H. Norton II, certify that:

I have reviewed this annual report on Form 10-K of ONE Gas, Inc.;

Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 20, 2019

/s/ Pierce H. Norton II
Pierce H. Norton II
Chief Executive Officer

Exhibit 31.2

Certification

I, Curtis L. Dinan, certify that:

I have reviewed this annual report on Form 10-K of ONE Gas, Inc.;

Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 20, 2019

/s/ Curtis L. Dinan
Curtis L. Dinan
Chief Financial Officer

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report on Form 10-K of ONE Gas, Inc. (the "Registrant") for the period ending December 31, 2018, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Pierce H. Norton II, Chief Executive Officer of the Registrant, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) the Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition of the Registrant and results of operations of the Registrant.

/s/ Pierce H. Norton II
Pierce H. Norton II
Chief Executive Officer

February 20, 2019

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to ONE Gas, Inc. and will be retained by ONE Gas, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report on Form 10-K of ONE Gas, Inc. (the "Registrant") for the period ending December 31, 2018, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Curtis L. Dinan, Chief Financial Officer of the Registrant, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) the Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and the results of operations of the Registrant.

/s/ Curtis L. Dinan
Curtis L. Dinan
Chief Financial Officer

February 20, 2019

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.