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

FORM 10-Q

☒ Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended September 30, 2021.
OR
☐ Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the transition period from __________ to __________.

Commission file number **001-36108**

ONE Gas, Inc.

(Exact name of registrant as specified in its charter)

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

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

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

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

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☒	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 Exchange Act). Yes ☐ No ☒

On October 25, 2021, the Company had 53,587,508 shares of common stock outstanding.

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

The statements in this Quarterly Report that are not historical information, including statements concerning plans and objectives of management for future operations, economic performance or related assumptions, are forward-looking statements. Forward-looking statements may include words such as "anticipate," "estimate," "expect," "project," "intend," "plan," "believe," "should," "goal," "forecast," "guidance," "could," "may," "continue," "might," "potential," "scheduled," "likely," and other words and terms of similar meaning. Although we believe that our expectations regarding future events are based on reasonable assumptions, we can give no assurance that such expectations or assumptions will be achieved. Important factors that could cause actual results to differ materially from those in the forward-looking statements are described under Part I, Item 2, Management's Discussion and Analysis of Financial Condition and Results of Operations, "Forward-Looking Statements," and Part II, Item 1A, "Risk Factors" in this Quarterly Report and under Part I, Item IA, "Risk Factors," in our Annual Report.

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 Environmental, Social and Governance 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 or posted on or disseminated through our social media accounts is not incorporated by reference into this report.

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

AAO	Accounting Authority Order
ADIT	Accumulated deferred income taxes
Annual Report	Annual Report on Form 10-K for the year ended December 31, 2020
ASC	Accounting Standards Codification
ASU	Accounting Standards Update
Bcf	Billion cubic feet
CERCLA	Federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended
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
COVID-19	Coronavirus Disease 2019
DOT	United States Department of Transportation
EDIT	Excess accumulated deferred income taxes resulting from a change in enacted tax rates
EPA	United States Environmental Protection Agency
EPS	Earnings per share
Exchange Act	Securities Exchange Act of 1934, as amended
FASB	Financial Accounting Standards Board
GAAP	Accounting principles generally accepted in the United States of America
GPAC	Gas Pipeline Advisory Committee
GRIP	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
HCA(s)	High consequence area(s)
KCC	Kansas Corporation Commission
KDHE	Kansas Department of Health and Environment
LDC	Local distribution company
LIBOR	London Interbank Offered Rate
MAOP(s)	Maximum allowable operating pressure(s)
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
NPRM	Notice of Proposed Rulemaking
NYSE	New York Stock Exchange
OCC	Oklahoma Corporation Commission
ODFA	Oklahoma Development Finance Authority
ONE Gas	ONE Gas, Inc.
ONE Gas 2021 Term Loan Facility	ONE Gas’ $2.5 billion two-year unsecured term loan facility, dated February 22, 2021, which terminated on March 11, 2021
ONE Gas 364-day Credit Agreement	ONE Gas’ $250 million 364-day revolving credit agreement, dated April 7, 2020, which terminated on March 16, 2021
ONE Gas Credit Agreement	ONE Gas’ $1.0 billion second amended and restated revolving credit agreement, which expires on March 16, 2026
PBRC	Performance-Based Rate Change
PHMSA	United States Department of Transportation Pipeline and Hazardous Materials Safety Administration
PPE	Personal protective equipment
Quarterly Report(s)	Quarterly Report(s) on Form 10-Q
RNG	Renewable natural gas
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 & Poor’s Ratings Services
SEC	Securities and Exchange Commission
Securities Act	Securities Act of 1933, as amended
Senior Notes	ONE Gas’ registered notes consisting of $1.0 billion of 0.85 percent senior notes due 2023, $400 million of floating-rate senior notes due 2023, $700 million of 1.10 percent senior notes due 2024, $300 million of 3.61 percent senior notes due 2024, $300 million of 2.00 percent senior notes due 2030, $600 million of 4.658 percent senior notes due 2044 and $400 million of 4.50 percent notes due 2048
TPFA	Texas Public Finance Authority
WNA	Weather normalization adjustment(s)
XBRL	eXtensible Business Reporting Language

PART I - FINANCIAL INFORMATION
ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS

ONE Gas, Inc.

CONSOLIDATED STATEMENTS OF INCOME

	Three Months Ended September 30,		Nine Months Ended September 30,	
(*Unaudited*)	2021	2020	2021	2020
	(*Thousands of dollars, except per share amounts*)			
Total revenues	**$ 273,923**	$ 244,640	**$ 1,214,862**	$ 1,046,095
Cost of natural gas	**59,399**	40,485	**467,169**	329,134
Operating expenses				
Operations and maintenance	**105,732**	100,285	**320,152**	308,641
Depreciation and amortization	**51,150**	47,998	**154,288**	142,898
General taxes	**15,835**	15,193	**49,999**	46,931
Total operating expenses	**172,717**	163,476	**524,439**	498,470
Operating income	**41,807**	40,679	**223,254**	218,491
Other income (expense), net	**(1,805)**	198	**(1,758)**	(3,196)
Interest expense, net	**(15,392)**	(15,542)	**(45,828)**	(47,078)
Income before income taxes	**24,610**	25,335	**175,668**	168,217
Income taxes	**(4,357)**	(4,256)	**(29,746)**	(30,136)
Net income	**$ 20,253**	$ 21,079	**$ 145,922**	$ 138,081
Earnings per share				
Basic	**$ 0.38**	$ 0.40	**$ 2.73**	$ 2.60
Diluted	**$ 0.38**	$ 0.39	**$ 2.72**	$ 2.59
Average shares (*thousands*)				
Basic	**53,710**	53,190	**53,516**	53,084
Diluted	**53,793**	53,408	**53,618**	53,313
Dividends declared per share of stock	**$ 0.58**	$ 0.54	**$ 1.74**	$ 1.62

See accompanying Notes to Consolidated Financial Statements.

ONE Gas, Inc.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Three Months Ended September 30,		Nine Months Ended September 30,	
(*Unaudited*)	**2021**	**2020**	**2021**	**2020**
	(*Thousands of dollars*)			
Net income	**$ 20,253**	$ 21,079	**$ 145,922**	$ 138,081
Other comprehensive income, net of tax				
Change in pension and other postemployment benefit plan liability, net of tax of $(91), $(75), $(273) and $(224), respectively	**300**	223	**899**	670
Total other comprehensive income, net of tax	**300**	223	**899**	670
Comprehensive income	**$ 20,553**	$ 21,302	**$ 146,821**	$ 138,751

See accompanying Notes to Consolidated Financial Statements.

ONE Gas, Inc.
CONSOLIDATED BALANCE SHEETS

(*Unaudited*)	September 30, 2021	December 31, 2020
Assets	(*Thousands of dollars*)	
Property, plant and equipment		
Property, plant and equipment	**$ 7,138,445**	$ 6,838,603
Accumulated depreciation and amortization	**2,060,335**	1,971,546
Net property, plant and equipment	**5,078,110**	4,867,057
Current assets		
Cash and cash equivalents	**6,467**	7,993
Accounts receivable, net	**118,383**	292,985
Materials and supplies	**52,638**	52,766
Natural gas in storage	**166,778**	93,946
Regulatory assets	**300,485**	56,773
Assets from price risk management activities	**77,380**	—
Other current assets	**30,759**	35,406
Total current assets	**752,890**	539,869
Goodwill and other assets		
Regulatory assets	**2,050,332**	366,956
Goodwill	**157,953**	157,953
Other assets	**94,633**	96,877
Total goodwill and other assets	**2,302,918**	621,786
Total assets	**$ 8,133,918**	$ 6,028,712

See accompanying Notes to Consolidated Financial Statements.

ONE Gas, Inc.
CONSOLIDATED BALANCE SHEETS
(Continued)

(*Unaudited*)		September 30, 2021		December 31, 2020
Equity and Liabilities		(*Thousands of dollars*)		
Equity and long-term debt				
Common stock, $0.01 par value: authorized 250,000,000 shares; issued and outstanding 53,584,326 shares at September 30, 2021; issued and outstanding 53,166,733 shares at December 31, 2020	**$**	**536**	$	532
Paid-in capital		**1,785,476**		1,756,921
Retained earnings		**535,964**		483,635
Accumulated other comprehensive loss		**(6,878)**		(7,777)
Total equity		**2,315,098**		2,233,311
Long-term debt, excluding current maturities and net of issuance costs of $12,605 and $13,159, respectively		**3,683,137**		1,582,428
Total equity and long-term debt		**5,998,235**		3,815,739
Current liabilities				
Short-term debt		**336,000**		418,225
Accounts payable		**127,544**		152,313
Accrued taxes other than income		**69,374**		63,800
Regulatory liabilities		**63,194**		15,761
Customer deposits		**59,433**		68,028
Other current liabilities		**64,591**		78,952
Total current liabilities		**720,136**		797,079
Deferred credits and other liabilities				
Deferred income taxes		**677,034**		656,806
Regulatory liabilities		**556,843**		547,563
Employee benefit obligations		**74,373**		97,637
Other deferred credits		**107,297**		113,888
Total deferred credits and other liabilities		**1,415,547**		1,415,894
Commitments and contingencies				
Total liabilities and equity	**$**	**8,133,918**	$	6,028,712

See accompanying Notes to Consolidated Financial Statements.

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ONE Gas, Inc.
CONSOLIDATED STATEMENTS OF CASH FLOWS

(*Unaudited*)	Nine Months Ended September 30, 2021	2020
	(*Thousands of dollars*)	
Operating activities		
Net income	**$ 145,922**	$ 138,081
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	**154,288**	142,898
Deferred income taxes	**29,224**	11,175
Share-based compensation expense	**8,076**	7,439
Provision for doubtful accounts	**8,128**	8,836
Changes in assets and liabilities:		
Accounts receivable	**166,474**	144,399
Materials and supplies	**128**	240
Natural gas in storage	**(72,832)**	(1,118)
Asset removal costs	**(35,195)**	(29,019)
Accounts payable	**(17,244)**	(50,848)
Accrued taxes other than income	**5,574**	9,776
Customer deposits	**(8,595)**	(2,668)
Regulatory assets and liabilities - current	**(273,659)**	(49,055)
Regulatory assets and liabilities - noncurrent	**(1,651,445)**	24,577
Other assets and liabilities - current	**(10,537)**	(20,550)
Other assets and liabilities - noncurrent	**(8,884)**	(8,834)
Cash provided by (used in) operating activities	**(1,560,577)**	325,329
Investing activities		
Capital expenditures	**(347,701)**	(348,915)
Other investing expenditures	**(3,374)**	(1,379)
Other investing receipts	**1,676**	2,482
Cash used in investing activities	**(349,399)**	(347,812)
Financing activities		
Borrowings (repayments) on short-term debt, net	**(82,225)**	(208,500)
Issuance of debt, net of discounts	**2,498,895**	297,750
Long-term debt financing costs	**(35,110)**	(2,885)
Issuance of common stock	**24,104**	16,325
Repayment of long-term debt	**(400,000)**	—
Dividends paid	**(92,832)**	(85,698)
Tax withholdings related to net share settlements of stock compensation	**(4,382)**	(6,178)
Cash provided by (used in) financing activities	**1,908,450**	10,814
Change in cash and cash equivalents	**(1,526)**	(11,669)
Cash and cash equivalents at beginning of period	**7,993**	17,853
Cash and cash equivalents at end of period	**$ 6,467**	$ 6,184

See accompanying Notes to Consolidated Financial Statements.

ONE Gas, Inc.
CONSOLIDATED STATEMENTS OF EQUITY

(*Unaudited*)	Common Stock Issued	Common Stock	Paid-in Capital
	(*Shares*)	(*Thousands of dollars*)	
January 1, 2021	**53,166,733**	**$ 532**	**$ 1,756,921**
Net income	—	—	—
Other comprehensive income	—	—	—
Common stock issued and other	**78,278**	—	**(1,705)**
Common stock dividends - $0.58 per share	—	—	**260**
March 31, 2021	**53,245,011**	**$ 532**	**$ 1,755,476**
Net income	—	—	—
Other comprehensive income	—	—	—
Common stock issued and other	**254,226**	**3**	**21,175**
Common stock dividends - $0.58 per share	—	—	**260**
June 30, 2021	**53,499,237**	**$ 535**	**$ 1,776,911**
Net income	—	—	—
Other comprehensive income	—	—	—
Common stock issued and other	**85,089**	**1**	**8,324**
Common stock dividends - $0.58 per share	—	—	**241**
September 30, 2021	**53,584,326**	**$ 536**	**$ 1,785,476**
January 1, 2020	52,771,749	$ 528	$ 1,733,092
Net income	—	—	—
Other comprehensive income	—	—	—
Common stock issued and other	89,059	1	(3,737)
Common stock dividends - $0.54 per share	—	—	232
March 31, 2020	52,860,808	$ 529	$ 1,729,587
Net income	—	—	—
Other comprehensive income	—	—	—
Common stock issued and other	59,722	—	5,974
Common stock dividends - $0.54 per share	—	—	227
June 30, 2020	52,920,530	$ 529	$ 1,735,788
Net income	—	—	—
Other comprehensive income	—	—	—
Common stock issued and other	176,363	2	15,334
Common stock dividends - $0.54 per share	—	—	228
September 30, 2020	53,096,893	$ 531	$ 1,751,350

See accompanying Notes to Consolidated Financial Statements.

ONE Gas, Inc.
CONSOLIDATED STATEMENTS OF EQUITY
(Continued)

(*Unaudited*)		Retained Earnings		Accumulated Other Comprehensive Loss		Total Equity
				(*Thousands of dollars*)		
January 1, 2021	**$**	**483,635**	**$**	**(7,777)**	**$**	**2,233,311**
Net income		**95,575**		**—**		**95,575**
Other comprehensive income		**—**		**300**		**300**
Common stock issued and other		**—**		**—**		**(1,705)**
Common stock dividends - $0.58 per share		**(31,142)**		**—**		**(30,882)**
March 31, 2021	**$**	**548,068**	**$**	**(7,477)**	**$**	**2,296,599**
Net income		**30,093**		**—**		**30,093**
Other comprehensive income		**—**		**299**		**299**
Common stock issued and other		**—**		**—**		**21,178**
Common stock dividends - 0.58 per share		**(31,163)**		**—**		**(30,903)**
June 30, 2021	**$**	**546,998**	**$**	**(7,178)**	**$**	**2,317,266**
Net income		**20,253**		**—**		**20,253**
Other comprehensive income		**—**		**300**		**300**
Common stock issued and other		**—**		**—**		**8,325**
Common stock dividends - $0.58 per share		**(31,287)**		**—**		**(31,046)**
September 30, 2021	**$**	**535,964**	**$**	**(6,878)**	**$**	**2,315,098**
January 1, 2020	$	402,509	$	(6,739)	$	2,129,390
Net income		91,677		—		91,677
Other comprehensive income		—		224		224
Common stock issued and other		—		—		(3,736)
Common stock dividends - $0.54 per share		(28,775)		—		(28,543)
March 31, 2020	$	465,411	$	(6,515)	$	2,189,012
Net income		25,325		—		25,325
Other comprehensive income		—		223		223
Common stock issued and other		—		—		5,974
Common stock dividends - $0.54 per share		(28,774)		—		(28,547)
June 30, 2020	$	461,962	$	(6,292)	$	2,191,987
Net income		21,079		—		21,079
Other comprehensive income		—		223		223
Common stock issued and other		—		—		15,336
Common stock dividends - $0.54 per share		(28,836)		—		(28,608)
September 30, 2020	$	454,205	$	(6,069)	$	2,200,017

See accompanying Notes to Consolidated Financial Statements.

ONE Gas, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Our accompanying unaudited consolidated financial statements have been prepared pursuant to the rules and regulations of the SEC. These statements also have been prepared in accordance with GAAP and reflect all adjustments that, in our opinion, are necessary for a fair statement of the results for the interim periods presented. All such adjustments are of a normal recurring nature. The 2020 year-end consolidated balance sheet data was derived from audited consolidated financial statements but does not include all disclosures required by GAAP. These unaudited consolidated financial statements should be read in conjunction with the audited consolidated financial statements and footnotes in our Annual Report. Our significant accounting policies are described in Note 1 of our Notes to Consolidated Financial Statements in our Annual Report. Due to the seasonal nature of our business, the results of operations for the nine months ended September 30, 2021, are not necessarily indicative of the results that may be expected for a 12-month period.

We provide natural gas distribution services to our approximately 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 primarily serve residential, commercial and transportation customers in all three states.

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 revenues 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, provision for doubtful accounts, 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 tax valuation allowances, reserves for environmental remediation, 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 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 to us.

Segments - We operate in one reportable business segment: regulated public utilities that deliver natural gas primarily to residential, commercial and transportation customers. The accounting policies for our segment are the same as those described in Note 1 of our Notes to Consolidated Financial Statements in our Annual Report. We evaluate our financial performance principally on net income. For the three and nine months ended September 30, 2021, and 2020, we had no single external customer from which we received 10 percent or more of our gross revenues.

Property, Plant and Equipment and Asset Removal Costs - Accounts payable for construction work in process and asset removal costs decreased by approximately $7.5 million and $4.3 million for the nine months ended September 30, 2021 and 2020, respectively. Such amounts are not included in capital expenditures or asset removal costs in our consolidated statements of cash flows.

Goodwill Impairment Test – We assess our goodwill for impairment at least annually on July 1, unless events or changes in circumstances indicate an impairment may have occurred before that time. As part of our goodwill impairment test, we may 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 the fair value of our reporting unit is less than its carrying amount. If further testing is necessary or a quantitative test is elected to refresh our recurring qualitative assessments, we perform a quantitative impairment test for goodwill. We did not identify any impairment indicators for our goodwill and determined that no further testing was necessary.

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 may be required to provide security, including deposits and other forms of collateral, when appropriate and allowed by our tariffs. With approximately 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 environment and other information. We recover natural gas costs related to accounts written off when they are deemed uncollectible through the purchased-gas cost adjustment mechanisms in each of our jurisdictions. At September 30, 2021 and December 31, 2020, our allowance for doubtful accounts was $18.9 million and $16.6 million, respectively.

Reclassifications - Certain reclassifications have been made in the prior-year financial statements to conform to the current-year presentation. We have updated our 2020 Statements of Cash Flows for the nine months ended September 30, 2020, to disaggregate “regulatory assets and liabilities” and “other assets and liabilities” into current and non-current components that are presented on our balance sheet to conform to our current year presentation.

Recently Issued Accounting Standards Update - In March 2020, the FASB issued ASU 2020-04, “Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting,” which provides relief from the accounting analysis and impacts that may otherwise be required for modifications to agreements (e.g., loans, debt securities, derivatives, borrowings) necessitated by reference rate reform. It also provides optional expedients to enable companies to continue to apply hedge accounting to certain hedging relationships impacted by reference rate reform. In the first quarter 2020, we adopted this new guidance effective for contracts modified between March 12, 2020 and December 31, 2022. Our revolving line of credit under the ONE Gas Credit Agreement and our remaining $400 million of floating-rate senior notes due 2023 utilize LIBOR as the reference rate. If modified, we may elect the optional practical expedients to account for the modifications prospectively. Our adoption did not result in a material impact to our consolidated financial statements.

In December 2019, the FASB issued ASU 2019-12, “Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes,” which removes certain exceptions for recognizing deferred taxes for investments, performing intra-period allocation and calculating income taxes in interim periods. ASU 2019-12 also adds guidance to reduce complexity in certain areas, including recognizing deferred taxes for tax goodwill and allocating taxes to members of a consolidated group. This standard is effective for interim and annual periods in fiscal years beginning after December 15, 2020. We adopted this new guidance on January 1, 2021. Our adoption did not result in a material impact to our consolidated financial statements.

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 a company would capitalize those same costs under the internal-use software guidance for an arrangement that is a software license. The deferred implementation costs should be amortized over the term of the hosting arrangement, including any probable renewals. We are party to hosting arrangements identified as service contracts for various information systems used in our operations. We adopted this new guidance using the prospective transition approach for implementation costs incurred in hosting arrangement service contracts beginning January 1, 2020. In certain jurisdictions, we have orders from our regulators allowing us to amortize deferred implementation costs for hosting arrangements entered into after January 1, 2020, over the life approved by our regulators for our internal-use software systems rather than the term of the hosting arrangement. The difference in amortization calculated between the term of the hosting arrangement and internal-use software life approved by our regulators is deferred as a regulatory asset and amortized over the remaining internal-use software life that exceeds the term of the hosting arrangement. Our adoption did not result in a material impact to our consolidated financial statements.

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. We adopted this new guidance in the first quarter 2020 using the modified retrospective method. Our financial assets within scope of this guidance primarily include our trade receivables from customers. Our policy for measuring our allowance for doubtful accounts is disclosed in Note 1 of our Notes to Consolidated Financial Statements in our Annual Report. We did not create any new accounting policies, nor did we modify any of our existing policies as a result of adopting this guidance. Our adoption did not result in a cumulative adjustment to our opening retained earnings or have a material impact to our consolidated financial statements.

2. REVENUE

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
	(Thousands of dollars)			
Natural gas sales to customers	**$ 240,591**	$ 212,723	**$ 1,105,835**	$ 936,749
Transportation revenues	**25,342**	24,305	**87,760**	82,543
Miscellaneous revenues	**4,363**	3,800	**12,091**	11,390
Total revenues from contracts with customers	**270,296**	240,828	**1,205,686**	1,030,682
Other revenues - natural gas sales related	**545**	(66)	**849**	6,478
Other revenues	**3,082**	3,878	**8,327**	8,935
Total other revenues	**3,627**	3,812	**9,176**	15,413
Total revenues	**$ 273,923**	$ 244,640	**$ 1,214,862**	$ 1,046,095

Accrued unbilled natural gas sales revenues at September 30, 2021 and December 31, 2020, were $54.3 million and $144.9 million, respectively, and are included in accounts receivable on our consolidated balance sheets.

3. REGULATORY ASSETS AND LIABILITIES

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

	September 30, 2021		
	Current	Noncurrent	Total
	(Thousands of dollars)		
Winter weather event costs	**$ 255,051**	**$ 1,708,247**	**$ 1,963,298**
Pension and postemployment benefit costs	**16,513**	**307,073**	**323,586**
Reacquired debt costs	**812**	**4,258**	**5,070**
MGP remediation costs	**98**	**29,865**	**29,963**
Ad-valorem tax	**8,065**	**—**	**8,065**
WNA	**1,563**	**—**	**1,563**
Customer credit deferrals	**16,153**	**—**	**16,153**
Other	**2,230**	**889**	**3,119**
Total regulatory assets, net of amortization	**300,485**	**2,050,332**	**2,350,817**
Income tax rate changes	**—**	**(556,843)**	**(556,843)**
Over-recovered purchased-gas costs	**(63,194)**	**—**	**(63,194)**
Total regulatory liabilities, net of amortization	**(63,194)**	**(556,843)**	**(620,037)**
Net regulatory assets and liabilities	**$ 237,291**	**$ 1,493,489**	**$ 1,730,780**

	December 31, 2020		
	Current	Noncurrent	Total
		(*Thousands of dollars*)	
Under-recovered purchased-gas costs	$ 16,502	$ —	$ 16,502
Pension and postemployment benefit costs	16,541	341,266	357,807
Reacquired debt costs	812	4,866	5,678
MGP remediation costs	98	18,711	18,809
Ad-valorem tax	5,558	—	5,558
WNA	4,806	—	4,806
Customer credit deferrals	10,267	—	10,267
Other	2,189	2,113	4,302
Total regulatory assets, net of amortization	56,773	366,956	423,729
Income tax rate changes	—	(547,563)	(547,563)
Over-recovered purchased-gas costs	(15,761)	—	(15,761)
Total regulatory liabilities	(15,761)	(547,563)	(563,324)
Net regulatory assets and liabilities	$ 41,012	$ (180,607)	$ (139,595)

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

Winter weather event costs - In February 2021, the U.S. experienced Winter Storm Uri, a historic winter weather event impacting supply, market pricing and demand for natural gas in a number of states, including our service territories of Kansas, Oklahoma, and Texas. During this time, the governors of Kansas, Oklahoma, and Texas each declared a state of emergency, and certain regulatory agencies issued emergency orders that impacted the utility and natural gas industries, including statewide utility curtailment programs and orders requiring jurisdictional natural gas and electric utilities to do all things possible and necessary to ensure that natural gas and electricity utility services continued to be provided to their customers. Due to the historic nature of this winter weather event, we experienced unforeseeable and unprecedented market pricing for gas costs in our Kansas, Oklahoma, and Texas jurisdictions, which resulted in aggregated natural gas purchases for the month of February of approximately $2.1 billion.

On February 16, 2021, the OCC approved an emergency order (i) directing natural gas and electric utilities to prioritize deliveries of natural gas and electricity for services necessary for life, health, and public safety, and of natural gas to electric generation facilities that serve human needs customers, and (ii) directing local utilities to communicate with their customers in order to reduce all non-essential energy consumption, and to reduce load in a safe and reasonable manner. The OCC order recognized that the severe weather conditions resulted in increased commodity prices for both gas and electric utilities, along with issues relating to commodity acquisition, line pressure, and supply shortages. The OCC order expired on February 20, 2021.

In response to a motion filed by Oklahoma Natural Gas, on March 2, 2021, the OCC issued an order stating that Oklahoma Natural Gas shall defer to a regulatory asset the extraordinary costs associated with this unprecedented winter weather event, including commodity costs, operational costs and carrying costs. The order further states that after all deferred costs have been accumulated and recorded, Oklahoma Natural Gas shall file a compliance report detailing the extent of such costs incurred. The order also provided that recovery of the deferred costs will be addressed in a future proceeding that will include a prudence review.

In April 2021, a bill permitting the state to pursue securitized financing of extraordinary expenses, such as fuel costs, financing costs and other operational costs incurred by regulated utilities during extreme weather events, was signed into law by the Oklahoma governor. On April 29, 2021, Oklahoma Natural Gas submitted an initial application requesting a financing order pursuant to this legislation. On July 30, 2021, Oklahoma Natural Gas filed a supplemental motion with its compliance report pursuant to the March 2, 2021 order from the OCC detailing the extent of extraordinary costs incurred and all required components pursuant to the legislation for the issuance of a financing order, which includes a proposed period of 20 years over which these costs will be collected from customers. On October 4, 2021, the Public Utility Division of the OCC filed responsive testimony recommending that a financing order for securitization be approved. A hearing before the administrative law judge has been scheduled for November 22, 2021. The OCC has 180 days from the filing date of the supplemental motion to consider the issuance of a financing order. If the OCC approves the financing order, the ODFA has 24 months to complete the process to issue the securitized bonds.

On February 15, 2021, the KCC issued an emergency order (i) directing all jurisdictional natural gas and electric utilities to coordinate efforts and take all reasonably feasible, lawful, and appropriate actions to ensure adequate delivery of natural gas and electricity to interconnected, non-jurisdictional utilities in Kansas, (ii) requiring jurisdictional natural gas and electric utilities to do all things possible and necessary to ensure that natural gas and electricity utility services continued to be provided to their customers in Kansas, and (iii) allowing those electric and natural gas distribution utilities who incur extraordinary costs to ensure their customers and other interconnected customers continued to receive utility service during this unprecedented cold weather event to defer those costs to a regulatory asset account. These deferred costs may also include carrying costs at the utility's weighted average cost of capital. Each jurisdictional utility will be required to file a compliance report detailing the extent of such costs incurred and presenting a plan to minimize the financial impacts of this event on ratepayers over a reasonable time frame. These costs will be subject to review for reasonableness and accuracy in future regulatory proceedings. On March 9, 2021, the KCC issued an order adopting the KCC staff's recommendation to open company-specific dockets to accept each utility's filing of financial impact compliance reports and permit the KCC staff to conduct a review of the utility's compliance report and its actions during the winter weather event. In April 2021, a bill permitting the utilities to pursue securitization to finance extraordinary expenses incurred during extreme weather events, was signed into law by the Kansas governor. The bill gives the KCC the authority to oversee and authorize the issuance of ratepayer-backed securitized bonds issued by a public utility.

On July 30, 2021, Kansas Gas Service submitted its compliance report to the KCC, which includes a proposal to issue securitized bonds and collect the extraordinary costs resulting from Winter Storm Uri from its customers over a period of either 5, 7 or 10 years. A procedural schedule will be developed to determine the timeline for evaluating Kansas Gas Service's compliance report. If the KCC approves Kansas Gas Service's proposed financing plan, then Kansas Gas Service will file an application, in a separate proceeding, requesting a financing order for the issuance of securitized utility tariff bonds. The KCC will have 180 days from the date of the filing requesting a financing order to consider Kansas Gas Service's application. If the KCC approves the financing order, we can begin the process to issue the securitized bonds.

In May 2021, Kansas Gas Service filed a motion requesting a limited waiver of penalty provisions of its tariff to eliminate the multipliers in the penalty calculation when calculating the penalties to assess on marketers and individually balanced transportation customers for their unauthorized natural gas usage during Winter Storm Uri. On October 8, 2021, a non-unanimous settlement agreement was filed with the KCC to reach a resolution on these penalties. A proposed procedural schedule for consideration of the settlement agreement was filed and under this proposed agreement, the KCC would issue an order on the settlement by December 30, 2021. Under the terms of the settlement, if approved, any amounts collected from these penalties would reduce the regulatory asset for the winter weather event by no more than $83.0 million.

On February 13, 2021, the RRC issued a Notice to Local Distribution Companies acknowledging that due to the demand for natural gas expected during the upcoming winter weather event, natural gas utility LDCs may be required to pay extraordinarily high prices in the market for natural gas and may be subjected to other extraordinary costs when responding to the event. The RRC also encouraged natural gas utilities to continue to work to ensure that the citizens of the State of Texas were provided with safe and reliable natural gas service. To partially defer and reduce the impact on customers for these costs that ultimately are reflected in customer bills, the RRC authorized LDCs to record a regulatory asset to account for the extraordinary costs associated with this winter weather event, including but not limited to gas cost and other costs related to the procurement and transportation of gas supply. These costs will be subject to review for reasonableness and accuracy in future regulatory proceedings.

In June 2021, a bill permitting the state to pursue securitized financing of extraordinary expenses, such as fuel costs, financing costs and other operational costs incurred by utilities during Winter Storm Uri, was signed into law by the Texas governor. This bill gives the RRC the authority to approve amounts to be recovered from the issuance of ratepayer-backed securitized bonds by the TPFA. Pursuant to this legislation and a June 17, 2021 RRC Notice to Gas Utilities, Texas Gas Service submitted an application to the RRC on July 30, 2021, for an order authorizing the amount of extraordinary costs for recovery and other such specifications necessary for the issuance of securitized bonds. On October 29, 2021, Texas Gas Service, the other natural gas utilities in Texas participating in the securitization process, staff of the RRC and all intervenors filed a unanimous settlement agreement with the RRC. The signatories agreed that all costs to purchase natural gas volumes during Winter Storm Uri by Texas Gas Service were reasonable, necessary and prudently incurred. Texas Gas Service agreed to reduce its regulatory asset amount to be securitized by the amount of extraordinary costs attributable to the West Texas Service Area, which will be recovered through a separate surcharge over a three-year period. The unanimous settlement agreement will be considered by the RRC at a hearing on November 2, 2021. The RRC has 150 days from the date of the filing to consider Texas Gas Service's application and an additional 90 days to issue a single financing order for Texas Gas Service and any other natural gas utilities in Texas participating in the securitization process, which will include a determination of the period over which the costs will be collected from customers. Upon issuance of a financing order, the TPFA will begin the process to issue the securitized bonds.

In accordance with these regulatory orders associated with the winter weather event, we have deferred approximately $2.0 billion in extraordinary costs for natural gas purchases, related financing and carrying costs and other operational costs, which includes $1.3 billion of costs attributable to Oklahoma Natural Gas customers, $385.8 million of costs attributable to Kansas Gas Service customers and $255.1 million of costs attributable to Texas Gas Service customers, which includes $59.5 million attributable to the West Texas Service Area. The amounts deferred at September 30, 2021, include invoiced costs for natural gas purchases that have not been paid as we work with our suppliers to resolve discrepancies in invoiced amounts. The amounts deferred may be adjusted as the differences are resolved. In addition, as a result of Winter Storm Uri, we were assessed penalties as a result of over- or under-deliveries of natural gas during periods that operational flow orders were imposed on us. Regarding Kansas Gas Service's motion requesting a limited waiver of penalty provisions of its tariff, if the non-unanimous settlement agreement filed with the KCC is approved, we anticipate assessing penalties on our transport customers or their agents. Amounts recorded reflect management's best estimate of the amounts we may pay or receive and may be adjusted in future periods as the disposition of such penalties is determined. As these amounts are related to the extraordinary gas purchase costs associated with Winter Storm Uri, which are deferred, future adjustments are not expected to have a material impact on earnings.

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

The OCC, KCC and regulatory authorities in Texas have approved the recovery of pension costs and other postemployment benefits costs through rates for Oklahoma Natural Gas, Kansas Gas Service and Texas Gas Service, respectively. The costs recovered through rates are based on the net periodic benefit cost for defined benefit pension and other postemployment costs. Differences, if any, between the net periodic benefit cost, net of deferrals, and the amount recovered through rates are reflected in earnings. We historically have recovered defined benefit pension and other postemployment benefit costs through rates. We believe it is probable that regulators will continue to include the net periodic pension and other postemployment benefit costs in our cost of service.

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

The customer credit deferrals and the noncurrent regulatory liability for income tax rate changes represents deferral of the effects of enacted federal and state income tax rate changes on our ADIT and the effects of these changes on our rates. At September 30, 2021, the noncurrent regulatory liability for income tax rate changes includes the reclassification of $29.3 million of deferred taxes related to the reduction of the state income tax rate in Oklahoma. Additionally, it includes the reclassification of $81.5 million of deferred taxes related to the elimination of state income tax for utilities in Kansas at September 30, 2021 and December 31, 2020. See Note 10 for additional information regarding the impact of income tax rate changes during the third quarter 2021.

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

We have received accounting orders in each of our jurisdictions authorizing us to accumulate and defer for regulatory purposes certain incremental costs incurred, including bad debt expenses, and certain lost revenues, net of offsetting expense reductions associated with COVID-19. Pursuant to these orders, the recovery of any net incremental costs and lost revenues will be determined in future rate cases or alternative rate recovery filings in each jurisdiction. For financial reporting purposes, any amounts deferred as a regulatory asset for future recovery under these accounting orders must be probable of recovery. At September 30, 2021, no regulatory assets have been recorded. We continue to evaluate the impacts of COVID-19 on our business and will record regulatory assets for financial reporting purposes at such time as recovery is deemed probable.

Recovery through rates resulted in amortization of regulatory assets of approximately $0.5 million and $0.3 million for the three months ended September 30, 2021 and 2020, respectively, and approximately $4.4 million and $2.4 million for the nine months ended September 30, 2021 and 2020, respectively.

4. CREDIT FACILITY AND SHORT-TERM DEBT

In June 2021, we increased the size of our commercial paper program to permit the issuance of commercial paper to fund short-term borrowing needs in an aggregate principal amount not to exceed $1.0 billion outstanding at any time. Prior to this increase, our commercial paper program permitted us to issue commercial paper in an aggregate principal amount not to exceed $700 million outstanding at any time. The maturities of the commercial paper vary but may not exceed 270 days from the date of issue. The commercial paper are generally sold at par less a discount representing an interest factor. At September 30, 2021, we had $336.0 million of commercial paper outstanding.

On March 16, 2021, we entered into the second amended and restated ONE Gas Credit Agreement, which was previously amended and restated on October 5, 2017.

The ONE Gas Credit Agreement provides for a $1.0 billion revolving unsecured credit facility and includes a $20 million letter of credit subfacility and a $60 million swingline subfacility. We can request an increase in commitments of up to an additional $500 million upon satisfaction of customary conditions, including receipt of commitments from either new lenders or increased commitments from existing lenders. We will be able to extend the maturity date by one year, subject to the lenders' consent, up to two times. The ONE Gas Credit Agreement expires in March 2026, 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 utilizes LIBOR as the reference rate for determining interest to accrue on the borrowings. In the event LIBOR is not available, and such circumstances are unlikely to be temporary, our lenders may establish an alternative interest rate for the senior notes by replacing LIBOR with one or more secured overnight financing-based rates or another alternate benchmark rate.

The ONE Gas Credit Agreement contains certain financial, operational and legal covenants. Among other things, these covenants include maintaining ONE Gas' total debt-to-capital ratio of no more than 72.5 percent at the end of any calendar quarter through December 31, 2021, and 70 percent at the end of any calendar quarter thereafter. At September 30, 2021, our total debt-to-capital ratio was 63 percent and we were in compliance with all covenants under the ONE Gas Credit Agreement. We may reduce the unutilized portion of the ONE Gas Credit Agreement in whole or in part without premium or penalty. The ONE Gas Credit Agreement contains customary events of default. Upon the occurrence of certain events of default, the obligations under the ONE Gas Credit Agreement may be accelerated and the commitments may be terminated.

At September 30, 2021, we had $1.2 million in letters of credit issued and no borrowings under the ONE Gas Credit Agreement, with $998.8 million of remaining credit, which is available to repay any of our commercial paper borrowings.

In connection with the second amendment of the ONE Gas Credit Agreement on March 16, 2021, all commitments under our ONE Gas 364-day Credit Agreement, dated as of April 7, 2020, were terminated and all obligations under the ONE Gas 364-day Credit Agreement were paid in full and discharged.

5. LONG-TERM DEBT

Senior Notes - In March 2021, we issued $1.0 billion of 0.85 percent senior notes due 2023, $700 million of 1.10 percent senior notes due 2024, and $800 million of floating-rate senior notes due 2023. The floating-rate senior notes bear interest at a rate equal to three-month LIBOR plus 61 basis points per year, reset quarterly for the applicable interest period (0.73 percent at September 30, 2021). The net proceeds from the issuance were used for payment of gas purchases and related costs resulting from Winter Storm Uri and general corporate purposes.

In the event LIBOR is not available, and such circumstances are unlikely to be temporary, we or our designee may establish an alternative interest rate for our floating-rate senior notes due 2023 by replacing LIBOR with one or more secured financing-based rates or another alternate benchmark rate.

We may redeem the senior notes issued in March 2021 in whole or in part, plus accrued and unpaid interest to the redemption date, on or after September 11, 2021. We did not have the right to redeem these senior notes prior to September 11, 2021.

On September 21, 2021, we redeemed $400 million of the floating-rate senior notes due 2023 at par, using a combination of cash on hand and commercial paper.

In April 2020, we issued $300 million of 2.00 percent senior notes due 2030. The proceeds from the issuance were used to reduce the amount of outstanding 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.

ONE Gas 2021 Term Loan Facility - On February 22, 2021, we entered into the ONE Gas 2021 Term Loan Facility as part of the financing of our natural gas purchases in order to provide sufficient liquidity to satisfy our obligations as a result of Winter Storm Uri. The net proceeds of the March 2021 debt issuance reduced the commitments under the ONE Gas 2021 Term Loan Facility on a dollar-for-dollar basis, and as a result no commitments remained outstanding and the facility was terminated concurrently with the closing of the debt issuance.

6. EQUITY

At-the-Market Equity Program - In February 2020, we initiated an at-the-market equity program by entering into an equity distribution agreement under which we may issue and sell shares of our common stock with an aggregate offering price up to $250 million (including any shares of common stock that may be sold pursuant to the master forward sale confirmation entered into in connection with the equity distribution agreement and the related supplemental confirmations). Sales of common stock are made by means of ordinary brokers' transactions on the NYSE, in block transactions or as otherwise agreed to between us and the sales agent. We are under no obligation to offer and sell common stock under the program. For the nine months ended September 30, 2021 and 2020, respectively, we issued and sold 281,124 shares and 179,514 shares of our common stock for $21.4 million and $13.6 million, generating proceeds, net of issuance costs, of $21.1 million and $13.5 million. At September 30, 2021, we had $215.0 million of equity available for issuance under the program.

Dividends Declared - In November 2021, we declared a dividend of $0.58 per share ($2.32 per share on an annualized basis) for shareholders of record as of November 15, 2021, payable on December 1, 2021.

7. ACCUMULATED OTHER COMPREHENSIVE LOSS

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

Details About Accumulated Other Comprehensive Loss Components	Three Months Ended September 30, 2021	Three Months Ended September 30, 2020	Nine Months Ended September 30, 2021	Nine Months Ended September 30, 2020	Affected Line Item in the Consolidated Statements of Income
	(Thousands of dollars)				
Pension and other postemployment benefit plan obligations (a)					
Amortization of net loss	**$ 11,474**	$ 10,623	**$ 34,422**	$ 31,869	
Amortization of unrecognized prior service credit	**(70)**	(29)	**(210)**	(87)	
	11,404	10,594	**34,212**	31,782	
Regulatory adjustments (b)	**(11,013)**	(10,296)	**(33,040)**	(30,888)	
	391	298	**1,172**	894	Income before income taxes
	(91)	(75)	**(273)**	(224)	Income tax expense
Total reclassifications for the period	**$ 300**	$ 223	**$ 899**	$ 670	Net income

(a) These components of accumulated other comprehensive loss are included in the computation of net periodic benefit cost. See Note 9 for additional detail of our net periodic benefit cost.
(b) Regulatory adjustments represent pension and other postemployment benefit costs expected to be recovered through rates and are deferred as part of our regulatory assets. See Note 3 for additional disclosures of regulatory assets and liabilities.

8. EARNINGS PER SHARE

Basic EPS is 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 basic EPS, plus unvested stock awards granted under our compensation plans, but only to the extent these instruments dilute earnings per share.

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

	Three Months Ended September 30, 2021				
		Income	Shares		Per Share Amount
	(*Thousands, except per share amounts*)				
Basic EPS Calculation					
Net income available for common stock	**$**	**20,253**	**53,710**	**$**	**0.38**
Diluted EPS Calculation					
Effect of dilutive securities		—	**83**		
Net income available for common stock and common stock equivalents	**$**	**20,253**	**53,793**	**$**	**0.38**

	Three Months Ended September 30, 2020				
		Income	Shares		Per Share Amount
	(*Thousands, except per share amounts*)				
Basic EPS Calculation					
Net income available for common stock	$	21,079	53,190	$	0.40
Diluted EPS Calculation					
Effect of dilutive securities		—	218		
Net income available for common stock and common stock equivalents	$	21,079	53,408	$	0.39

	Nine Months Ended September 30, 2021				
		Income	Shares		Per Share Amount
	(*Thousands, except per share amounts*)				
Basic EPS Calculation					
Net income available for common stock	**$**	**145,922**	**53,516**	**$**	**2.73**
Diluted EPS Calculation					
Effect of dilutive securities		—	**102**		
Net income available for common stock and common stock equivalents	**$**	**145,922**	**53,618**	**$**	**2.72**

	Nine Months Ended September 30, 2020				
		Income	Shares		Per Share Amount
	(*Thousands, except per share amounts*)				
Basic EPS Calculation					
Net income available for common stock	$	138,081	53,084	$	2.60
Diluted EPS Calculation					
Effect of dilutive securities		—	229		
Net income available for common stock and common stock equivalents	$	138,081	53,313	$	2.59

9. EMPLOYEE BENEFIT PLANS

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

	Pension Benefits			
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
	(*Thousands of dollars*)			
Components of net periodic benefit cost (credit)				
Service cost	$ **3,453**	$ 3,217	$ **10,359**	$ 9,651
Interest cost	**7,365**	8,545	**22,095**	25,635
Expected return on assets	**(15,596)**	(15,280)	**(46,788)**	(45,840)
Amortization of net loss	**11,381**	10,580	**34,143**	31,740
Net periodic benefit cost	$ **6,603**	$ 7,062	$ **19,809**	$ 21,186

	Other Postemployment Benefits			
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
	(*Thousands of dollars*)			
Components of net periodic benefit cost (credit)				
Service cost	$ **397**	$ 423	$ **1,191**	$ 1,269
Interest cost	**1,563**	1,889	**4,689**	5,667
Expected return on assets	**(4,202)**	(3,867)	**(12,606)**	(11,601)
Amortization of unrecognized prior service credit	**(70)**	(29)	**(210)**	(87)
Amortization of net loss	**93**	43	**279**	129
Net periodic benefit cost (credit)	$ **(2,219)**	$ (1,541)	$ **(6,657)**	$ (4,623)

We recover qualified pension benefit plan and other postemployment benefit plan costs through rates charged to our customers. Certain regulatory authorities require that the recovery of these costs be based on specific guidelines. The difference between these regulatory-based amounts and the periodic benefit cost calculated pursuant to GAAP is deferred as a regulatory asset or liability and amortized to expense over periods in which this difference will be recovered in rates, as authorized by the applicable regulatory authorities. Regulatory deferrals related to net periodic benefit cost were not material for the nine months ended September 30, 2021 and 2020, respectively.

We continue to capitalize all eligible service cost and non-service cost components under the accounting requirements of ASC Topic 980 (Regulated Operations) for rate-regulated entities. Our consolidated balance sheets reflect the capitalized non-service cost components as a regulatory asset in the amount of $6.1 million and $6.0 million as of September 30, 2021 and December 31, 2020, respectively. See Note 3 of the Notes to Consolidated Financial Statements in this Quarterly Report for additional information.

10. INCOME TAXES

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

As of September 30, 2021, we have no uncertain tax positions. Changes in tax laws or tax rates are recognized in the financial reporting period that includes the enactment date. We are no longer subject to income tax examination for years prior to 2017.

In May 2021, a bill amending the Oklahoma state income tax code was signed into law that reduced the state income tax rate to four percent from six percent beginning January 1, 2022. As a result of the enactment of this legislation, we remeasured our ADIT. As a regulated entity, the reduction in ADIT of $29.3 million was recorded as a regulatory liability. The impact of the change in the state income tax rate on Oklahoma Natural Gas' rates, as well as the timing and amount of the impact on the annual crediting mechanism for the EDIT regulatory liability, will be addressed during the processing of the March 15, 2022 PBRC filing.

Income tax expense reflects credits for the amortization of the regulatory liability associated with EDIT that was returned to customers of $1.5 million and $2.2 million for the three months ended September 30, 2021 and 2020, respectively, and credits of $12.2 million and $11.6 million for the nine months ended September 30, 2021 and 2020, respectively.

11. OTHER INCOME AND OTHER EXPENSE

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	**2020**	**2021**	**2020**
	(Thousands of dollars)			
Net periodic benefit cost other than service cost	**$ (1,069)**	$ (1,310)	**$ (2,844)**	$ (3,686)
Earnings (losses) on investments associated with nonqualified employee benefit plans	**(267)**	1,820	**2,232**	1,508
Other, net	**(469)**	(312)	**(1,146)**	(1,018)
Total other income (expense), net	**$ (1,805)**	$ 198	**$ (1,758)**	$ (3,196)

12. COMMITMENTS AND CONTINGENCIES

COVID-19 -Throughout the COVID-19 pandemic, we have continued to provide essential services to our customers. We have implemented a comprehensive set of policies, procedures and guidelines to protect the safety of our employees, customers and communities. Safety protocols developed during the pandemic include remote work for our office-based employees, limiting direct contact with our customers and requiring the use of PPE and a self-assessment health screening mobile application.

Since the onset of the pandemic in the first quarter of 2020, impacts on our results of operations as a result of COVID-19 include but are not limited to:

- lower late payment, reconnect and collection fees and incremental expenses for bad debts related to the suspension of disconnects for nonpayment in each of our jurisdictions;
- incremental expenses for PPE, cleaning supplies, outside services and other expenses; and
- lower expenses for travel and employee training that have been impacted by the pandemic.

We have received accounting orders in each of our jurisdictions authorizing us to accumulate and defer for regulatory purposes certain incremental costs incurred, including bad debt expenses, and certain lost revenues, net of offsetting expense reductions associated with COVID-19. Pursuant to these orders, the recovery of any net incremental costs and lost revenue will be determined in future rate cases or alternative rate recovery filings in each jurisdiction. For financial reporting purposes, any amounts deferred as a regulatory asset for future recovery under these accounting orders must be probable of recovery. At September 30, 2021, no regulatory assets have been recorded. We continue to evaluate the impacts of COVID-19 on our business and will record regulatory assets for financial reporting purposes at such time as recovery is deemed probable. We do not expect COVID-related impacts to have a material adverse effect on our results of operations or cash flows during 2021.

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 the three and nine months ended September 30, 2021 and 2020.

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 five 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 seven of the 12 sites according to plans approved by the KDHE. In 2019, we completed a project to remove a source of contamination and associated contaminated materials at the twelfth site where no active soil remediation had previously occurred. A remediation plan was submitted to the KDHE concerning this site in 2020 and the KDHE has provided comments that we are addressing. We are also working on a remediation plan that will be submitted to the KDHE in 2021 for an additional site. In the third quarter 2021, we increased the estimates for contractor costs due to increased demand for the types of resources needed to conduct work contemplated in our remediation plans, resulting in an increase in our reserves of $11.2 million. At September 30, 2021, the reserve for remediation of our MGP sites was $24.7 million.

We have an AAO that allows Kansas Gas Service to defer and seek recovery of costs necessary for investigation and remediation at, and nearby, these 12 former MGP sites that are incurred after January 1, 2017, up to a cap of $15.0 million, net of any related insurance recoveries. Costs approved for recovery in a future rate proceeding would then be amortized over a 15-year period. The unamortized amounts will not be included in rate base or accumulate carrying charges. Following a determination that future investigation and remediation work approved by the KDHE is expected to exceed $15.0 million, net of any related insurance recoveries, Kansas Gas Service will be required to file an application with the KCC for approval to increase the $15.0 million cap. At September 30, 2021, we have deferred $30.0 million for accrued investigation and remediation costs pursuant to our AAO. Kansas Gas Service expects to file an application as soon as practicable after the KDHE approves the plans we have submitted and anticipates that filing will occur in 2021.

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 the three and nine months ended September 30, 2021 and 2020. 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 HCAs. 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 HCAs;
- a verification of records for pipelines in class 3 and 4 locations and HCAs to confirm MAOPs; and
- a requirement to test previously untested pipelines operating above 30 percent yield strength in HCAs.

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 were reviewed by PHMSA. As part of the comment review process, PHMSA was 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 met six 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 pipelines. The GPAC met in June 2019 on gas gathering pipelines. In addition to reviewing public and committee comments, PHMSA split this NPRM into three separate final rulemakings:

- the first final rule addresses the legislative mandates from the Pipeline Safety, Regulatory Certainty and Jobs Creation Act and is called the Safety of Gas Transmission Pipelines: MAOP 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 pipelines); and
- the third final rule will be called the Safety of Gas Gathering Pipelines and will address gas gathering pipelines.

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.

On October 1, 2019, PHMSA published the first of the three final rules referenced above, which addressed the 2011 congressional mandates. This final rule expands integrity management principles beyond HCAs and requires operators to collect traceable, verifiable and complete records moving forward, retain existing and new records for the life of the pipeline, and reconfirm pipeline MAOP in populated areas. The final rule also outlines methods for reconfirming a pipeline’s MAOP within 15 years. The first final rule became effective July 1, 2020. The estimated capital and operating expenditures associated with compliance with the first final rule are not material.

PHMSA has not yet issued the second final rule. The potential capital and operating expenditures associated with compliance with this pending rulemaking is currently being evaluated and could be significant depending on the final regulations. We do not expect to be impacted by the third final rule, as we do not own gas gathering pipelines.

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

13. DERIVATIVE FINANCIAL INSTRUMENTS AND FAIR VALUE MEASUREMENTS

Accounting Treatment - We record all derivative instruments at fair value, except for 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 to mitigate the risk of exposure to changes in fair values or cash flows. We have not elected to designate any of our derivative instruments as hedges.

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

	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

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.

Price Risk Management Activities - At September 30, 2021, we held purchased natural gas call options for the heating season ending March 2022, with total notional amounts of 34.1 Bcf, for which we paid premiums of $17.2 million, and which had a fair value of $77.4 million. At December 31, 2020, we held purchased natural gas call options for the heating season ended March 2021, with total notional amounts of 14.7 Bcf, for which we paid premiums of $6.7 million, and which had a fair value of $0.8 million. These contracts are included in, and recoverable through, our purchased-gas cost adjustment mechanisms. Additionally, premiums paid, changes in fair value and any settlements received associated with these contracts are deferred as part of our unrecovered purchased-gas costs in our consolidated balance sheets. Our natural gas call options are classified as Level 1, as fair value amounts are based on unadjusted quoted prices in active markets including settled prices on the New York Mercantile Exchange. 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. At September 30, 2021 and December 31, 2020, our other current and noncurrent assets include $4.1 million and $1.6 million of corporate bonds, respectively, and $2.3 million and $3.2 million of United States treasury notes, respectively. The fair value of corporate bonds and United States treasury notes approximate carrying value, and are classified as Level 2 and Level 1, respectively.

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 $3.7 billion and $1.6 billion at September 30, 2021 and December 31, 2020, respectively. The estimated fair value of our long-term debt, including current maturities, was $3.9 billion and $2.0 billion at September 30, 2021 and December 31, 2020, respectively. The estimated fair value of our long-term debt was determined using quoted market prices, and is classified as Level 2.

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

The following discussion and analysis should be read in conjunction with our unaudited consolidated financial statements and the Notes to Consolidated Financial Statements in this Quarterly Report, as well as our Annual Report. Due to the seasonal nature of our business, the results of operations for the three and nine months ended September 30, 2021 are not necessarily indicative of the results that may be expected for a 12-month period.

RECENT DEVELOPMENTS

Winter Storm Uri - In February 2021, the U.S. experienced Winter Storm Uri, a historic winter weather event impacting supply, market pricing and demand for natural gas in a number of states, including our service territories of Kansas, Oklahoma, and Texas. During this time, the governors of Kansas, Oklahoma, and Texas each declared a state of emergency, and certain regulatory agencies issued emergency orders that impacted the utility and natural gas industries, including statewide utility curtailment programs and orders requiring jurisdictional natural gas and electric utilities to do all things possible and necessary to ensure that natural gas and electricity utility services continued to be provided to their customers. Due to the historic nature of this winter weather event, we experienced unforeseeable and unprecedented market pricing for gas costs in our Kansas, Oklahoma, and Texas jurisdictions, which resulted in aggregated natural gas purchases for the month of February of approximately $2.1 billion.

On February 22, 2021, we entered into the ONE Gas 2021 Term Loan Facility as part of the financing of our natural gas purchases in order to provide sufficient liquidity to satisfy our obligations as a result of Winter Storm Uri.

On March 11, 2021, we issued $1.0 billion of 0.85 percent senior notes due 2023, $700 million of 1.10 percent senior notes due 2024, and $800 million of floating-rate senior notes due 2023. The floating-rate senior notes bear interest at a rate equal to three-month LIBOR plus 61 basis points per year reset quarterly for the applicable interest period (0.73 percent at September 30, 2021). The net proceeds from the issuance were used for general corporate purposes, including payment of gas purchase costs resulting from Winter Storm Uri. The net proceeds of the March 2021 debt issuance reduced the commitments under the ONE Gas 2021 Term Loan Facility on a dollar-for-dollar basis, and as a result no commitments remained outstanding and the facility was terminated concurrently with the closing of the debt issuance.

Our purchased gas costs are recoverable through our tariffs in each state where we operate. Due to the higher level of gas purchase costs during Winter Storm Uri, related financing costs and other operational response costs, we are working with regulators to extend the recovery periods of such costs in order to lessen the immediate customer impact. In that regard, the OCC, KCC and the RRC each authorized certain utilities, including local natural gas distribution companies, to record regulatory assets to account for the extraordinary costs associated with this winter weather event, including but not limited to gas purchase costs and other costs related to the procurement and transportation of gas supply, carrying costs and other operational costs. As of September 30, 2021, we have deferred approximately $2.0 billion in costs associated with Winter Storm Uri.

See “Regulatory Activities,” “Liquidity and Capital Resources,” and Note 3 of the Notes to Consolidated Financial Statements in this Quarterly Report for additional discussion of the effects of Winter Storm Uri on us.

ONE Gas Commercial Paper Program - On June 22, 2021, we increased the size of our commercial paper program to permit the issuance of commercial paper to fund short-term borrowing needs in an aggregate principal amount not to exceed $1.0 billion outstanding at any time. Prior to this increase, our commercial paper program permitted us to issue commercial paper in an aggregate principal amount not to exceed $700 million outstanding at any time.

ONE Gas Credit Agreement - On March 16, 2021, we entered into the second amended and restated ONE Gas Credit Agreement, which was previously amended and restated on October 5, 2017. The ONE Gas Credit Agreement provides for a $1.0 billion revolving unsecured credit facility and includes a $20 million letter of credit subfacility and a $60 million swingline subfacility. In connection with the amendment of the ONE Gas Credit Agreement, all commitments under the ONE Gas 364- day Credit Agreement were terminated, and all obligations under the ONE Gas 364-day Credit Agreement were paid in full and discharged.

Debt Redemption - On September 21, 2021, we redeemed $400 million of the floating-rate senior notes due 2023 at par, using a combination of cash on hand and commercial paper.

COVID-19 - Throughout the COVID-19 pandemic, we have continued to provide essential services to our customers. We have implemented a comprehensive set of policies, procedures and guidelines to protect the safety of our employees, customers and communities. Safety protocols developed during the pandemic include remote work for our office-based employees, limiting direct contact with our customers and requiring the use of PPE and a self-assessment health screening mobile application.

During the nine months ended September 30, 2021, impacts on our results of operations as a result of COVID-19 include but are not limited to:

- lower late payment, reconnect and collection fees and incremental expenses for bad debts related to the suspension of disconnects for nonpayment in each of our jurisdictions;
- incremental expenses for PPE, cleaning supplies, outside services and other expenses; and
- lower expenses for travel and employee training that have been impacted by the pandemic.

We have received accounting orders in each of our jurisdictions authorizing us to accumulate and defer for regulatory purposes certain incremental costs incurred, including bad debt expenses, and certain lost revenues, net of offsetting expense reductions associated with COVID-19. Pursuant to these orders, the recovery of any net incremental costs and lost revenue will be determined in future rate cases or alternative rate recovery filings in each jurisdiction. For financial reporting purposes, any amounts deferred as a regulatory asset for future recovery under these accounting orders must be probable of recovery. At September 30, 2021, no regulatory assets have been recorded. We continue to evaluate the impacts of COVID-19 on our business and will record regulatory assets for financial reporting purposes at such time as recovery is deemed probable. Accordingly, there could be a delay in the recognition of amounts that may be approved for recovery until the conclusion of future regulatory proceedings.

See “Regulatory Activities,” “Financial Results and Operating Information,” “Capital Expenditures and Asset Removal Costs,” and Note 3 and Note 12 of the Notes to Consolidated Financial Statements in this Quarterly Report for additional discussion of the effects of COVID-19 on us.

Dividend **-** In November 2021, we declared a dividend of $0.58 per share ($2.32 per share on an annualized basis) for shareholders of record as of November 15, 2021, payable on December 1, 2021.

REGULATORY ACTIVITIES

Oklahoma - On February 12, 2021, the governor of Oklahoma declared a state of emergency for all 77 counties in the state of Oklahoma in light of expected severe weather and freezing temperatures associated with a winter weather event. The declaration cited anticipated damage to private and public properties and utilities, including electric, gas, and water systems, within the state of Oklahoma.

On February 16, 2021, the OCC approved an emergency order (i) directing natural gas and electric utilities to prioritize deliveries of natural gas and electricity for services necessary for life, health, and public safety, and of natural gas to electric generation facilities that serve human needs customers, and (ii) directing local utilities to communicate with their customers in order to reduce all non-essential energy consumption, and to reduce load in a safe and reasonable manner. The OCC order recognized that the severe weather conditions resulted in increased commodity prices for both gas and electric utilities, along with issues relating to commodity acquisition, line pressure, and supply shortages. The OCC order expired on February 20, 2021.

In response to a motion filed by Oklahoma Natural Gas on March 2, 2021, the OCC issued an order stating that Oklahoma Natural Gas shall defer to a regulatory asset the extraordinary costs associated with this unprecedented winter weather event, including commodity costs, operational costs and carrying costs. The order further states that after all deferred costs have been accumulated and recorded, Oklahoma Natural Gas shall file a compliance report detailing the extent of such costs incurred. The order also provides that recovery of the deferred costs will be addressed in a future proceeding that will include a prudence review.

In April 2021, a bill permitting the state to pursue securitized financing of extraordinary expenses, such as fuel costs, financing costs and other operational costs incurred by regulated utilities during extreme weather events, was signed into law by the Oklahoma governor. On April 29, 2021, Oklahoma Natural Gas submitted an initial application requesting a financing order pursuant to this legislation. On July 30, 2021, Oklahoma Natural Gas filed a supplemental motion with its compliance report pursuant to the March 2, 2021 order from the OCC detailing the extent of extraordinary costs incurred and all required components pursuant to the legislation for the issuance of a financing order, which includes a proposed period of 20 years over which these costs will be collected from customers. On October 4, 2021, the Public Utility Division of the OCC filed responsive testimony recommending that a financing order for securitization be approved. A hearing before the administrative law judge has been scheduled for November 22, 2021. The OCC has 180 days from the filing date of this supplemental motion to consider the issuance of a financing order. If the OCC approves the financing order, the ODFA has 24 months to complete the process to issue the securitized bonds. At September 30, 2021, Oklahoma Natural Gas has deferred approximately $1.3 billion in extraordinary costs attributable to Winter Storm Uri. See "Liquidity and Capital Resources," in this Quarterly Report for additional discussion.

As required, PBRC filings are made annually on or before March 15, until the next general rate case, which was required to be filed on or before June 30, 2021, based on a calendar 2020 test year. On May 28, 2021, Oklahoma Natural Gas filed its general rate case. In October 2021, a joint stipulation and settlement agreement was signed by all parties to the rate case. The joint stipulation and settlement agreement was presented for consideration to an administrative law judge at a hearing on October 28, 2021. At the hearing, the administrative law judge recommended approval of the joint stipulation and settlement agreement. In accordance with Oklahoma law, the OCC has 180 days from the May 28, 2021 filing date to consider the recommendation and render a decision.

If the joint stipulation and settlement agreement is approved by the OCC as filed, Oklahoma Natural Gas' base rates would increase $15.3 million. The joint stipulation also includes the continuation of the PBRC tariff that was established in 2009. The joint stipulation and settlement agreement includes a return on equity of 9.4 percent and a common equity ratio of 58.55 percent. Oklahoma Natural Gas would be required to file a rate case in 2027 based on a 12-month test year ending December 31, 2026. The joint stipulation and settlement agreement also states that Oklahoma Natural Gas shall recover commodity costs of no more than $5.0 million annually for the purchase of RNG and that Oklahoma Natural Gas shall file an application on or before December 31, 2022, requesting approval of an RNG pilot program including an "opt-in" tariff allowing Oklahoma Natural Gas to allocate costs and benefits of renewable natural gas to those customers who choose RNG for their fuel source.

In May 2021, a bill amending the Oklahoma state income tax code was signed into law that reduced the state income tax rate to four percent from six percent beginning January 1, 2022. As a result of the enactment of this legislation, we remeasured our ADIT. As a regulated entity, the reduction in ADIT of $29.3 million was recorded as a regulatory liability. The impact of the change in the state income tax rate on Oklahoma Natural Gas' rates was included in the general rate case previously discussed. The impact on the annual crediting mechanism for the EDIT regulatory liability, will be addressed during the processing of the March 15, 2022 PBRC filing.

In June 2020, the OCC issued an order permitting the creation of regulatory assets and deferrals related to COVID-19. Each utility is authorized under the OCC's order to record as a regulatory asset increased bad debt expenses, costs associated with expanded payment plans, waived fees, and incremental expenses that are directly related to the suspension of or delay in disconnection of service (or the reconnection of service) beginning March 15, 2020, as a result of the governor's executive order declaring a state of emergency. As of September 30, 2021, no regulatory assets have been recorded. In our May 2021 general rate case application, the test year includes the impacts of COVID-19 on our revenues and expenses through December 31, 2020, and we have proposed to include future impacts as part of the annual PBRC mechanism.

In February 2020, Oklahoma Natural Gas filed its fourth annual PBRC application following the general rate case that was approved in January 2016. A settlement was reached, and the OCC approved a joint stipulation in July 2020. This stipulation included a base rate increase of $9.7 million and an energy efficiency incentive of $2.2 million, with new rates reflecting these changes effective in June 2020. This stipulation also included a credit of $12.2 million associated with EDIT issued through a bill credit to Oklahoma customers in the first quarter of 2021.

Kansas - On February 14, 2021, the governor of Kansas issued a State of Disaster Emergency due to wind chill warnings and stress on utility and natural gas providers expected from the significantly colder than normal weather forecasted throughout Kansas. The executive order also urged Kansas citizens to conserve energy to help ensure a continued supply of natural gas and electricity and keep their personal costs down. The declaration also noted that due to increased energy demand and natural gas supply constraints caused by sub-zero temperatures, utilities at the time were experiencing wholesale natural gas prices anywhere from 10 to 100 times higher than normal.

On February 15, 2021, the KCC issued an emergency order (i) directing all jurisdictional natural gas and electric utilities to coordinate efforts and take all reasonably feasible, lawful, and appropriate actions to ensure adequate delivery of natural gas and electricity to interconnected, non-jurisdictional utilities in Kansas, (ii) requiring jurisdictional natural gas and electric utilities to do all things possible and necessary to ensure that natural gas and electricity utility services continued to be provided to their customers in Kansas, and (iii) allowing those electric and natural gas distribution utilities who incur extraordinary costs to ensure their customers and other interconnected customers continued to receive utility service during this unprecedented cold weather event to defer those costs to a regulatory asset account. These deferred costs may also include carrying costs at the utility's weighted average cost of capital. Each jurisdictional utility will be required to file a compliance report detailing the extent of such costs incurred and presenting a plan to minimize the financial impacts of this event on ratepayers over a reasonable time frame. These costs will be subject to review for reasonableness and accuracy in future regulatory proceedings. On March 9, 2021, the KCC issued an order adopting the KCC staff's recommendation to open company-specific dockets to accept each utility's filing of financial impact compliance reports and permit the KCC staff to conduct a review of the utility's compliance report and its actions during the winter weather event. In April 2021, a bill permitting utilities to pursue securitization to finance extraordinary expenses incurred during extreme weather events, was signed into law by the Kansas governor. This bill gives the KCC the authority to oversee and authorize the issuance of ratepayer-backed securitized bonds issued by a public utility.

On July 30, 2021, Kansas Gas Service submitted a compliance report to the KCC, which includes a proposal to issue securitized bonds and collect the extraordinary costs resulting from Winter Storm Uri from its customers over a period of either 5, 7, or 10 years. A procedural schedule will be developed to determine the timeline for evaluating Kansas Gas Service's compliance report. If the KCC approves Kansas Gas Service's proposed financing plan, then Kansas Gas Service will file an application, in a separate proceeding, requesting a financing order for the issuance of securitized utility tariff bonds. The KCC will have 180 days from the date of the filing requesting a financing order to consider Kansas Gas Service's application. If the KCC approves the financing order, we can begin the process to issue the securitized bonds. At September 30, 2021, Kansas Gas Service has deferred approximately $385.8 million in extraordinary costs associated with Winter Storm Uri. See "Liquidity and Capital Resources," in this Quarterly Report for additional discussion.

In May 2021, Kansas Gas Service filed a motion requesting a limited waiver of penalty provisions of its tariff to eliminate the multipliers in the penalty calculation when calculating the penalties to assess on marketers and individually balanced transportation customers for their unauthorized natural gas usage during Winter Storm Uri. On October 8, 2021, a non-unanimous settlement agreement was filed with the KCC to reach a resolution on these penalties. A proposed procedural schedule for consideration of the settlement agreement was filed and under this proposed agreement, the KCC would issue an order on the settlement by December 30, 2021. Under the terms of the settlement, if approved, any amounts collected from these penalties would reduce the regulatory asset for the winter weather event by no more than $83.0 million.

In August 2021, Kansas Gas Service submitted an application to the KCC requesting an increase related to its GSRS. On October 25, 2021, the KCC staff issued their Report and Recommendation for an increase of approximately $7.6 million. The KCC is expected to issue an order by December 23, 2021.

In May 2020, a bill amending the Kansas state income tax code was signed into law that exempts public utilities regulated by the KCC from paying Kansas state income taxes beginning January 1, 2021, and authorizes the KCC to adjust utility rates for the elimination of Kansas state income tax beginning January 1, 2021. As a result of the enactment of this legislation, we remeasured our ADIT. As a regulated entity, the reduction in ADIT of $81.5 million was recorded as a regulatory liability and will be refunded to our customers. This adjustment had no material impact on our income tax expense and no impact on our cash flows for the three and nine months ended September 30, 2021. The bill stipulates that, if requested by the utility, this EDIT will be returned to Kansas customers over a period of no less than 30 years, with the exact timing to be determined in our next general rate proceeding. In August 2020, Kansas Gas Service submitted an application to the KCC to reduce its base rates to reflect the elimination of Kansas state income taxes by approximately $4.9 million. In December 2020, the KCC approved the reduction, effective January 1, 2021. See Note 3 of the Notes to Consolidated Financial Statements in this Quarterly Report for additional information.

In April 2020, Kansas Gas Service filed an application with the KCC for an AAO to accumulate and defer certain incremental costs incurred, including bad debt expenses and lost revenues, as well as associated carrying costs, related to COVID-19 beginning March 1, 2020, for recovery in Kansas Gas Service's next rate case filing. In July 2020, the KCC approved the request for an AAO subject to the recommendations set forth in its Staff Report and Recommendation and clarifications sought by Kansas Gas Service. The AAO provides notice that Kansas Gas Service may identify, track, document, accumulate, and defer in a regulatory asset extraordinary costs (net of any cost decreases) and lost revenue, plus carrying costs, associated with the COVID-19 pandemic. The KCC states that approval of the AAO is not a finding that tracked costs and lost revenue will be included in future rates; rather, any determination regarding recoverability will occur in a future rate proceeding. In a separate order applicable to all regulated utilities, the KCC approved the deferral of bad debt expense and late payment fees associated with the KCC's suspension of disconnection activity and customer protection provisions. The recovery, the carrying charges and amortization period will be determined in Kansas Gas Service's next rate case or alternative rate recovery filing. At September 30, 2021, no regulatory assets have been recorded. We continue to evaluate the impacts of COVID-19 on our business and will record regulatory assets for financial statement purposes at such time as recovery is deemed probable.

In November 2018, Kansas Gas Service submitted an application to the KCC requesting approval of its contract to operate and maintain the natural gas distribution system at Fort Riley, a United States Army installation. The KCC approved the Company's application in May 2019. The transition period ended in June 2021, after which Kansas Gas Service assumed operation of the system.

Texas - On February 12, 2021, the governor of Texas issued a state of disaster for all 254 counties in Texas in response to the then-forecasted weather conditions. The declaration certified that severe winter weather posed an imminent threat due to prolonged freezing temperatures, heavy snow, and freezing rain statewide.

Also, on February 12, 2021, the RRC issued an emergency order to temporarily implement a statewide utilities curtailment program intended to protect residences, hospitals, schools, churches, and other human needs customers. On February 17, 2021, the RRC extended its emergency order issued on February 12, 2021, to February 23, 2021.

On February 13, 2021, the RRC issued a Notice to Local Distribution Companies acknowledging that due to the demand for natural gas expected during the upcoming winter weather event, natural gas utility LDCs may be required to pay extraordinarily high prices in the market for natural gas and may be subjected to other extraordinary costs when responding to the event. The RRC also encouraged natural gas utilities to continue to work to ensure that the citizens of the State of Texas were provided with safe and reliable natural gas service. To partially defer and reduce the impact on customers for these costs that ultimately are reflected in customer bills, the RRC authorized LDCs to record a regulatory asset to account for the extraordinary costs associated with this winter weather event, including but not limited to gas cost and other costs related to the procurement and transportation of gas supply. These costs will be subject to review for reasonableness and accuracy in future regulatory proceedings.

In June 2021, a bill permitting the state to pursue securitized financing of extraordinary expenses, such as fuel costs, financing costs and other operational costs incurred by utilities during Winter Storm Uri, was signed into law by the Texas governor. This bill gives the RRC the authority to approve amounts to be recovered from the issuance of ratepayer-backed securitized bonds by the TPFA. Pursuant to this legislation and a June 17, 2021 RRC Notice to Gas Utilities, Texas Gas Service submitted an application to the RRC on July 30, 2021 for an order authorizing the amount of extraordinary costs for recovery and other such specifications necessary for the issuance of securitized bonds. On October 29, 2021, Texas Gas Service, the other natural gas utilities in Texas participating in the securitization process, staff of the RRC and all intervenors filed a unanimous settlement agreement with the RRC. The signatories agreed that all costs to purchase natural gas volumes during Winter Storm Uri by Texas Gas Service were reasonable, necessary and prudently incurred. Texas Gas Service agreed to reduce its regulatory asset amount to be securitized by the amount of extraordinary costs attributable to the West Texas Service Area, which will be recovered through a separate surcharge over a three-year period. The unanimous settlement agreement will be considered by the RRC at a hearing on November 2, 2021. The RRC has 150 days from the date of the filing to consider Texas Gas Service's application and an additional 90 days to issue a single financing order for Texas Gas Service and any other natural gas utilities in Texas participating in the securitization process, which will include a determination of the period over which the costs will be collected from customers. Upon issuance of a financing order, the TPFA will begin the process to issue the securitized bonds. At September 30, 2021, Texas Gas Service has deferred approximately $255.1 million in extraordinary costs associated with Winter Storm Uri, which includes $59.5 million attributable to the West Texas Service Area. See "Liquidity and Capital Resources," in this Quarterly Report for additional discussion.

In April 2020, the RRC issued an order authorizing utilities to use a regulatory accounting mechanism and a subsequent process through which Texas Gas Service may seek future recovery of incremental expenses resulting from the effects of COVID-19, including bad debt and associated credit and collections costs, and other reasonable and necessary incremental costs to address the impact of COVID-19. The timing of any recovery will be determined as we work with our regulators. At September 30, 2021, no regulatory assets have been recorded. We continue to evaluate the impacts of COVID-19 on our business and will record regulatory assets for financial statement purposes at such time as recovery is deemed probable.

West Texas Service Area - In March 2021, Texas Gas Service made GRIP filings for all customers in the West Texas service area, requesting an increase of $9.7 million to be effective in July 2021. On June 21, 2021, the city of El Paso approved a motion which found the GRIP filing to be in compliance with the GRIP statute. The city subsequently denied the requested increase and assessed fees associated with its review of the filing. On July 2, 2021, Texas Gas Service appealed the city's action to the RRC. The RRC granted and approved the appeal, and new rates were effective on August 3, 2021. All other municipalities, and the RRC, approved the new rates or allowed them to take effect with no action.

In March 2020, Texas Gas Service made GRIP filings for all customers in the West Texas service area. In June 2020, the RRC and the cities in the West Texas service area agreed to an increase of $4.7 million, and new rates became effective in June 2020.

Central-Gulf Service Area - In February 2021, Texas Gas Service made GRIP filings for all customers in the Central-Gulf service area, requesting an increase of $10.7 million to be effective in June 2021. All municipalities, and the RRC, approved the new rates or allowed them to take effect with no action.

In 2019, Texas Gas Service filed a rate case for all customers in the Central Texas and Gulf Coast service areas, seeking a rate increase of $15.6 million and a $1.3 million credit to customers associated with EDIT, and requesting to consolidate the two service areas into one. In August 2020, the RRC approved all terms of a $10.3 million settlement, as well as consolidation of the Central Texas service area and the Gulf Coast service area into a new Central-Gulf service area. The RRC also approved an $8.5 million credit to customers associated with EDIT. The settlement included an ROE of 9.5 percent and a capital structure with equity of 59 percent and debt of 41 percent, and new rates became effective in August 2020.

Other Texas Service Areas - In April 2021, Texas Gas Service filed annual Cost-of-Service Adjustments (COSA) for the incorporated areas of the Rio Grande Valley service area and the North Texas service area. In July 2021, the cities in the Rio Grande Valley and North Texas service areas agreed to increases of $3.5 million and $1.4 million, respectively. New rates will become effective in August 2021.

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 $0.3 million for the nine months ended September 30, 2021 and $1.8 million for the year ended December 31, 2020.

Winter Storm Uri Deferred Costs - The amounts deferred at September 30, 2021, include invoiced costs for natural gas purchases that have not been paid as we work with our suppliers to resolve discrepancies in invoiced amounts. The amounts deferred may be adjusted as the differences are resolved. In addition, as a result of Winter Storm Uri, we were assessed penalties as a result of over- or under-deliveries of natural gas during periods that operational flow orders were imposed on us. Regarding Kansas Gas Service's motion requesting a limited waiver of penalty provisions of its tariff, if the non-unanimous settlement agreement filed with the KCC is approved, we anticipate assessing penalties on our transport customers or their agents. Amounts recorded reflect management's best estimate and may be adjusted in future periods as the disposition of such penalties is determined. As these amounts are related to the extraordinary gas purchase costs associated with Winter Storm Uri, which are deferred, future adjustments are not expected to have a material impact on earnings.

FINANCIAL RESULTS AND OPERATING INFORMATION

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

Selected Financial Results - For the three months ended September 30, 2021, net income was $20.3 million, or $0.38 per diluted share, compared with $21.1 million, or $0.39 per diluted share, in the same period last year. For the nine months ended September 30, 2021, net income was $145.9 million, or $2.72 per diluted share, compared with $138.1 million, or $2.59 per diluted share, in the same period last year.

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

Financial Results	Three Months Ended September 30, 2021	Three Months Ended September 30, 2020	Nine Months Ended September 30, 2021	Nine Months Ended September 30, 2020	Three Months 2021 vs. 2020 Increase (Decrease)		Nine Months 2021 vs. 2020 Increase (Decrease)	
	(Millions of dollars, except percentages)							
Natural gas sales	**$ 241.2**	$ 212.7	**$ 1,106.7**	$ 943.0	**$ 28.5**	**13 %**	**$ 163.7**	**17 %**
Transportation revenues	**25.3**	24.3	**87.8**	82.8	**1.0**	**4 %**	**5.0**	**6 %**
Other revenues	**7.4**	7.6	**20.4**	20.3	**(0.2)**	**(3)%**	**0.1**	**— %**
Total revenues	**273.9**	244.6	**1,214.9**	1,046.1	**29.3**	**12 %**	**168.8**	**16 %**
Cost of natural gas	**59.4**	40.5	**467.2**	329.1	**18.9**	**47 %**	**138.1**	**42 %**
Net margin	**214.5**	204.1	**747.7**	717.0	**10.4**	**5 %**	**30.7**	**4 %**
Operating costs	**121.5**	115.4	**370.1**	355.6	**6.1**	**5 %**	**14.5**	**4 %**
Depreciation and amortization	**51.2**	48.0	**154.3**	142.9	**3.2**	**7 %**	**11.4**	**8 %**
Operating income	**$ 41.8**	$ 40.7	**$ 223.3**	$ 218.5	**$ 1.1**	**3 %**	**$ 4.8**	**2 %**
Capital expenditures and asset removal costs	**$ 144.5**	$ 123.9	**$ 382.9**	$ 377.9	**$ 20.6**	**17 %**	**$ 5.0**	**1 %**

Natural gas sales to customers represent revenue from contracts with customers through implied contracts established by our tariffs and rates approved by the regulatory authorities, as well as revenues from regulatory mechanisms related to natural gas sales, which are included as other revenues in our Notes to Consolidated Financial Statements.

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

Other utility revenues include primarily miscellaneous service charges which represent implied contracts with customers established by our tariffs and rates approved by the regulatory authorities and other revenues from regulatory mechanisms, which are included in the consolidated statements of income and our Notes to Consolidated Financial Statements as other revenues.

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 and does not include an allocation of general operating costs or depreciation and amortization. In addition, these regulatory mechanisms provide a method of recovering natural gas costs on an ongoing basis without a profit. Therefore, although our revenues will fluctuate with the cost of natural gas that we pass-through to our customers, 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 a reconciliation of net margin to the most directly comparable GAAP measure for the periods indicated:

Non-GAAP Reconciliation	Three Months Ended September 30, 2021	Three Months Ended September 30, 2020	Nine Months Ended September 30, 2021	Nine Months Ended September 30, 2020	Three Months 2021 vs. 2020 Increase (Decrease)		Nine Months 2021 vs. 2020 Increase (Decrease)	
	(Millions of dollars, except percentages)							
Total revenues	**$ 273.9**	$ 244.6	**$ 1,214.9**	$ 1,046.1	**$ 29.3**	**12 %**	**$ 168.8**	**16 %**
Cost of natural gas	**59.4**	40.5	**467.2**	329.1	**18.9**	**47 %**	**138.1**	**42 %**
Net margin	**$ 214.5**	$ 204.1	**$ 747.7**	$ 717.0	**$ 10.4**	**5 %**	**$ 30.7**	**4 %**

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

Net Margin	Three Months Ended September 30, 2021	Three Months Ended September 30, 2020	Nine Months Ended September 30, 2021	Nine Months Ended September 30, 2020	Three Months 2021 vs. 2020 Increase (Decrease)		Nine Months 2021 vs. 2020 Increase (Decrease)	
Natural gas sales	*(Millions of dollars, except percentages)*							
Residential	**$ 151.2**	$ 144.1	**$ 531.9**	$ 511.4	**$ 7.1**	**5 %**	**$ 20.5**	**4 %**
Commercial and industrial	**28.7**	26.7	**101.5**	96.9	**2.0**	**7 %**	**4.6**	**5 %**
Other	**1.9**	1.4	**6.1**	5.6	**0.5**	**36 %**	**0.5**	**9 %**
Net margin on natural gas sales	**181.8**	172.2	**639.5**	613.9	**9.6**	**6 %**	**25.6**	**4 %**
Transportation revenues	**25.3**	24.3	**87.8**	82.8	**1.0**	**4 %**	**5.0**	**6 %**
Other revenues	**7.4**	7.6	**20.4**	20.3	**(0.2)**	**(3)%**	**0.1**	**— %**
Net margin	**$ 214.5**	$ 204.1	**$ 747.7**	$ 717.0	**$ 10.4**	**5 %**	**$ 30.7**	**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:

Net Margin on Natural Gas Sales	Three Months Ended September 30, 2021	Three Months Ended September 30, 2020	Nine Months Ended September 30, 2021	Nine Months Ended September 30, 2020	Three Months 2021 vs. 2020 Increase (Decrease)		Nine Months 2021 vs. 2020 Increase (Decrease)	
Net margin on natural gas sales	*(Millions of dollars, except percentages)*							
Fixed margin	**$ 162.0**	$ 154.2	**$ 472.5**	$ 457.7	**$ 7.8**	**5 %**	**$ 14.8**	**3 %**
Variable margin	**19.8**	18.0	**167.0**	156.2	**1.8**	**10 %**	**10.8**	**7 %**
Net margin on natural gas sales	**$ 181.8**	$ 172.2	**$ 639.5**	$ 613.9	**$ 9.6**	**6 %**	**$ 25.6**	**4 %**

Net margin increased $10.4 million for the three months ended September 30, 2021, compared with the same period last year, due primarily to the following:

- an increase of $7.0 million from new rates, primarily in Texas and Oklahoma;
- an increase of $2.1 million in residential sales due primarily to net customer growth in Oklahoma and Texas; and
- an increase of $0.8 million due to higher sales volumes, net of weather normalization.

Net margin increased $30.7 million for the nine months ended September 30, 2021, compared with the same period last year, due primarily to the following:

- an increase of $22.5 million from new rates, primarily in Texas and Oklahoma;
- an increase of $6.7 million in residential sales due primarily to net customer growth in Oklahoma and Texas;
- an increase of $2.0 million in rider and surcharge recoveries due to a higher ad-valorem surcharge in Kansas, which was offset by higher depreciation and amortization expense; and
- an increase of $1.8 million in transportation volumes, primarily in Kansas and Oklahoma, offset partially by;
- a decrease of $2.4 million due to the reduction in net margin associated with the impact of weather normalization, net of increased sales volumes, primarily in Texas and Oklahoma. For the nine months ended September 30, 2021, heating

degree days in Texas and Oklahoma were 24 percent and 19 percent higher, respectively, compared with the same period in 2020; and
- a decrease of $1.3 million due to the beneficial impact of a retroactive CNG federal excise tax credit in the prior year.

Operating costs increased $6.1 million for the three months ended September 30, 2021, compared with the same period last year, due primarily to the following:

- an increase of $3.1 million in outside services costs;
- an increase of $1.4 million in bad-debt expense; and
- an increase of $1.2 million in employee-related costs, offset partially by;
- a decrease of $1.1 million in expenses related to our response to the COVID-19 pandemic.

Operating costs increased $14.5 million for the nine months ended September 30, 2021, compared with the same period last year, due primarily to the following:

- an increase of $6.4 million in outside services costs;
- an increase of $5.8 million in employee-related costs; and
- an increase of $2.5 million in ad valorem taxes.

Depreciation and amortization expense increased $3.2 million and $11.4 million for the three and nine months ended September 30, 2021, compared with the same periods last year, due primarily to an increase in depreciation from our capital expenditures being placed in service and an increase in the amortization of the ad-valorem surcharge rider in Kansas.

Other Factors Affecting Net Income - Other factors that affected net income for the three months ended September 30, 2021, compared with the same period last year, include a decrease of $2.0 million in other income (expense), net, due primarily to a $2.1 million reduction in income resulting from the change in the value of investments associated with nonqualified employee benefit plans.

Other factors that affected net income for the nine months ended September 30, 2021, compared with the same period last year, include an increase of $1.4 million in other income (expense), net, due primarily to a $0.7 million increase in income resulting from the change in the value of investments associated with nonqualified employee benefit plans.

EDIT - We credited income tax expense $1.5 million and $2.2 million, respectively, for the amortization of the regulatory liability associated with EDIT that was returned to customers during the three months ended September 30, 2021 and 2020, and $12.2 million and $11.6 million, respectively, during the nine months ended September 30, 2021 and 2020.

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

Capital expenditures and asset removal costs were $20.6 million higher for the three months ended September 30, 2021, compared with the same period last year, due primarily to the timing of our capital projects in the third quarter 2021, compared with the third quarter 2020. Capital expenditures and asset removal costs were $5.0 million higher for the nine months ended September 30, 2021, compared with the same period last year, due primarily to the timing of capital projects in the first quarter 2021 being negatively impacted by Winter Storm Uri. Our full-year capital expenditures and asset removal costs are expected to be approximately $540 million for 2021.

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

	Three Months Ended September 30,								Variances 2021 vs. 2020			
(in thousands)	2021				2020				Increase (Decrease)			
Average Number of Customers	**OK**	**KS**	**TX**	**Total**	**OK**	**KS**	**TX**	**Total**	**OK**	**KS**	**TX**	**Total**
Residential	**820**	**588**	**650**	**2,058**	811	585	642	2,038	**9**	**3**	**8**	**20**
Commercial and industrial	**75**	**50**	**34**	**159**	74	49	35	158	**1**	**1**	**(1)**	**1**
Other	**—**	**—**	**3**	**3**	—	—	3	3	—	—	—	—
Transportation	**5**	**6**	**1**	**12**	5	6	1	12	—	—	—	—
Total customers	**900**	**644**	**688**	**2,232**	890	640	681	2,211	**10**	**4**	**7**	**21**

	Nine Months Ended September 30,								Variances 2021 vs. 2020			
(in thousands)	2021				2020				Increase (Decrease)			
Average Number of Customers	**OK**	**KS**	**TX**	**Total**	**OK**	**KS**	**TX**	**Total**	**OK**	**KS**	**TX**	**Total**
Residential	**824**	**592**	**649**	**2,065**	813	589	640	2,042	**11**	**3**	**9**	**23**
Commercial and industrial	**76**	**50**	**35**	**161**	75	50	36	161	**1**	—	**(1)**	—
Other	**—**	**—**	**3**	**3**	—	—	3	3	—	—	—	—
Transportation	**5**	**6**	**1**	**12**	5	6	1	12	—	—	—	—
Total customers	**905**	**648**	**688**	**2,241**	893	645	680	2,218	**12**	**3**	**8**	**23**

The increase in the average number of customers for the three and nine months ended September 30, 2021, compared with the same periods last year, is due primarily to the connection of new customers resulting from the extension and expansion of our system. For the three months ended September 30, 2021, our average customer count includes approximately 5,600 new customer connections during the period compared to approximately 6,700 for the same period last year. For the nine months ended September 30, 2021, our average customer count includes the impact of approximately 16,900 new customer connections during the period compared to approximately 18,600 for the same period last year. Also contributing to the increase is a reduction in disconnects for nonpayment in the first half of 2021 and other collection activities in response to the COVID-19 pandemic that have allowed customers to continue to receive service.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
Volumes *(MMcf)*	**2021**	**2020**	**2021**	**2020**
Natural gas sales				
Residential	**6,760**	8,251	**84,541**	79,135
Commercial and industrial	**3,539**	3,603	**27,645**	24,644
Other	**270**	265	**1,772**	1,598
Total sales volumes delivered	**10,569**	12,119	**113,958**	105,377
Transportation	**57,647**	49,574	**174,423**	165,905
Total volumes delivered	**68,216**	61,693	**288,381**	271,282

Total sales volumes delivered increased for the nine months ended September 30, 2021, compared with the same period last year, due primarily to additional transportation volumes delivered in nine months ended September 30, 2021, and colder weather in the first quarter 2021. The impact of weather on residential and commercial net margin is mitigated by WNA mechanisms in all jurisdictions.

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

	Three Months Ended September 30,						
	2021		2020		2021 vs. 2020	2021	2020
Heating Degree Days	**Actual**	**Normal**	**Actual**	**Normal**	**Actual Variance**	**Actual as a percent of Normal**	
Oklahoma	**—**	**2**	22	2	**(100) %**	**— %**	1,100 %
Kansas	**7**	**46**	55	46	**(87) %**	**15 %**	120 %
Texas	**—**	**—**	10	—	**(100) %**	**100 %**	100 %

	Nine Months Ended September 30,						
	2021		2020		2021 vs. 2020	2021	2020
Heating Degree Days	**Actual**	**Normal**	**Actual**	**Normal**	**Actual Variance**	**Actual as a percent of Normal**	
Oklahoma	**2,319**	**1,968**	1,947	1,968	**19 %**	**118 %**	99 %
Kansas	**2,912**	**2,901**	2,719	2,901	**7 %**	**100 %**	94 %
Texas	**1,127**	**1,050**	910	1,062	**24 %**	**107 %**	86 %

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

- *Oklahoma* - For years 2016 through the current period, 10-year weighted average HDDs as of December 31, 2014, as calculated using 11 weather stations across Oklahoma and weighted on average customer count.
- *Kansas* - For April 2019 and forward, a 30-year rolling average for years 1988-2017 calculated using three weather stations across Kansas and weighted on HDDs by weather station and customers. For 2017 to March 2019, 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.
- *Texas* - An average of HDDs authorized in our most recent rate proceeding in each jurisdiction and weighted using a rolling 10-year average of actual natural gas distribution sales volumes by service area.

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

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

CONTINGENCIES

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

LIQUIDITY AND CAPITAL RESOURCES

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

We believe that the combination of the significant residential component of our customer base, the fixed-charge component of our natural gas sales net margin and our rate mechanisms that we have in place result in a stable cash flow profile and historically has generated stable earnings. Additionally, we have rate mechanisms in place in our jurisdictions that reduce the lag in earning a return on our capital expenditures and provide for recovery of certain changes in our cost of service by allowing for adjustments to rates between rate cases. We anticipate that our cash flow generated from operations and our expected short- and long-term financing arrangements will enable us to maintain our current and planned level of operations and provide us flexibility to finance our infrastructure investments.

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

Short-term Debt - On June 22, 2021, we increased the size of our commercial paper program to permit the issuance of commercial paper to fund short-term borrowing needs in an aggregate principal amount not to exceed $1.0 billion outstanding at any time. Prior to this increase, our commercial paper program permitted us to issue commercial paper in an aggregate principal amount not to exceed $700 million outstanding at any time. The maturities of the commercial paper vary but may not exceed 270 days from the date of issue. The commercial paper are generally sold at par less a discount representing an interest factor. At September 30, 2021, we had $336.0 million commercial paper outstanding.

On March 16, 2021, we entered into the second amended and restated ONE Gas Credit Agreement, which was previously amended and restated on October 5, 2017. The ONE Gas Credit Agreement provides for a $1.0 billion revolving unsecured credit facility and includes a $20 million letter of credit subfacility and a $60 million swingline subfacility. We can request an increase in commitments of up to an additional $500 million upon satisfaction of customary conditions, including receipt of commitments from either new lenders or increased commitments from existing lenders. We will be able to extend the maturity date by one year, subject to the lenders' consent, up to two times. The ONE Gas Credit Agreement expires in March 2026, 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 utilizes LIBOR as the reference rate for determining interest to accrue on the borrowings. In the event LIBOR is not available, and such circumstances are unlikely to be temporary, our lenders may establish an alternative interest rate for the senior notes by replacing LIBOR with one or more secured overnight financing-based rates or another alternate benchmark rate.

The ONE Gas Credit Agreement contains certain financial, operational and legal covenants. Among other things, these covenants include maintaining ONE Gas' total debt-to-capital ratio of no more than 72.5 percent at the end of any calendar quarter through December 31, 2021, and 70 percent at the end of any calendar quarter thereafter. At September 30, 2021, our total debt-to-capital ratio was 63 percent and we were in compliance with all covenants under the ONE Gas Credit Agreement.

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

In connection with the amendment of the ONE Gas Credit Agreement on March 16, 2021, all commitments under our ONE Gas 364-day Credit Agreement, dated as of April 7, 2020, were terminated and all obligations under the ONE Gas 364-day Credit Agreement were paid in full and discharged.

At September 30, 2021, we had $1.2 million in letters of credit issued and no borrowings under the ONE Gas Credit Agreement, with $998.8 million of remaining credit available to repay our commercial paper borrowings.

Long-term Debt - In March 2021, we issued $1.0 billion of 0.85 percent senior notes due 2023, $700 million of 1.10 percent senior notes due 2024, and $800 million of floating-rate senior notes due 2023. The floating-rate senior notes bear interest at a rate equal to three-month LIBOR plus 61 basis points per year reset quarterly for the applicable interest period (0.73 percent at September 30, 2021). The net proceeds from the issuance were used for general corporate purposes, including payment of gas purchase costs resulting from Winter Storm Uri.

In the event LIBOR is not available, and such circumstances are unlikely to be temporary, we or our designee may establish an alternative interest rate for our floating-rate senior notes due 2023 by replacing LIBOR with one or more secured financing-based rates or another alternate benchmark rate.

We may redeem the senior notes issued in March 2021 in whole or in part, plus accrued and unpaid interest to the redemption date, on or after September 11, 2021. We did not have the right to redeem these senior notes prior to September 11, 2021.

On September 21, 2021, we redeemed $400 million of the floating-rate senior notes due 2023 at par, using a combination of cash on hand and commercial paper.

In April 2020, we issued $300 million of 2.00 percent senior notes due 2030. The proceeds from the issuance were used to reduce the amount of outstanding 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.

On February 22, 2021, we entered into the ONE Gas 2021 Term Loan Facility as part of the financing of our natural gas purchases in order to provide sufficient liquidity to satisfy our obligations as a result of Winter Storm Uri. The net proceeds of the March 2021 debt issuance reduced the commitments under the ONE Gas 2021 Term Loan Facility on a dollar-for-dollar basis, and as a result no commitments remained outstanding and the facility was terminated concurrently with the closing of the debt issuance.

In April 2021, legislation in Oklahoma and Kansas was approved and in June 2021, legislation in Texas was approved that permits utilities to pursue securitization to finance extraordinary expenses, such as fuel costs, incurred during extreme weather events. See “Regulatory Activities” for Oklahoma, Kansas and Texas in this Quarterly Report for additional discussion of the securitization legislation in each state. We are currently seeking approval from our regulators to utilize the securitization legislation in each state to repay or refinance the debt we incurred to finance the extraordinary costs associated with Winter Storm Uri.

At September 30, 2021, our long-term debt-to-capital ratio was 63 percent.

Credit Ratings - Our credit ratings as of September 30, 2021, were:

Rating Agency	Rating	Outlook
Moody’s	A3	Negative
S&P	BBB+	Negative

Our commercial paper is rated Prime-2 by Moody’s and A-2 by S&P. We intend to maintain credit metrics at a level that supports our balanced approach to capital investment and a return of capital to shareholders via a dividend that we believe will be competitive with our peer group.

At-the-Market Equity Program - In February 2020, we initiated an at-the-market equity program by entering into an equity distribution agreement under which we may issue and sell shares of our common stock with an aggregate offering price up to $250 million. Sales of common stock are made by means of ordinary brokers’ transactions on the NYSE, in block transactions or as otherwise agreed to between us and the sales agent. We are under no obligation to offer and sell common stock under the program. During the nine months ended September 30, 2021 and 2020, respectively, we had issued and sold 281,124 shares and 179,514 shares of our common stock for $21.4 million and $13.6 million, generating proceeds, net of issuance costs, of $21.1 million and $13.5 million. At September 30, 2021, we had $215.0 million of equity available for issuance under the program. Proceeds from the program are available for general corporate purposes, which may include repaying or refinancing a portion of our outstanding indebtedness and funding working capital and capital expenditures.

EDIT - The return of EDIT to our customers is not expected to have a material impact on earnings, as any reduction or credit in rates is offset by a noncash reduction in income tax expense. However, as a result, cash flows for the three months ended September 30, 2021 and 2020, were reduced by approximately $1.5 million and $2.2 million, respectively, for EDIT returned to customers. Cash flows for the nine months ended September 30, 2021 and 2020, were reduced by approximately $12.2 million and $11.6 million, respectively, for EDIT returned to customers.

Pension and Other Postemployment Benefit Plans - In 2021, our contributions are expected to be $1.1 million to our defined benefit pension plans, and no contributions are expected to be made to our other postemployment benefit plans. Information about our pension and other postemployment benefits plans, including anticipated contributions, is included under Note 14 of the Notes to Consolidated Financial Statements in our Annual Report. See Note 9 of the Notes to Consolidated Financial Statements in this Quarterly Report for additional information.

CASH FLOW ANALYSIS

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

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

	Nine Months Ended September 30, 2021	Nine Months Ended September 30, 2020	Variance 2021 vs. 2020
	(Millions of dollars)		
Total cash provided by (used in):			
Operating activities	**$ (1,560.6)**	$ 325.3	**$ (1,885.9)**
Investing activities	**(349.4)**	(347.8)	**(1.6)**
Financing activities	**1,908.5**	10.8	**1,897.7**
Change in cash and cash equivalents	**(1.5)**	(11.7)	**10.2**
Cash and cash equivalents at beginning of period	**8.0**	17.9	**(9.9)**
Cash and cash equivalents at end of period	**$ 6.5**	$ 6.2	**$ 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, the effects of Winter Storm Uri and tax reform discussed in Regulatory Activities and changes in working capital. Changes in natural gas prices and demand for our services or natural gas, whether because of general economic conditions, variations in weather not mitigated by WNAs, changes in supply or increased competition from other service providers, could affect our earnings and operating cash flows. Typically, our cash flows from operations are greater in the first half of the year compared with the second half of the year.

Operating cash flows were lower for the nine months ended September 30, 2021, compared with the prior period, due primarily to the increased natural gas purchases resulting from Winter Storm Uri, which were deferred and included in regulatory assets. See Note 3 of the Notes to Consolidated Financial Statements in this Quarterly Report for additional information.

Investing Cash Flows - Cash used in investing activities for the nine months ended September 30, 2021 was consistent compared with the prior period.

Financing Cash Flows - Cash provided by financing activities increased for the nine months ended September 30, 2021, compared with the prior period, due primarily to borrowings to finance the increased natural gas purchases resulting from Winter Storm Uri.

ENVIRONMENTAL, SAFETY AND REGULATORY MATTERS

COVID-19 - See “Regulatory Activities,” “Financial Results and Operating Information,” and “Capital Expenditures and Asset Removal Costs,” as well as Notes 3 and 12 of the Notes to Consolidated Financial Statements in this Quarterly Report for additional discussion regarding the effects of COVID-19 on us.

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 the three and nine months ended September 30, 2021 and 2020.

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 five 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 seven of the 12 sites according to plans approved by the KDHE. In 2019, we completed a project to remove a source of contamination and associated contaminated materials at the twelfth site where no active soil remediation had previously occurred. A remediation plan was submitted to the KDHE concerning this site in 2020 and the KDHE has provided comments that we are addressing. We are also working on a remediation plan that will be submitted to the KDHE in 2021 for an additional site. In the third quarter 2021, we increased the estimates for contractor costs due to increased demand for the types of resources needed to conduct work contemplated in our remediation plans, resulting in an increase in our reserves of $11.2 million. At September 30, 2021, the reserve for remediation of our MGP sites was $24.7 million.

We have an AAO that allows Kansas Gas Service to defer and seek recovery of costs necessary for investigation and remediation at, and nearby, these 12 former MGP sites that are incurred after January 1, 2017, up to a cap of $15.0 million, net of any related insurance recoveries. Costs approved for recovery in a future rate proceeding would then be amortized over a 15-year period. The unamortized amounts will not be included in rate base or accumulate carrying charges. Following a determination that future investigation and remediation work approved by the KDHE is expected to exceed $15.0 million, net of any related insurance recoveries, Kansas Gas Service will be required to file an application with the KCC for approval to increase the $15.0 million cap. At September 30, 2021, we have deferred $30.0 million for accrued investigation and remediation costs pursuant to our AAO. Kansas Gas Service expects to file an application as soon as practicable after the KDHE approves the plans we have submitted and anticipates that filing will occur in 2021.

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 the three and nine months ended September 30, 2021 and 2020. 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 HCAs. 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 HCAs;
- a verification of records for pipelines in class 3 and 4 locations and HCAs to confirm MAOPs; and
- a requirement to test previously untested pipelines operating above 30 percent yield strength in HCAs.

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 were reviewed by PHMSA. As part of the comment review process, PHMSA was 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 met six 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 pipelines. The GPAC met in June 2019 on gas gathering pipelines. In addition to reviewing public and committee comments, PHMSA split this NPRM into three separate final rulemakings:

- the first final rule addresses the legislative mandates from the Pipeline Safety, Regulatory Certainty and Jobs Creation Act and is called the Safety of Gas Transmission Pipelines: MAOP 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 pipelines); and
- the third final rule will be called the Safety of Gas Gathering Pipelines and will address gas gathering pipelines.

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.

On October 1, 2019, PHMSA published the first of the three final rules referenced above, which addressed the 2011 congressional mandates. This final rule expands integrity management principles beyond HCAs and requires operators to collect traceable, verifiable and complete records moving forward, retain existing and new records for the life of the pipeline, and reconfirm pipeline MAOP in populated areas. The final rule also outlines methods for reconfirming a pipeline’s MAOP within 15 years. The first final rule became effective July 1, 2020. The estimated capital and operating expenditures associated with compliance with the first final rule are not material.

PHMSA has not yet issued the second final rule. The potential capital and operating expenditures associated with compliance with this rule are currently being evaluated and could be significant depending on the final regulations. We do not expect to be impacted by the third final rule, as we do not own gas gathering pipelines.

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 - 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 - In May and July 2021, the U.S. Department of Homeland Security's Transportation Security Administration issued security directives which included several new cybersecurity requirements for critical pipeline owners and operators. We are currently evaluating the potential effect of these directives on our operations and facilities, as well as the potential cost of implementation, and will continue to monitor for any clarifications or amendments to these directives.

The Transportation Security Administration issued pipeline security guidelines in March 2018. Our pipeline facilities have been reviewed according to those guidelines and no material changes have been required to date.

Environmental Footprint - Our environmental and climate change strategy focuses on taking steps to reduce the impact of our operations on the environment and exploring new opportunities for cleaner energy. These strategies include: (1) reducing emissions through our pipeline replacement program; (2) employing advanced leak detection technologies and reducing leaks on our pipelines; (3) promoting end-use conservation through programs that educate and incentivize customers to use energy efficient equipment; (4) reducing the release of methane into the atmosphere from operational practices, such as blow-downs and third-party line hits; (5) working to incorporate RNG into our system; and (6) investing in research and developing partnerships to understand the viability of blending renewable hydrogen into our system.

We participate in the EPA's Natural Gas STAR Program to voluntarily reduce methane emissions. We continue to focus on reducing emissions through expanded implementation of best practices, such as mobile compression and vacuum technologies 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 greater than two percent annually in 2016, 2017, 2018, and 2019 and anticipate reporting on our 2020 progress in 2021.

In September 2020, we announced membership in Our Nation's Energy Future (ONE Future), a group of natural gas companies working together to voluntarily reduce methane emissions across the natural gas value chain to one percent or less by 2025. In its most recent report, ONE Future reported that its members registered a 2019 methane intensity of 0.334%. We have submitted our 2020 data and anticipate that ONE Future will report on 2020 methane intensity in the fourth quarter of 2021.

Additional information about our environmental matters is included in the section entitled "Environmental Matters" in Note 12 of the Notes to Consolidated Financial Statements in this Quarterly 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 for the three and nine months ended September 30, 2021 and 2020.

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

IMPACT OF NEW ACCOUNTING STANDARDS

Information about the impact of new accounting standards, if any, is included in Note 1 of the Notes to Consolidated Financial Statements in this Quarterly 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 revenues and expenses during the reporting period. Although we believe these estimates and assumptions are reasonable, actual results could differ from our estimates.

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

FORWARD-LOOKING STATEMENTS

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

Forward-looking statements include the items identified in the preceding paragraph, the information concerning possible or assumed future results of our operations and other statements contained or incorporated in this Quarterly Report identified by words such as "anticipate," "estimate," "expect," "project," "intend," "plan," "believe," "should," "goal," "forecast," "guidance," "could," "may," "continue," "might," "potential," "scheduled," "likely," and other words and terms of similar meaning.

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

- our ability to recover costs (including operating costs and increased commodity costs related to Winter Storm Uri), income taxes and amounts equivalent to the cost of property, plant and equipment, regulatory assets and our allowed rate of return in our regulated rates;
- our ability to manage our operations and maintenance costs;
- the concentration of our operations in Kansas, Oklahoma, and Texas;
- changes in regulation of natural gas distribution services, particularly those in Oklahoma, Kansas and Texas;
- regulations in local jurisdictions in which we operate authorizing utilities to record in a regulatory asset account or comparable account the expenses associated with Winter Storm Uri, including but not limited to gas costs, other costs related to the procurement and transportation of gas supply and the associated financing costs;
- the economic climate and, particularly, its effect on the natural gas requirements of our residential and commercial customers;
- the length and severity of a pandemic or other health crisis, such as the outbreak of COVID-19, including the impact to our operations, customers, contractors, vendors and employees, the effectiveness of vaccine campaigns (including the COVID-19 vaccine campaign) on our workforce and customers and the effect of other measures or mandates that international, federal, state and local governments, agencies, law enforcement and/or health authorities may implement to address the pandemic or other health crises, which could (as with COVID-19) precipitate or exacerbate one or more of the above-mentioned and/or other risks, and significantly disrupt or prevent us from operating our business in the ordinary course for an extended period;

- competition from alternative forms of energy, including, but not limited to, electricity, solar power, wind power, geothermal energy and biofuels;
- conservation and energy efficiency efforts of our customers;
- adverse weather conditions and variations in weather, including seasonal effects on demand and/or supply, the occurrence of storms, including Winter Storm Uri in the territories in which we operate, and climate change, and the related effects on supply, demand and costs;
- indebtedness could make us more vulnerable to general adverse economic and industry conditions, limit our ability to borrow additional funds and/or place us at competitive disadvantage compared with competitors;
- our ability to secure reliable, competitively priced and flexible natural gas transportation and supply, including decisions by natural gas producers to reduce production or shut-in producing natural gas wells and expiration of existing supply and transportation and storage arrangements that are not replaced with contracts with similar terms and pricing;
- our ability to complete necessary or desirable expansion or infrastructure development projects, which may delay or prevent us from serving our customers or expanding our business;
- operational and mechanical hazards or interruptions;
- adverse labor relations;
- the effectiveness of our strategies to reduce earnings lag, margin protection strategies and risk mitigation strategies, which may be affected by risks beyond our control such as commodity price volatility, counterparty performance or creditworthiness and interest rate risk;
- the capital-intensive nature of our business, and the availability of and access to, in general, funds to meet our debt obligations prior to or when they become due and to fund our operations and capital expenditures, either through (i) cash on hand, (ii) operating cash flow, or (iii) access to the capital markets and other sources of liquidity;
- our ability to borrow funds, if needed, to meet our liquidity needs including raising the funds on commercially reasonable terms, or on terms acceptable to us, or at all;
- limitations on our operating flexibility, earnings and cash flows due to restrictions in our financing arrangements;
- cross-default provisions in our borrowing arrangements, which may lead to our inability to satisfy all of our outstanding obligations in the event of a default on our part;
- changes in the financial markets during the periods covered by the forward-looking statements, particularly those affecting the availability of capital and our ability to refinance existing debt and fund investments and acquisitions to execute our business strategy;
- actions of rating agencies, including the ratings of debt, general corporate ratings and changes in the rating agencies' ratings criteria;
- changes in inflation and interest rates;
- our ability to recover the costs of natural gas purchased for our customers, including those related to Winter Storm Uri and any related financing required to support our purchase of natural gas supply, including the securitized financings currently contemplated in each of our jurisdictions;
- impact of potential impairment charges;
- volatility and changes in markets for natural gas and our ability to secure additional and sufficient liquidity on reasonable commercial terms to cover costs associated with such volatility;
- possible loss of LDC franchises or other adverse effects caused by the actions of municipalities;
- payment and performance by counterparties and customers as contracted and when due, including our counterparties maintaining ordinary course terms of supply and payments;
- changes in existing or the addition of new environmental, safety, tax and other laws to which we and our subsidiaries are subject, including those that may require significant expenditures, significant increases in operating costs or, in the case of noncompliance, substantial fines or penalties;
- the effectiveness of our risk-management policies and procedures, and employees violating our risk-management policies;
- the uncertainty of estimates, including accruals and costs of environmental remediation;
- advances in technology, including technologies that increase efficiency or that improve electricity's competitive position relative to natural gas;
- population growth rates and changes in the demographic patterns of the markets we serve, and conditions in these areas' housing markets;
- acts of nature and the potential effects of threatened or actual terrorism and war;
- cyber-attacks, which, according to experts, have increased in volume and sophistication since the beginning of the COVID-19 pandemic, 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; further, increased remote working arrangements as a result of the pandemic have required enhancements and modifications to our IT infrastructure (e.g. Internet, Virtual Private Network, remote collaboration systems, etc.), and any failures of the technologies, including

third-party service providers, that facilitate working remotely could limit our ability to conduct ordinary operations or expose us to increased risk or effect of an attack;
- 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, the ONE Gas Credit Agreement, a violation of which, if not cured in a timely manner, could trigger a default of our obligations;
- our ability to attract and retain talented employees, management and directors, and shortage of skilled-labor;
- unexpected increases in the costs of providing health care benefits, along with pension and postemployment health care benefits, as well as declines in the discount rates on, declines in the market value of the debt and equity securities of, increases in funding requirements for, our defined benefit plans; and
- 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.

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

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

Commodity Price Risk

Our commodity price risk, driven primarily by fluctuations in the price of natural gas, is mitigated by our purchased-gas cost adjustment mechanisms through which we pass-through natural gas costs to our customers without profit. We may use derivative instruments to economically hedge the cost of a portion of our anticipated natural gas purchases during the winter heating months to reduce the impact on our customers of upward market price volatility of natural gas. Additionally, we inject natural gas into storage during the 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 borrowings and new debt financing needed to fund capital requirements, including future contractual obligations and maturities of long-term and short-term debt. We may manage interest-rate risk on future borrowings through the use of fixed-rate debt, floating-rate debt and, at times, interest-rate swaps. Fixed-rate swaps may be used to reduce our risk of increased interest costs during periods of rising interest rates. Floating-rate swaps may be used to convert the fixed rates of long-term borrowings into short-term variable rates.

Counterparty Credit Risk

We assess the creditworthiness of our customers. Those customers who do not meet minimum standards are required to provide security, including deposits and other forms of collateral, when appropriate and allowed by tariff. With approximately 2.2 million customers across three states, we are not exposed materially to a concentration of credit risk. As a result of regulatory orders and safety considerations, customer disconnects for nonpayment were generally suspended beginning mid-March 2020 through April 2021, when disconnects were resumed in all service areas, except Texas, where disconnects were resumed in June 2021. We have received accounting orders in each of our jurisdictions authorizing us to accumulate and defer for regulatory purposes certain incremental costs incurred, including bad debt expenses, and certain lost revenues, net of offsetting expense reductions associated with COVID-19. See “Recent Developments” in this Quarterly Report for additional discussion of the effects of COVID-19 on us. We maintain a provision for doubtful accounts based upon factors surrounding the credit risk of customers, historical trends, consideration of the current credit environment and other information. We are able to recover the fuel-related portion of bad debts through our purchased-gas cost adjustment mechanisms.

ITEM 4. CONTROLS AND PROCEDURES

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

Changes in Internal Control Over Financial Reporting - There have been no changes in our internal control over financial reporting during the third quarter ended September 30, 2021, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

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

ITEM 1A. RISK FACTORS

Our investors should consider the risks set forth in Part I, Item 1A, Risk Factors, of our Annual Report that could affect us and our business. Although we have tried to discuss key factors, our investors need to be aware that other risks may prove to be important in the future. New risks may emerge at any time, and we cannot predict such risks or estimate the extent to which they may affect our financial performance. Investors should carefully consider the discussion of risks and the other information included or incorporated by reference in this Quarterly Report, including "Forward-Looking Statements," which are included in Part I, Item 2, Management's Discussion and Analysis of Financial Condition and Results of Operations.

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

Not applicable.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

Not applicable.

ITEM 6. EXHIBITS

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

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

Exhibit No.	Exhibit Description
3.1	Amended Certificate of Incorporation of ONE Gas, Inc., dated May 24, 2018 (incorporated by reference to Exhibit 3.1 to ONE Gas, Inc.'s Current Report on Form 8-K filed on May 30, 2018 (File No. 1-36108)).
3.2	Amended and Restated By-Laws of ONE Gas, Inc. dated April 27, 2020 (incorporated by reference to Exhibit 3.1 to ONE Gas, Inc.'s Current Report on Form 8-K filed on April 27, 2020 (File No. 1-36108)).
10.1	ONE Gas, Inc. Nonqualified Deferred Compensation Plan, as amended and restated effective January 1, 2022.
31.1	Certification of Robert S. McAnnally pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Caron A. Lawhorn pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Robert S. McAnnally pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished only pursuant to Rule 13a-14(b)).
32.2	Certification of Caron A. Lawhorn pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished only pursuant to Rule 13a-14(b)).
101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	XBRL Schema Document.
101.CAL	XBRL Calculation Linkbase Document.
101.LAB	XBRL Label Linkbase Document.
101.PRE	XBRL Presentation Linkbase Document.
101.DEF	XBRL Extension Definition Linkbase Document.
104	Cover Page Interactive Data File (embedded within the Inline XBRL document and contained in Exhibit 101).

Attached as Exhibit 101 to this Quarterly Report are the following XBRL-related documents: (i) Document and Entity Information; (ii) Consolidated Statements of Income for the three and nine months ended September 30, 2021 and 2020; (iii) Consolidated Statements of Comprehensive Income for the three and nine months ended September 30, 2021 and 2020; (iv) Consolidated Balance Sheets at September 30, 2021 and December 31, 2020; (v) Consolidated Statements of Cash Flows for the nine months ended September 30, 2021 and 2020; (vi) Consolidated Statements of Equity for the three and nine months ended September 30, 2021 and 2020; and (vii) Notes to Consolidated Financial Statements.

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

SIGNATURE

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

Date: November 2, 2021		ONE Gas, Inc. Registrant
	By:	/s/ Caron A. Lawhorn Caron A. Lawhorn Senior Vice President and Chief Financial Officer (Principal Financial Officer)

Exhibit 10.1

ONE GAS, INC.

NONQUALIFIED

DEFERRED COMPENSATION PLAN

Amended and Restated

Effective January 1, 2022

ONE GAS, INC.
NONQUALIFIED DEFERRED COMPENSATION PLAN
Effective January 1, 2022

Table of Contents

ONE GAS, INC.
NONQUALIFIED DEFERRED COMPENSATION PLAN
Effective January 1, 2022

ARTICLE I.
INTRODUCTION

1.1 Amendment and Restatement

The Plan, established effective January 1, 2014, is hereby amended and restated effective January 1, 2022. Amounts deferred for periods prior to the restated effective date will continue to be paid in accordance with the elections and Plan terms under which the amounts were deferred, except to the extent the time and form of payment are changed by the Participant or the Committee in accordance with this Plan restatement. Furthermore, this restatement shall not be construed as resulting in the termination of an individual's status as a Participant or the elimination or reduction of any Plan Benefit owed a Participant.

1.2 Purpose

This Plan and related agreements between the Employer and certain management or highly compensated employees is an unfunded, nonqualified deferred compensation plan and arrangement.

The purpose of the Plan is to provide a select group of management and highly compensated employees of the Employer with the option to defer the receipt of portions of their compensation payable for services rendered to the Employer, and provide nonqualified deferred compensation benefits which are not available to such employees by reason of limitations on employer and employee contributions to qualified pension or profit-sharing plans under the federal tax laws.

It is intended that the Plan will assist in attracting and retaining qualified individuals to serve as officers and managers of the Employer; and the Plan is intended to constitute a plan which is unfunded and maintained by an employer primarily for the purpose of providing deferred compensation for a select group of management or highly compensated employees within the meaning of, and as described in Section 201(2) and related provisions of ERISA.

The Plan is intended to meet all requirements of Code Section 409A for compensation deferred under the Plan to not be includible in gross income of the Participant until actually paid or distributed pursuant to the Plan. Nothing herein shall be construed as a guarantee of any particular tax treatment to a Participant.

All provisions of the Plan shall be interpreted and administered to the extent possible in a manner consistent with the stated intentions.

1.3 Effective Date

The Plan is amended and restated effective on January 1, 2022.

1.4 Grandfathered Plan

This Plan is separate from the ONE Gas, Inc. Pre-2005 Nonqualified Deferred Compensation Plan, which ONE Gas established to receive liabilities transferred from the ONEOK, Inc. Employee Nonqualified Deferred Compensation Plan in connection with the Separation.

ARTICLE II.
DEFINITIONS

2.1 Definitions

When used in this Plan and initially capitalized, the following words and phrases shall have the meanings indicated:

Account

"Account" means a bookkeeping account established and maintained for a Participant pursuant to this Plan, to which there shall be credited all amounts of Deferred Compensation by and for the Participant under the Plan. Subaccounts may be established for the compensation that is deferred and credited pursuant to the Plan, and investment return thereon, as determined and prescribed by the Committee, to reflect amounts payable at different times and in different forms.

Base Salary

"Base Salary" means a Participant's base wage or salary paid or payable by the Employer to the Participant without regard to any decreases in such base wage or salary as a result of (i) an Election to defer base wage or salary under this Plan or (ii) an election between benefits or cash provided under a plan of the Employer maintained pursuant to Sections 125 or 401(k) of the Code. Base Salary does not include any incentive compensation or Bonus.

Beneficiary

"Beneficiary" means the person(s) or entity(ies) designated or deemed to be designated by the Participant pursuant to Article VIII to receive benefits payable under the Plan in the event of the Participant's death.

Board

"Board" means the Board of Directors of the Corporation.

Bonus

"Bonus" means the cash bonus paid or payable by the Employer to a Participant under an Incentive Plan without regard to any decreases as a result of (i) an Election to defer all or any portion of such Bonus under this Plan or (ii) an election between benefits or cash provided under a plan of the Employer maintained pursuant to Section 401(k) of the Code.

Change in Ownership or Control

"Change in Ownership or Control" means a change in the ownership or effective control of ONE Gas or in the ownership of a substantial portion of ONE Gas's assets within the meaning of Code Section 409A.

Code

"Code" means the Internal Revenue Code of 1986, and Treasury Regulations thereunder, as amended from time to time.

Committee

"Committee" means the committee(s) delegated responsibilities with respect to the Plan by the Board, as applicable.

Compensation

"Compensation" means the Base Salary and Bonus payable with respect to an Eligible Employee for each calendar year.

Corporation

"Corporation" means ONE Gas, Inc., an Oklahoma corporation, and its successors and assigns.

Deferred Compensation

"Deferred Compensation" means the Base Salary and Bonus deferred by a Participant under the Plan, and the Matching Contributions, Profit Sharing Plan Excess Amounts, Retirement Plan Covered Compensation Excess Amounts, Supplemental Credit Amounts and Retirement Plan Excess Amounts that are accrued, deferred and credited by the Employer for a Participant under the Plan, that are made payable to a Participant in a later taxable year of the Participant pursuant to this Plan.

Determination Date

"Determination Date" means a date on which the amount of a Participant's Account is determined and updated as provided in Article VI. Each December 31 of a calendar year shall be the Determination Date.

Disabled or Disability

"Disabled" or "Disability" means that a Participant is unable to engage in substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than twelve (12) months, or is, by reason of any medically determinable physical or mental impairment which can be expected to result in death or expected to last for a continuous period of not less than twelve (12) months, receiving income replacement benefits for a period of not less than three (3) months

under an accident or health plan covering Employees. A Participant will be deemed to be Disabled if such Participant is determined to be totally disabled by the Social Security Administration.

Early Separation from Service

"Early Separation from Service" means a Participant's Separation from Service prior to attaining age fifty (50) and completing five (5) Years of Service that is not by reason of death or Disability.

ECC

"ECC" means the Executive Compensation Committee of the Board.

Election

"Election" means, as the context requires, (i) the Participant's election to defer Base Salary and Bonus earned with respect to services performed during a Plan Year, (ii) the Participant's distribution elections, and/or (iii) the Employer's election to credit the Participant's Account with Deferred Compensation.

Eligible Employee

"Eligible Employee" means an Employee who is a member of a select group of management or a highly compensated employee and who is designated by the Committee as eligible to participate in the Plan.

Employee

"Employee" means an employee of the Corporation or a Subsidiary.

Employer

"Employer" means, with respect to a Participant, the Corporation or Subsidiary which pays such Participant's Compensation.

ERISA

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

Exchange Act

"Exchange Act" means the Securities Exchange Act of 1934, as amended.

Incentive Plan

"Incentive Plan" means the Annual Officer Incentive Plan or Annual Employee Incentive Plan of the Corporation, or any successor plans, as applicable to a Participant under the terms and provisions thereof.

Investment Return

"Investment Return" means the rate of investment return to be credited to a Participant's Account pursuant to Section 6.2, which rate shall be determined in accordance with Section 6.3 and Exhibit "A" attached hereto; provided, that no Investment Return shall be credited with respect to the Retirement Plan Excess Amount.

Long-Term Deferral

"Long-Term Deferral" means a deferral Election that is not a Short-Term Deferral and under which the Deferred Compensation and Plan Benefit shall be distributed and paid, or commence payment, at the Participant's Separation from Service. If a Subsequent Election is made, the Plan Benefit deferred by a Long-Term Deferral Election shall be distributed and paid, or commence payment, at the Specified Time elected in the Subsequent Election.

Matching Contribution

"Matching Contribution" means an amount equal to (a) minus (b) below:

(a) the matching contribution percentage in effect for the Plan Year under the Qualified Retirement Plan multiplied by the Participant's Compensation for the Plan Year; and

(b) the amount of the Qualified Retirement Plan matching contributions made by the Employer that are allocated to the Participant's Qualified Retirement Plan account for that Plan Year.

The Matching Contribution cannot exceed the Participant's deferrals of Compensation under this Plan for the applicable Plan Year.

Normal Specified Time of Distribution

"Normal Specified Time of Distribution" means the first date on which the Participant has (i) attained the age of fifty (50) years, (ii) completed five (5) Years of Service, and (iii) had a Separation from Service.

ONE Gas

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

Participant

"Participant" means any Eligible Employee who elects to participate in the Plan by filing an Election with the Committee, in accordance with the procedures established by the Committee, or whose Account is credited with Deferred Compensation, and any former Eligible Employee who continues to be entitled to a Plan Benefit.

Performance-Based Compensation

"Performance-Based Compensation" means performance-based compensation within the meaning of Treasury Regulation Section 1.409A-1(e).

Plan

"Plan" means this ONE Gas, Inc. Nonqualified Deferred Compensation Plan, as amended from time to time.

Plan Benefit

"Plan Benefit" means the deferred benefit payable to a Participant or a Participant's Beneficiary pursuant to Article VII and otherwise under the Plan.

Plan Year

"Plan Year" means a twelve-month period commencing January 1 and ending the following December 31.

Profit Sharing Contribution

"Profit Sharing Contribution" means the Employer contributions to the Qualified Retirement Plan other than elective deferrals, matching contributions, qualified non-elective contributions and qualified matching contributions.

Profit Sharing Plan Excess Amount

"Profit Sharing Plan Excess Amount" means an amount equal to the Participant's Compensation for the Plan Year multiplied by the applicable percentage for determining the Profit Sharing Contributions for the Plan Year, minus the amount of Profit Sharing Contributions that are allocated to the Participant's Qualified Retirement Plan account for that Plan Year; it being intended that a Participant shall be credited with a Profit Sharing Plan Excess Amount that is equivalent to the amount of Profit Sharing Contributions which could not be allocated to the Participant's Qualified Retirement Plan Account for the Plan Year by reason of all limitations on compensation and Employer contributions applicable to Qualified Retirement Plan Employer contributions under the Code and Treasury Regulations thereunder, including (i) the limitation on annual compensation of an Employee that may be taken into account under Code Section 401(a)(17), (ii) the limitation on contributions and other additions under Code Section 415(c), and (iii) the exclusion of the amount that a Participant has elected to defer out of his or her Base Salary or Bonus under this Plan from "compensation" as defined in the Qualified Retirement Plan and/or used for calculation of Profit Sharing Contributions and allocations.

Qualified Retirement Plan

"Qualified Retirement Plan" means the defined contribution retirement plan(s) qualified under Code Section 401(a) that are maintained by the Employer.

Retirement Plan

"Retirement Plan" means the ONE Gas, Inc. Retirement Plan.

Retirement Plan Covered Compensation Excess Amount

"Retirement Plan Covered Compensation Excess Amount" means an amount for a Participant who is a participant in the Retirement Plan, is not a participant in the ONE Gas, Inc. Supplemental Executive Retirement Plan and is not eligible to receive Profit Sharing Contributions, that is equal to the Participant's Compensation for the Plan Year less the limitation on annual compensation of an Employee that may be taken into account under Code Section 401(a)(17), and any applicable Treasury Regulations promulgated thereunder, multiplied by the applicable percentage for determining the Profit Sharing Contributions for the Plan Year.

Retirement Plan Excess Amount

"Retirement Plan Excess Amount" means the additional amount payable to a Participant who is a participant in the Retirement Plan pursuant to Section 7.12.

Separation

"Separation" means the separation of ONEOK, Inc.'s, an Oklahoma corporation, local natural gas distribution business into an independent, publicly traded entity to be known as ONE Gas.

Separation from Service

"Separation from Service" means the termination of a Participant's employment with the employer within the meaning of Treasury Regulation Section 1.409A-1(h) other than by reason of the Participant's Disability or death.

Short-Term Deferral

"Short-Term Deferral" means a deferral Election by a Participant under which the Plan Benefit shall be distributed and paid, or commence payment, at a Specified Time, irrespective of the Participant's Separation from Service, that shall be not less than five (5) years after the Participant's Election thereof. If a Subsequent Election is made, the Plan Benefit deferred by a Short-Term Deferral Election shall be distributed and paid, or commence payment, at the Specified Time elected in the Subsequent Election.

Specified Employee

"Specified Employee" means an Employee within the meaning of Code Section 409A(a)(2)(B)(i) and Treasury Regulation Section 1.409A-1(i).

Specified Time

"Specified Time" means a date specified by a Participant in his or her Election or Subsequent Election for all or a portion of such Participant's Account to be paid or commence payment, as

permitted by the Committee and Code Section 409A, the Treasury Regulations and other guidance promulgated or issued thereunder.

Subsequent Election

"Subsequent Election" means an irrevocable election made by a Participant to delay the time of distribution or change the form of payment for all or a portion of the Participant's Deferred Compensation and Plan Benefit that is made at any time after the initial Election by the Participant and/or Employer with respect to such Deferred Compensation and Plan Benefit.

Subsidiary

"Subsidiary" means any corporation of which the Corporation owns, directly or indirectly, at least a majority of the shares of stock having voting power in the election of directors of such corporation.

Supplemental Credit Amount

"Supplemental Credit Amount" means a supplemental amount that may be credited to a Participant's Account at the direction of the Committee under Section 5.4.

Trust

"Trust" means a trust created and established pursuant to Section 11.2 of the Plan, or otherwise by the Corporation with respect to the Plan.

Unforeseeable Emergency

"Unforeseeable Emergency" means a severe financial hardship to the Participant resulting from illness or accident of the Participant, the Participant's spouse, or the Participant's dependent (as defined in Code Section 152, without regard to Code Sections 152(b)(1), (b)(2) and (d)(1)(B)), loss of the Participant's property due to casualty, or other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant, including such events and circumstances as are described and considered to be an unforeseeable emergency under Code Section 409A and the Treasury Regulations thereunder. It is intended and directed with respect to any such unforeseeable emergency that any amounts distributed under the Plan by reason thereof shall not exceed the amount reasonably necessary to satisfy such emergency plus amounts necessary to pay taxes or penalties reasonably anticipated as a result of the distribution, after taking into account the extent to which such hardship is or may be relieved through reimbursement or compensation by insurance or otherwise, by liquidation of the Participant's assets (to the extent the liquidation of such assets would not itself cause severe financial hardship) or by cessation of deferrals under the Plan.

Years of Service

"Years of Service" means each 12-month period of continuous service with the Employer. Participants shall receive Years of Service credit for all service credited for those purposes under

the ONEOK, Inc. 2005 Nonqualified Deferred Compensation Plan as if the service had been rendered to the Employer.

ARTICLE III.
ELIGIBILITY AND PARTICIPATION

3.1 Eligibility

Before the beginning of each Plan Year, the Committee shall designate the Eligible Employees for such Plan Year in writing. The written designation of Eligible Employees by the Committee, from time to time, shall be adopted and maintained in the records of the Committee and Corporation. An Employee must be designated as an Eligible Employee for a Plan Year before the beginning of such Plan Year to participate in the Plan for such Plan Year, unless otherwise determined by the Committee.

3.2 Participation

An Eligible Employee may elect to participate in the Plan by filing an Election with the Committee, in accordance with the procedures established by the Committee. An Eligible Employee shall commence participation in the Plan upon the first of the following to occur: (i) the date on which the Eligible Employee's first Election becomes irrevocable under the Plan; or (ii) the date Deferred Compensation is credited to the Eligible Employee's Account.

3.3 Elections to Participate Irrevocable

Elections shall become irrevocable as of the last day of the election period. Election periods shall be established by the Committee in accordance with Code Section 409A. A Participant may not change a previously elected percentage of Compensation deferred by an Election, or terminate his or her Election to participate in the Plan and defer compensation for a Plan Year after the Election becomes irrevocable. Except as may otherwise be determined and approved by the Committee pursuant to the Plan, a Participant's Election to defer compensation shall only be effective as of the beginning of the next Plan Year following receipt of the Participant's Election by the Committee. Determinations on all Elections and of any effective dates other than as specified above, shall be made by the Committee in accordance with its prevailing administrative procedures.

3.4 Exclusion from Eligibility

Notwithstanding any other provisions of this Plan to the contrary, if the Committee determines that any Participant may not qualify as a "select group of management or highly compensated employees" within the meaning of ERISA, or regulations thereunder, the Committee may determine, in its sole discretion, that such Participant shall cease to be eligible to participate in this Plan. Provided, however, in no case will such a determination cause the revocation of an Election during a Plan Year.

ARTICLE IV.
DEFERRAL OF COMPENSATION

4.1 Amount and Time of Election to Defer

(a) Time of Election. A Participant's Election to defer compensation for services performed during a Plan Year shall be made not later than the close of the preceding Plan Year, or such other time as provided in Treasury Regulations published under Code Section 409A and permitted by the Committee in its sole discretion. In the case of the first Plan Year in which a Participant becomes eligible to participate in the Plan, the Committee, in its sole discretion, may allow the Participant to make an Election within thirty (30) days after the Participant becomes eligible to participate in the Plan, with respect to compensation paid for services to be performed after the Election. Additionally, the Committee may, in its sole discretion, allow a Participant to make an Election with respect to Bonus that constitutes Performance-Based Compensation, on or before the date that is six (6) months before the end of the performance period, provided that the Participant performs services continuously from the later of the beginning of the performance period or the date the performance criteria are established through the date the Election is made, and provided further that in no event may the Election be made after such compensation becomes readily ascertainable.

(b) Participant Election Amounts. With respect to each Plan Year, a Participant may voluntarily elect the deferral of Base Salary and/or Bonus by making an Election for deferral of or within the percentages stated below (in one percent (1%) increments):

(1) deferral of at least two percent (2%) and not more than ninety percent (90%) of the Participant's Base Salary for the Plan Year; and

(2) deferral of at least ten percent (10%) and not more than ninety percent (90%) of the Participant's Bonus (or the portion above a specified threshold) for the Plan Year.

(c) Election Choices. Participants and the Employer shall be responsible for the following Deferred Compensation Elections:

(1) A Participant may elect to defer Base Salary and/or Bonus for services performed during a Plan Year.

(2) The Employer determines whether Matching Contributions, Profit Sharing Plan Excess Amounts, Retirement Plan Covered Compensation Excess Amounts and Supplemental Credits Amounts are deferred for Participants each Plan Year, in accordance with Article V.

(3) The Employer determines whether Retirement Plan Excess Amounts are deferred for Participants, in accordance with Section 7.12.

(d) Effective Date. Except as otherwise expressly provided in the Plan in the case of mid-year Elections for new Participants and Performance-Based Compensation, a Participant's Election with respect to Deferred Compensation shall not become effective until the next Plan Year following such Election.

(e) Evergreen Elections. Except as otherwise directed by the Committee, a Participant's Base Salary and Bonus deferral Election amounts will remain in effect for all subsequent Plan Years unless such Participant revokes or modifies any such Election amounts in a manner consistent with this Plan. Provided, however, the Participant must make a distribution election (i.e., time and form of payment election) for each Plan Year with respect to any deferrals of Base Salary and Bonus. If a distribution election is not filed for a Plan Year in which a deferral Election amount renews, the distribution election will be deemed to be a Long-Term Deferral payable in a lump sum.

4.2 Deferral Periods; Payment

(a) Time and Form of Distribution. Every Election to defer compensation shall include an election as to the time and form of payment.

(b) Deferral of Base Salary or Bonus. A Participant shall be allowed to defer Base Salary or Bonus under the Plan by electing either a Long-Term Deferral or a Short-Term Deferral in the Election filed by the Participant with the Committee for a Plan Year. The default election for Base Salary and Bonus shall be Long-Term Deferral in the event a Participant fails to make an election.

(c) Employer Contributions. Matching Contributions, Profit Sharing Plan Excess Amounts, Retirement Plan Covered Compensation Excess Amounts and Supplemental Credits Amounts shall be Long-Term Deferrals for the Plan Year.

(d) Investment Return. The Investment Return and/or any other actual, notional or deemed earnings credited to a Participant's Account pursuant to this Plan with respect to any Deferred Compensation, by an Election of a Participant or the Employer, shall be paid at the same time and in the same form of payment as such Deferred Compensation, and no separate election with respect to time or form of payment shall be allowed or occur with respect to the Investment Return or other earnings credited.

4.3 Subsequent Elections

(a) A Subsequent Election must satisfy the following requirements:

(1) The Subsequent Election shall not take effect until at least twelve (12) months after the date on which it is made.

(2) In the case of a Subsequent Election related to a payment to be made upon Separation from Service of a Participant, at a specified time or pursuant to a fixed schedule, the payment with respect to which the Subsequent Election

is made shall be deferred for a period of not less than five (5) years from the date such payment would otherwise have been made (or in the case of a life annuity or installment payments, five (5) years from the date the first amount was scheduled to be paid).

(3) Any Subsequent Election related to a payment at a specified time or pursuant to a fixed schedule may not be made less than twelve (12) months prior to the date the payment is scheduled to be paid (or in the case of a life annuity or installment payments, twelve (12) months before the date the first amount was scheduled to be paid).

(b) A Subsequent Election that fails to comply with the provisions of Code Section 409A and the Treasury Regulations thereunder shall be void and not allowed under the Plan.

(c) A Participant by or for whom an Election to defer compensation has been made under the Plan may make a Subsequent Election for such deferred compensation by written instrument filed with the Committee in such form as it may prescribe.

(d) A Participant who has made a Subsequent Election under the Plan shall be allowed to make another Subsequent Election with respect to the same deferred compensation, in accordance with this Section 4.3 and other provisions of the Plan.

(e) A Participant shall not be authorized to make changes between Long-Term Deferrals and Short-Term Deferrals elected or provided for in an Election by making a Subsequent Election.

(f) Notwithstanding the foregoing provisions, the Committee, in its sole discretion, shall be authorized to determine, from time to time and/or in the particular case of any one or more Participants, that a Subsequent Election not be allowed to be made.

4.4 Crediting Deferred Base Salary and Bonus

The amount of Base Salary that a Participant elects to defer pursuant to an Election of the Participant under the Plan shall be credited by the Employer to the Participant's Account monthly. The amount of Bonus that a Participant elects to defer pursuant to an Election of the Participant under the Plan shall be credited by the Employer to the Participant's Account at the time the Bonus would otherwise be paid or payable to the Participant under the Incentive Plan pursuant to which such Bonus is paid or payable.

4.5 FICA and Other Taxes

For each Plan Year during which a Participant has deferrals, the Participant's Employer shall, in a manner determined by the Employer, withhold the Participant's share of FICA and other required employment or state, local, and foreign taxes on deferrals from that portion of the Participant's Base Salary or Bonus, and in the event of any Matching Contributions, Profit Sharing Plan Excess Amounts, Retirement Plan Covered Compensation Excess Amounts and Supplemental Credit Amounts, the Participant's compensation generally, that is not deferred. To the extent permitted

by Code Section 409A, the Committee may reduce a Participant's deferrals to the extent necessary to pay FICA and other employment, state, local and foreign taxes.

ARTICLE V.
EMPLOYER CONTRIBUTIONS

5.1 Matching Contribution

(a) The Employer shall provide and credit a Matching Contribution under this Plan with respect to each Participant eligible to be allocated matching contributions under the Qualified Retirement Plan; except that the Committee may, in its discretion, prior to any Plan Year, make a determination not to provide for the crediting of Matching Contributions for that Plan Year.

(b) The Matching Contribution under the Plan for each Participant under this Section 5.1 shall be credited to the Participant's Account by the Employer no later than ninety (90) days after the end of the Plan Year that includes the time that the related matching contributions are made under the Qualified Retirement Plan.

5.2 Profit Sharing Plan Excess Amount

(a) The Employer shall provide and credit a Profit Sharing Plan Excess Amount under this Plan with respect to each Participant eligible to be allocated Profit Sharing Contributions; except that the Committee may, in its discretion, prior to any Plan Year, make a determination not to provide for the crediting of Profit Sharing Plan Excess Amounts for that Plan Year.

(b) The Profit Sharing Plan Excess Amount under the Plan for each Participant under this Section 5.2 shall be credited to the Participant's Account by the Employer as soon as practicable after the time the related Profit Sharing Contributions are made under the Qualified Retirement Plan, and no later than ninety (90) days after the end of the Plan Year that includes the time that the related Profit Sharing Contributions are made under the Qualified Retirement Plan.

5.3 Retirement Plan Covered Compensation Excess Amount

(a) The Employer shall provide and credit a Retirement Plan Covered Compensation Excess Amount under this Plan for each Participant who is eligible to participate in the Retirement Plan, is not participating in the ONE Gas, Inc. Supplemental Executive Retirement Plan and is not eligible to receive Profit Sharing Contributions; except that the Committee may, in its discretion, prior to any Plan Year, make a determination not to provide for the crediting of Retirement Plan Covered Compensation Excess Amounts for that Plan Year.

(b) The Retirement Plan Covered Compensation Excess Amount under the Plan for a Participant under this Section 5.3 shall be credited to the Participant's Account by the Employer as soon as practicable after the time the related Profit Sharing Contributions are made under the Qualified Retirement Plan, and no later than

ninety (90) days after the end of the Plan Year that includes the time that the related Profit Sharing Contributions are made under the Qualified Retirement Plan.

5.4 Supplemental Credit Amount

(a) The Committee may elect to have a Supplemental Credit Amount credited to the Account of a Participant with respect to a Plan Year. A Supplemental Credit Amount shall be established and deferred by the written action and election of the Committee or its designee. The Employer by this Plan designates that each such Supplemental Credit Amount designated by it for a Plan Year shall be payable at the same time and in the same form of payment as the Long-Term Deferrals by and for a Participant for that Plan Year. A Participant shall have no right or opportunity to make any election with respect to the amount, deferral and the time and form of payment of a Supplemental Credit Amount.

(b) The Supplemental Credit Amount under the Plan for a Participant under this Section 5.4 shall be credited to the Participant's Account by the Employer as soon as practicable after the beginning of the Plan Year for which an election is made, and no later than ninety (90) days after the end of the Plan Year.

5.5 Retirement Plan Excess Amount

Retirement Plan Excess Amounts deferred under this Plan are separately provided for and made payable under the Plan pursuant to and in accordance with Section 7.12 of the Plan.

ARTICLE VI.
BENEFIT ACCOUNTS

6.1 Determination of Account

As of each Determination Date, a Participant's Account shall consist of the balance of the Participant's Account as of the immediately preceding Determination Date, plus the Participant's Deferred Compensation credited pursuant to Article IV and Article V since the immediately preceding Determination Date, plus investment return credited as of such Determination Date pursuant to Section 6.2, minus the aggregate amount of distributions, if any, made from such Account since the immediately preceding Determination Date.

6.2 Crediting of Investment Return; Other Items to Participant Accounts

The Account of each Participant shall be periodically credited and increased, or debited and reduced, as the case may be, by the amount of investment return specified under Section 6.3. The Account of each Participant shall also be debited and credited for any deemed purchases or sales of, or other deemed transactions involving securities provided for under the Plan. The Account shall be so credited and debited not less frequently than monthly in the manner established and determined from time to time by the Committee, in its sole discretion. The manner in which the Committee determines that a Participant's Account shall be so debited or credited shall be described in written rules or procedures which shall be stated from time to time by a written

description thereof which shall be attached to this Plan as Exhibit "B," and furnished to the Participants in the Plan.

6.3 Investment Return; Designated Deemed Investment

The Investment Return shall be determined in the manner specified in Exhibit "A" attached hereto. To the extent the Investment Return specified in Exhibit "A" attached hereto, applied to a Participant's deferrals includes a rate that is to be determined from deemed investment of such Participant's Account in investment options specified therein, the Committee shall prescribe the manner and form in which a Participant may designate the deemed investment of deferrals and other amounts in his or her Account. A Participant will be allowed to change such designation of deemed investment monthly or with such other frequency as specified by the Committee, in its sole discretion. Notwithstanding anything to the contrary stated or implied by the Plan, including all Exhibits hereto, the Committee and the Employer shall not be obligated to make or cause to be made any particular type or form of investment with respect to the funding or payment of the Plan Benefits or Accounts of Participants under the Plan, and no Participant shall have the right to direct or in any manner control any actual investments, if any, made by the Employer or any other person for purposes of providing funds for paying liabilities of the Employer for benefits or otherwise under the Plan. No Participant shall have any ownership or beneficial interest in any such actual investments made by the Employer.

6.4 Statement of Account

The Committee shall provide to each Participant a statement each calendar quarter setting forth the balance or balances of such Participant's Account and Investment Return as of the end of the calendar quarter and showing all adjustments made thereto during such calendar quarter.

6.5 Vesting of Participant Accounts

A Participant shall be one hundred percent (100%) vested in his or her Account, at all times; provided that the vesting of a Participant's Retirement Plan Excess Amount shall be determined in like manner as the vesting of the Participant's accrued benefit under the Retirement Plan.

ARTICLE VII.
PAYMENT OF BENEFITS

7.1 Requirements for Distributions and Payments

Notwithstanding anything to the contrary, expressed or implied herein, the following requirements stated in this Section 7.1 shall apply to the Plan, to all Elections or Subsequent Elections made by Participants under the Plan, and to all distributions and payments made pursuant to the Plan.

(a) Any compensation deferred under the Plan shall not be distributed earlier than (1) Separation from Service of the Participant, (2) the date the Participant becomes Disabled, (3) death of the Participant, (4) a specified time (or pursuant to a fixed schedule) specified under the Plan at the date of deferral of such compensation, or (5) the occurrence of an Unforeseeable Emergency.

(b) Notwithstanding the foregoing, if a Participant becomes entitled to a distribution on account of the Participant's Separation from Service and is a Specified Employee on the date of the Separation from Service, no distribution shall be made before the date which is six (6) months after the date of the Participant's Separation from Service, or, if earlier, the date of death of such Participant. The required delay in payment is met if payments to which a Specified Employee would otherwise be entitled during the first six (6) months following the date of Separation from Service are accumulated and paid on the first day of the seventh month following the date of Separation from Service, or if each payment to which a Specified Employee is otherwise entitled upon a Separation from Service is delayed by six (6) months. The Committee shall have and retain discretion to choose which method will be implemented, provided that no direct or indirect election as to the method may be provided to the Participant. For an affected Specified Employee, a date upon which the Committee designates that the payment will be made after the six-month delay is treated as a fixed payment date for purposes of the other requirements of the Plan once the Separation from Service has occurred.

(c) No acceleration of the time or schedule of any distribution or payment under the Plan shall be permitted or allowed, except to the extent provided in Treasury Regulations issued under Code Section 409A.

(d) If an amount is deferred under the terms of this Plan and a Participant does not have a valid distribution election in place specifying the form of payment, the deferred amount shall be paid in the form of a lump sum.

7.2 Payment of Plan Benefit; Long-Term Deferrals

A Long-Term Deferral of Deferred Compensation shall be paid and distributed, or commence payment, to the Participant at the Participant's Separation from Service, and shall be paid by the Employer in the form of payment specified and elected in the Participant's Election pursuant to Section 7.4.

7.3 Payment of Plan Benefit; Short-Term Deferrals

A Short-Term Deferral of Compensation elected by a Participant shall be paid and distributed, or commence payment, to a Participant at the Specified Time designated and elected in the Participant's Election, and shall be paid by the Employer in the form of payment specified and elected in the Participant's Election pursuant to Section 7.4.

7.4 Form of Distribution and Payment

Participants shall specify in their Election one of the following forms of payment for their Long-Term Deferrals and Short-Term Deferrals that are covered by the Election, and may specify separate forms of payment for Long-Term Deferrals and Short-Term Deferrals (such Elections shall not apply to the Retirement Plan Excess Amount):

(a) Annual payments of the vested Account balance, on and after the payment commencement date over a period of two (2) to fifteen (15) years (together, in the

case of each annual payment, with Investment Return thereon credited after the payment commencement date pursuant to Section 6.2), with the amount of each such annual payment to be determined by multiplying the remaining principal amount and undistributed income in the Participant's Account by a fraction, the numerator of which is one (1) and the denominator of which shall be the number of remaining annual payments, including the payment then being calculated; or

(b) A lump sum.

7.5 Distribution and Payment for Subsequent Elections

If a Subsequent Election is made pursuant to the Plan, the payment and distribution shall be made or commence at the Specified Time that is elected and determined in and by such Subsequent Election. If a Subsequent Election changes the form of payment, the form of payment must be a form of payment otherwise permitted under this Plan.

7.6 Distribution and Payment for Early Separation from Service

Notwithstanding any time or form of payment elected by a Participant or specified by the Employer in an Election, Subsequent Election or pursuant to the Plan, a Long-Term Deferral and/or Short-Term Deferral shall be paid and distributed to a Participant by the Employer upon his/her Early Separation from Service in a single lump sum payment equal to the balance of the Participant's Account determined pursuant to Article VI. Provided, that any installment payments of a Short-Term Deferral to the Participant that have commenced and not been completed at such time shall continue to be paid in accordance with the existing schedule of payments.

7.7 Distribution and Payment of Plan Benefit Upon Disability

(a) If a Participant becomes Disabled, the Participant's Account shall be paid to the Participant, or the Participant's personal representative, upon the date the Participant is determined by the Committee to be Disabled. The Participant's Account shall be distributed in accordance with the Participant's Long-Term Deferral and Short-Term Deferral Elections if the Participant has attained the age of fifty (50) years and completed five (5) Years of Service upon the date the Participant is determined Disabled. If the Participant has not attained the age of fifty (50) years and completed five (5) Years of Service as of the date the Participant is determined to be Disabled, the Participant's Account shall be paid in a lump sum. Notwithstanding the foregoing, any installment payments of a Short-Term Deferral to the Participant that have commenced and not been completed at such time shall continue to be paid in accordance with the existing schedule of payments.

(b) Notwithstanding any other provisions of the Plan, if a Participant becomes disabled, the Committee may, in its sole discretion, cancel the Participant's deferral Election with respect to amounts to be deferred on or after the cancellation, by the end of the year during which the Participant becomes disabled, or if later, the 15th day of the third month following the date the Participant becomes disabled. For purposes of this Section 7.7(b), a Participant shall be disabled if the Participant is suffering from any medically determinable physical or mental impairment resulting in the

Participant's inability to perform the duties of his or her position or any substantially similar position, if such impairment can be expected to result in death or can be expected to last for a continuous period of not less than six (6) months. The Participant may elect to defer amounts for the Plan Year following his return to employment and for every Plan Year thereafter while an Eligible Employee, provided the Participant's deferral election complies with all the requirements of the Plan.

7.8 Distribution and Payment of Plan Benefit Upon Death

Upon the death of a Participant the Participant's Account shall be paid to the Participant's Beneficiary. If the Participant has elected Long-Term Deferral, the Plan Benefit shall be paid to the Beneficiary over the time period elected by the Participant commencing as soon as practicable after the time of death of the Participant. If the Participant has elected a Short-Term Deferral, the Plan Benefit shall be paid to the Beneficiary in a single lump sum payment. However, the Retirement Plan Excess Amount will be paid to the same beneficiary as the Retirement Plan benefit.

7.9 Payment of Deferrals for Unforeseeable Emergency

A Participant may submit a written request for a distribution on account of an Unforeseeable Emergency. Upon approval by the Committee of a Participant's request, the Participant's Account, or that portion of the Participant's Account deemed reasonably necessary by the Committee to satisfy the Unforeseeable Emergency (determined in a manner consistent with Code Section 409A) plus amounts necessary to pay taxes or penalties reasonably anticipated as a result of the distribution, will be distributed in a single lump sum payment. In addition, the Participant must continue to defer Compensation subsequent to such distribution in accordance with the Participant's Election and will not be permitted to elect to defer Compensation attributable to the calendar year subsequent to the calendar year of the distribution. The Committee shall have the sole discretion as to whether such distribution shall be made, and its determination shall be final and conclusive.

7.10 Commencement of Distributions and Payments

(a) The commencement of payments under Sections 7.2 and 7.3 shall begin at the time specified by the Participant in his or her Election consistent with the terms and provisions of the Plan and any Subsequent Election, and distributions required upon distribution events described in Sections 7.6 through 7.9 shall commence at the time provided in the Plan and any Subsequent Election (if applicable).

(b) Except as otherwise expressly specified in the Plan, a distribution or payment shall be treated as made upon the date specified under the Plan if the payment is made at such date or a later date within the same taxable year of the Participant or, if later, by the 15th day of the third calendar month following the date specified under the Plan and the Participant is not permitted, directly or indirectly, to designate the taxable year of the payment. In addition, a distribution or payment shall be treated as made upon the date specified under the Plan and shall not be treated as an

accelerated payment if the payment is made no earlier than thirty (30) days before the designated payment date and the Participant is not permitted, directly or indirectly to designate the taxable year of the payment. For purposes of this paragraph, if the date specified is only a designated taxable year of the Participant, or a period of time during such a taxable year, the date specified under the Plan is treated as the first day of such taxable year or the first day of the period of time during such taxable year, as applicable. If calculation of the amount of the distribution or payment is not administratively practicable due to events beyond the control of the Participant (or Participant's beneficiary), the distribution or payment will be treated as made upon the date specified under the Plan if the distribution or payment is made during the first taxable year of the Participant in which the calculation of the amount of the distribution or payment is administratively practicable. For purposes of this section, the inability of the Committee to calculate the amount or timing of a distribution or payment due to a failure of a Participant (or Participant's beneficiary) to provide reasonably available information necessary to make such calculation does not constitute an event beyond the control of the Participant.

(c) If a Participant elects to receive distributions in annual installments, the Participant's Account or portion thereof will be paid in substantially equal annual installments in consecutive years over the period elected by the Participant. During the Plan Year in which distributions commence, the Participant will receive the first installment commencing as described in Section 7.10(a) and each subsequent annual installments shall be paid in the year in which it is due after the first day of the month following the anniversary date of the commencement date. Any installment distribution that complies with Section 7.10(b) shall be deemed for all purposes to comply with the Plan requirements regarding the time and form of distributions.

7.11 Limited Cashout of Account Balances

The Committee may liquidate the Participants' interest under the plan in a single lump sum if the amount payable is not greater than the applicable dollar amount under Code Section 402(g)(1)(B), provided the payment represents the complete liquidation of the Participant's interest in the plan, including all agreements, methods, programs, or other arrangements with respect to which deferrals of compensation are treated as having been deferred under a single nonqualified deferred compensation plan under the Treasury Regulations issued under Code Section 409A. For purposes of this paragraph, plan shall be defined in accordance with the plan aggregation rules under Treasury Regulation Section 1.409A-1(c)(2). Consequently, multiple plans may exist with respect to a Participant's Plan Benefit under this paragraph.

7.12 Retirement Plan Excess Amount

The Employer shall pay to a Participant or his or her survivor Beneficiary, as the case may be, a Retirement Plan Excess Amount elected to be deferred and credited for the Participant by the Employer that shall be equal to the amount by which such Participant's retirement benefit under the Retirement Plan is reduced by reason of the deferred Compensation elected by the Participant

under the Plan not being taken into account in the calculation of such Participant's retirement benefit under the Retirement Plan, but only if such deferred Compensation is not taken into account in determining a retirement benefit or payment payable to such Participant under the ONE Gas, Inc., Supplemental Executive Retirement Plan (SERP), nor under any other plan, arrangement or agreement of the Employer other than this Plan.

The Retirement Plan Excess Amount payable to a Participant, or his or her Beneficiary, under this Section 7.12 shall be paid commencing at the date of the Participant's Normal Specified Time of Distribution under this Plan and the amount thereof shall be calculated pursuant to the Retirement Plan benefit formula in the manner it would be calculated if the Participant commenced payment of his/her Retirement Plan benefits at that time. However, if Participant is a SERP participant, the time and form of payment of the Participant's Retirement Plan Excess Amount under this Plan shall be the time and form of payment that the Participant has made or makes under the SERP as to the time and form of payment of his/her benefits under the SERP; provided that such election under the SERP shall be considered an election by the Participant under this Plan that is subject to application of all pertinent requirements, restrictions and limitations of this Plan with respect to the time of making and effect of an Election or Subsequent Election, and/or the prohibition of an acceleration of payment of the Retirement Plan Excess Amount; and provided further, that to the extent that such an election would not comply with any of such requirements, restrictions or limitations, the time of payment shall be the Normal Specified Time of Distribution. The Retirement Plan Excess Amount shall be paid in the form of a 50% joint and survivor annuity, as defined in the Retirement Plan, if the Participant is married at the time of the Employer's Election to credit the Participant's Account with a Retirement Plan Excess Amount, and shall be paid in the form of a single (straight) life annuity, as defined in the Retirement Plan, if the Participant is single at the time of the Employer's Election. The form of payment can be changed by Participant prior to commencement to another actuarially equivalent form of monthly annuity.

ARTICLE VIII.
BENEFICIARY DESIGNATION

8.1 <u>Beneficiary Designation</u>

Each Participant shall have the right, at any time, to designate any person(s) or entity(ies) as his or her Beneficiary to whom payment under the Plan shall be made in the event of the Participant's death prior to complete distribution to the Participant of his or her Account; provided, that the Retirement Plan Excess Amount shall be paid to the Participant's beneficiary for Retirement Plan benefits. Any Beneficiary designation shall be made in a written instrument provided by the Committee. All Beneficiary designations must be filed with the Committee and shall be effective only when received in writing by the Committee.

8.2 <u>Amendments</u>

Any Beneficiary designation may be changed by a Participant by the filing of a new Beneficiary designation, which will cancel all the Participant's prior Beneficiary designations filed with the Committee.

8.3 No Designation

If a Participant fails to designate a Beneficiary as provided above, or if all designated Beneficiaries predecease the Participant, then the Participant's designated Beneficiary shall be deemed to be the Participant's estate.

8.4 Effect of Payment

Payment to a Participant's Beneficiary (or, upon the death of a primary Beneficiary, to the contingent Beneficiary or, if none, to the Participant's estate) shall completely discharge the Employer's obligations under the Plan.

ARTICLE IX.
ADMINISTRATION

9.1 Plan Committee; Authority and Duties

(a) The Plan shall be administered by the Committee. The Committee and its members shall have no discretion to allow or cause distribution or payment of the Account or any deferred compensation to any Participant at a time or in a form or manner that is not in accordance with the terms and provisions of the Plan and the requirements of Code Section 409A.

(b) The Committee shall supervise the administration and operation of the Plan, may from time to time adopt rules and procedures governing the Plan and shall have authority to give interpretive rulings with respect to the Plan. The Committee shall have such other powers and duties as are specified in this Plan as the same may from time to time be constituted, and not in limitation but in amplification of the foregoing, the Committee shall have power, in its discretion to the exclusion of all other persons, to interpret the provisions of this instrument, to decide any disputes which may arise hereunder; to construe and determine the effect of Elections, beneficiary designations, and other actions and documents; to determine, in its discretion, all questions that shall arise under the Plan, including questions as to the rights of Employees to become Participants, as to the rights of Participants, any Beneficiary or other person with respect to the Plan, and including questions submitted by the trustee of a Trust created under Section 11.2, on all matters necessary for it properly to discharge its duties, powers, and obligations; to employ legal counsel, accountants, consultants and agents; to establish and modify such rules, procedures and regulations for carrying out the provisions of the Plan not inconsistent with the terms and provisions hereof, as the Committee, in its discretion, may determine; and in all things and respects whatsoever, without limitation, to direct the administration of the Plan and any such Trust with the trustee being subject to the direction of the Committee.

(c) 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.

(d) The Committee may adopt such rules and regulations with respect to the signature by an Employee, Participant and/or Beneficiary as to any agreements, Elections or other papers to be signed by Employees or Participants or Beneficiaries and similar matters as the Committee shall determine in view of the laws of any state or states.

(e) The Committee shall maintain or cause to be maintained complete and adequate records pertaining to the Plan, including but not limited to the Accounts of Participants, all matters involving any Trust of the Plan, and all other records which the Committee in its discretion determines are necessary or desirable in the administration of the Plan.

(f) Any act which the Plan authorizes or requires the Committee to do may be done by a majority of the then members of the Committee. The action of such majority of the members expressed either by a vote at a meeting or in writing without a meeting, shall constitute the action of the Committee and shall have the same effect for all purposes as if assented to by all of the members of the Committee at the time in office, provided, however, that the Committee may, in specific instances, authorize one (1) of its members to act for the Committee when and if it is found desirable and convenient to do so.

9.2 Delegation; Agents

The Committee may, at its discretion, delegate its administrative duties under the Plan to authorized representatives pursuant to a duly adopted resolution or a memorandum of action signed by all members of the Committee or approved via electronic transmission. All actions taken by its authorized representative shall have the same legal effect and shall be entitled to the same deference as if taken by the Committee itself. In addition, the Committee or its delegate may, from time to time, employ other agents and delegate to them such administrative duties as it sees fit, and may from time to time consult with counsel who may be counsel to the Corporation.

9.3 Binding Effect of Decisions

Any decision or action of the Committee with respect to any question arising out of or in connection with the administration, interpretation and application of the Plan shall be final and binding upon all persons having any interest in the Plan.

9.4 Indemnity of Committee

The Corporation shall indemnify and hold harmless the members of the Committee and their agents duly appointed under Section 9.2 against any and all claims, loss, damage, expense or liability arising from any action or failure to act with respect to the Plan, except in the case of gross negligence or willful misconduct by any such member or agent of the Committee.

ARTICLE X.
AMENDMENT AND TERMINATION OF PLAN

10.1 Amendment

(a) The Corporation, on behalf of itself and of each Subsidiary may by action of the Board at any time amend, modify, suspend or reinstate any or all of the provisions of the Plan, except that no such amendment, modification, suspension or reinstatement may adversely affect any Participant's Account, as it existed as of the day before the effective date of such amendment, modification, suspension or reinstatement, without such Participant's prior written consent.

(b) The Plan may also be so amended or modified by resolution of the ECC or by the ECC executing a written instrument containing such amendment or modification (pursuant to authority which has been duly delegated to the ECC by the Board and is hereby acknowledged and recognized); provided, that no amendment or modification of the Plan to increase any compensation of or benefits provided to Participants under the Plan, and no termination of the Plan shall be made unless such amendment or modification, or termination, is authorized pursuant to a resolution duly adopted by the Board. Any action by resolution or a written instrument by the ECC shall be presumed to be effective without necessity of further action or approval of the Board. In the event any issue should arise with respect to respective authority of the ECC, or of the Board, and amendments or modifications of the Plan made by them that are or appear to be inconsistent, final authority shall be reserved to and exercisable by the Board and its action to amend or modify the Plan shall take precedence.

10.2 Termination

The Corporation, on behalf of itself and of each Subsidiary, in its sole discretion, may by action pursuant to a resolution adopted by the Board terminate this Plan at any time and for any reason, with or without prior notice. Upon termination of the Plan, the Committee shall take those actions necessary to administer any Participant Accounts existing prior to the effective date of such termination; provided, however, that a termination of the Plan shall not adversely affect the value of a Participant's Account or the crediting of investment return under Section 6.2 without the Participant's prior written consent.

ARTICLE XI.
PLAN EFFECT, LIMITATIONS, MISCELLANEOUS PROVISIONS

11.1 Nature of Employer Obligation; Funding

Participants, their Beneficiaries, and their heirs, successors and assigns, shall have no secured interest or claim in any property or assets of the Employer. The Employer's obligation under the Plan shall be merely that of an unfunded and unsecured promise of the Employer to pay money in the future.

11.2 Trusts; Transfers of Assets, Property

(a) Notwithstanding the foregoing, in the event of a Change in Ownership or Control, the Corporation shall create an irrevocable Trust, or before such time the Corporation may create an irrevocable or revocable Trust, to hold funds to be used in payment of the obligations of Employers under the Plan.

(b) Notwithstanding anything otherwise expressed or implied herein, in the case of any assets set aside (directly or indirectly) in a such a Trust (or other arrangement determined by Treasury Regulations or otherwise pursuant to Code Section 409A) for purposes of paying deferred compensation under the Plan, no such assets (or such a Trust or other arrangement) shall ever be located or transferred outside the United States.

(c) In the event of a Change in Ownership or Control or prior thereto, the Employers shall fund such Trust in an amount equal to not less than the total value of the Participants' Accounts under the Plan as of the Determination Date immediately preceding the Change in Ownership or Control, provided that any funds contained therein shall remain liable for the claims of the general creditors of the respective Employers.

(d) Pursuant to this Section 11.2, the Corporation may, without further reference to or action by any Employee, Participant, or any Beneficiary from time to time enter into such further agreements with a trustee or other parties, and make such amendments to said trust agreement or such further agreements, as the Corporation may deem necessary or desirable to carry out the Plan; from time to time designate successor trustees of such a Trust; and from time to time take such other steps and execute such other instruments as the Corporation may deem necessary or desirable to carry out the Plan. The Committee shall advise the trustee of any such Trust in writing with respect to all Plan Benefits which become payable under the terms of the Plan and shall direct the trustee to pay such Plan Benefits from the respective Participants' Accounts, and the Committee shall have authority to otherwise deal with and direct the trustee of such a Trust in matters pertinent to the Plan.

(e) It is intended that any Trust created hereunder is to be treated as a "grantor" trust under the Code, and the establishment of such a Trust is not intended to cause a Participant to realize current income on amounts contributed thereto, such a Trust is not intended to cause the Plan to be "funded" under ERISA and the Code, and any such Trust shall be so interpreted, and such Trust shall be funded in a manner that assets set aside or transferred to such Trust shall not be treated under Code Section 409A as property transferred in connection with the performance of services by reason of such assets being located or transferred outside the United States.

(f) Notwithstanding anything to the contrary expressed or implied herein, no transfer of assets shall be made under or in connection with the Plan or compensation deferred under the Plan that would constitute a transfer of property within the

meaning of Code Section 83 with respect to such compensation by reason of such assets becoming restricted to the provision of benefits under the Plan in connection with a change in the Corporation's financial health, as provided for under Code Section 409A, and Treasury Regulations issued thereunder.

11.3 Nonassignability

No right or interest under the Plan of a Participant or his or her Beneficiary (or any person claiming through or under any of them), shall be assignable or transferable in any manner or be subject to alienation, anticipation, sale, pledge, encumbrance or other legal process or in any manner be liable for or subject to the debts or liabilities of any such Participant or Beneficiary. If any Participant or Beneficiary shall attempt to or shall transfer, assign, alienate, anticipate, sell, pledge or otherwise encumber his or her benefits hereunder or any part thereof, or if by reason of his or her bankruptcy or other event happening at any time such benefits would devolve upon anyone else or would not be enjoyed by him or her, then the Committee, in its discretion, may terminate such Participant's or Beneficiary's interest in any such benefit (including the Account) to the extent the Committee considers necessary or advisable to prevent or limit the effects of such occurrence. Termination shall be effected by filing a written instrument with the Secretary of the Corporation and making reasonable efforts to deliver a copy to the Participant or Beneficiary whose interest is adversely affected (the "Terminated Participant").

As long as the Terminated Participant is alive, any benefits affected by the termination shall be retained by the Employer and, in the Committee's sole and absolute judgment, may be paid to or expended for the benefit of the Terminated Participant, his or her spouse, his or her children or any other person or persons in fact dependent upon him or her in such a manner as the Committee shall deem proper. Upon the death of the Terminated Participant, all benefits withheld from him or her and not paid to others in accordance with the preceding sentence shall be disposed of according to the provisions of the Plan that would apply if he or she died prior to the time that all benefits to which he or she was entitled were paid to him or her.

11.4 Captions

The captions contained herein are for convenience only and shall not control or affect the meaning or construction hereof.

11.5 Code Section 409A

This Plan is intended to comply with Code Section 409A, the Treasury Regulations and other guidance promulgated or issued thereunder. The Employer shall not have any liability to a Participant with respect to tax obligations that result under any tax law and makes no representation with respect to the tax treatment of the payments and/or benefits provided under this Plan. Any provision required for compliance with Section 409A that is omitted from this Plan shall be incorporated herein by reference and shall apply retroactively, if necessary, and be deemed a part of this Plan to the same extent as though expressly set forth herein.

If, and to the extent required to comply with Section 409A, a termination of employment shall not be deemed to have occurred for purposes of any provision of this Plan providing for the payment of any amounts or benefits upon or following a termination of employment unless such termination

is also a "separation from service" (excluding death) within the meaning of Section 409A and, for purposes of any such provision of this Plan, references to a "resignation," "termination," "termination of employment" or like terms shall mean "separation from service" (excluding death).

11.6 Governing Law

The provisions of the Plan shall be construed and interpreted according to the laws of the State of Oklahoma except to the extent preempted by ERISA.

11.7 Successors

The provisions of the Plan shall bind and inure to the benefit of the Corporation, its Subsidiaries, and their respective successors and assigns. The term "successors" as used herein shall include any corporate or other business entity which shall, whether by merger, consolidation, purchase or otherwise, acquire all or substantially all of the business and assets of the Corporation or a Subsidiary and successors of any such corporation or other business entity.

11.8 No Right to Continued Service

Nothing contained herein shall be construed to confer upon any Eligible Employee the right to continue to serve as an Eligible Employee of the Employer or in any other capacity.

Executed this 12TH day of AUGUST, 2021, to be effective January 1, 2022.

ONE GAS, INC.

By: M. Bender
Name: MARK BENDER
Title: SVP- Administration

EXHIBIT A

ONE GAS, INC.
NONQUALIFIED DEFERRED COMPENSATION PLAN

Re: Section 2.1 — Investment Return
The Investment Return on a Participant's Account shall be the rate determined pursuant to the following:

A. A Participant shall designate in writing to the Committee or its designee such deemed investments of the amount or amounts of his/her Account in the manner and form, and at such times as prescribed by the Committee.

B. Unless otherwise determined in written action of the Committee that is described in a written explanation furnished to Participants prior to it becoming effective, the Plan shall provide for an Investment Return based upon the notional or deemed investments directed from time to time by the Participant in one or more of the investment options then being provided for participant directed investments under the Qualified Retirement Plan, excluding ONE Gas common stock. The Committee and its designees shall establish administrative procedures for allowing Participant direction of deemed investment and the determination of the Investment Return thereon.

C. A Participant shall be allowed to change such designation at least once each month, or more frequently as determined by the Committee, in its sole discretion. Such Investment Return shall be determined and calculated in the manner determined by the Committee, in its sole discretion, and added to or deducted from the amount(s) in a Participant's Account periodically, not less frequently than monthly. Such Investment Return rate shall be so credited to or deducted from the amount or amounts in a Participant's Account until all payments with respect thereto have been made to the Participant, or to the Participant's designated Beneficiary pursuant to the Plan. The Employer shall not be liable or otherwise responsible for any decrease in a Participant's Account because of the investment performance resulting from application of the foregoing provisions.

D. In no event shall any Participant or Beneficiary have a right to receive an amount under the Plan other than that of a general unsecured creditor of the Employer notwithstanding the foregoing provisions with respect to the measurement and determination of a Participant's Investment Return in his or her Account by reference to the performance of deemed investments in the Qualified Retirement Plan investment options designated by the Participant.

E. A Participant shall be entitled to elect to have the Investment Return credited to and deducted from his or her Account under the Plan. A Participant shall make an Election of such Investment Return at the time and in the manner prescribed by the Committee.

EXHIBIT B

ONE GAS, INC.
NONQUALIFIED DEFERRED COMPENSATION PLAN

Re: Section 6.2 — Crediting and Debiting of Investment Return, Other Items To Participant Accounts

A. The Account of each Participant shall be periodically credited and increased, or debited and reduced, as the case may be, by the amount of Investment Return specified under Section 6.3 of the Plan.

B. Except as otherwise provided herein, the Account shall be credited and debited with Investment Return, if any, not less frequently than on a monthly basis after such Accounts have been adjusted for any deferrals, credits, debits, distributions and payments.

C. A Participant's Account will be charged with the cost of any deemed purchases of securities and credited with proceeds of any deemed sales of securities which may be considered as made in respect to the Investment Return specified in Exhibit "A" of the Plan by reason of changes in deemed investments designated by such Participant, in substantially the same manner as would occur if such securities were being purchased or sold by a Participant under the Qualified Retirement Plan. The Committee may, in its sole discretion, allocate, charge and credit other items and amounts to such deemed purchases and sales in a manner comparable to the administration of such items under the Qualified Retirement Plan, as determined applicable.

D. All of a Participant's deferrals of Base Salary in a calendar month will be credited and debited with Investment Return from the date it otherwise would have been paid to the Participant.

E. A Participant deferral of Bonus will be credited and debited with Investment Return from the date it otherwise would have been paid to the Participant.

F. Matching Contributions, Profit Sharing Plan Excess Amounts, Retirement Plan Covered Compensation Excess Amounts and any Supplemental Credit Amounts will be credited and debited with Investment Return from the date such amounts are credited to Participant Accounts.

G. Until a Participant or his or her Beneficiary receives his or her entire account, the unpaid balance thereof shall be credited and debited with Investment Return provided in Section 6.2 of the Plan.

H. A Retirement Plan Excess Amount shall be determined, taken into account and made payable to a Participant as determined by the Committee in accordance with Section 7.12 of the Plan.

Exhibit 31.1

Certification

I, Robert S. McAnnally, certify that:

I have reviewed this quarterly report on Form 10-Q of ONE Gas, Inc.;

Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 2, 2021

/s/ Robert S. McAnnally
Robert S. McAnnally
Chief Executive Officer

Exhibit 31.2

Certification

I, Caron A. Lawhorn, certify that:

I have reviewed this quarterly report on Form 10-Q of ONE Gas, Inc.;

Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 2, 2021

/s/ Caron A. Lawhorn
Caron A. Lawhorn
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 Quarterly Report on Form 10-Q of ONE Gas, Inc. (the “Registrant”) for the period ending September 30, 2021, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Robert S. McAnnally, Chief Executive Officer of the Registrant, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) the Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

/s/ Robert S. McAnnally
Robert S. McAnnally
Chief Executive Officer

November 2, 2021

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 Quarterly Report on Form 10-Q of ONE Gas, Inc. (the "Registrant") for the period ending September 30, 2021, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Caron A. Lawhorn, 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 results of operations of the Registrant.

/s/ Caron A. Lawhorn
Caron A. Lawhorn
Chief Financial Officer

November 2, 2021

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.