

**BEFORE THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS**

In the Matter of the Application of Kansas)
Gas Service, a Division of ONE Gas, Inc.)
for Adjustment of its Natural Gas Rates in) Docket No. 24-KGSG-610 - RTS
the State of Kansas.)

**PUBLIC DIRECT TESTIMONY
OF
MEGAN Z. GOUGH
ON BEHALF OF KANSAS GAS SERVICE
A DIVISION OF ONE GAS, INC.**

MARCH 1, 2024

*****Denotes confidential information***.**

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OF
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ON BEHALF OF KANSAS GAS SERVICE
A DIVISION OF ONE GAS, INC.
DOCKET NO. 24-KGSG-___-RTS

1 **I. Position and Qualifications**

2 **Q. Please state your name and business address.**

3 A. My name is Megan Z. Gough, and my business address is 15 E. 5th Street Tulsa, OK
4 74103.

5 **Q. By whom are you employed and in what capacity?**

6 A. I am employed by ONE Gas, Inc. (“ONE Gas”) as the Manager of Compensation.
7 Kansas Gas Service (“KGS” or the “Company”) is a division of ONE Gas.

8 **Q. Please describe your education and professional experience.**

9 A. I received a Bachelor's in Business Administration with an emphasis in Human
10 Resources from Texas A&M University in 1996. I hold a Certified Compensation
11 Professional (“CCP”) designation from the globally recognized WorldatWork Total
12 Rewards Association. I began my employment with ONE Gas in July 2017, as the
13 Manager of Compensation. Prior to joining ONE Gas, I worked as a senior
14 compensation consultant at The Williams Companies, Inc. from 2008 to 2017
15 specializing in executive compensation and general compensation. Prior to my
16 employment at Williams, I worked in the semiconductor industry for DuPont
17 Photomasks, Inc. in Round Rock, Texas, a spin-off of E.I. DuPont de Nemours &
18 Company, as a compensation consultant from 1997 to 2003.

1 Q. Was this testimony prepared by you or under your direct supervision?

2 A. Yes, it was.

3 Q. Are you sponsoring any exhibits in connection with your testimony?

4 A. Yes, I sponsor the exhibits referenced within and attached hereto.

5 Q. Have you previously testified before the Kansas Corporation Commission
6 (“Commission”)?

7 A. No.

8 II. **Executive Summary**

9 Q. Please summarize the key issues you address.

10 A. My testimony describes the components of ONE Gas’ overall market-based
11 compensation program and supports the reasonableness and necessity of the
12 compensation and benefits-related expenses that KGS seeks to recover in this case.
13 In particular, I explain how ONE Gas uses performance metrics as part of its incentive
14 compensation plan, and how these metrics impact incentive compensation. I detail
15 how these metrics provide benefits to customers and KGS while at the same time
16 helping to attract and retain employees.

17 The Direct Testimony of Company Witness Ms. Keara Downum addresses the
18 adjustment made to incentive compensation. The Direct Testimony of Company
19 Witness Ms. Lorna Eaton addresses the Commission’s precedent concerning recovery
20 of incentive compensation for executives and KGS’s request to recover a portion of
21 the financially benchmarked incentive compensation provided to executives.

22 III. **ONE Gas Compensation Philosophy**

23 Q. Please explain ONE Gas’ employee compensation program.

24 A. ONE Gas’ employee compensation program is designed to attract, engage, motivate,
25 and retain employees. At the outset, it should be noted that the compensation program

1 discussed in this testimony is applicable for employees not subject to a specific
2 collective bargaining unit. The compensation program includes a combination of a
3 fixed component in the form of base pay and variable components in the form of
4 incentive compensation, which are comprised of short-term incentives ("STI") and
5 long-term incentives ("LTI"), if applicable. When determining or setting compensation,
6 ONE Gas' objective is to pay its employees, on average, at the 50th percentile of the
7 market for total compensation compared to peer companies. As a result, individual
8 pay is differentiated and may be below, at, or above the 50th percentile depending on
9 an employee's level of experience, knowledge, and performance. In this way, ONE
10 Gas aims to pay its employees at a reasonable level that is not too high or too low
11 compared to peer companies. The compensation program is reviewed at least
12 annually through an Annual Salary Review process to determine if changes or
13 revisions are necessary for ONE Gas to remain competitive with the marketplace.

14 **Q. Why does ONE Gas structure employee compensation into fixed and variable**
15 **components?**

16 A. ONE Gas structures its compensation plan to be consistent with market demands, and
17 all companies that ONE Gas competes with for employee talent have both fixed and
18 variable components of compensation. Variable compensation requires that both
19 individual employees and ONE Gas meet certain performance criteria for the
20 employee to realize an incentive award. Variable pay plans provide ONE Gas with
21 opportunities to attract, retain, engage, reward, and motivate qualified workers to
22 operate safely and efficiently in our communities. In this way, the ONE Gas
23 compensation plan incentivizes employees who work safely and productively, which
24 benefits KGS customers, communities, employees, and ONE Gas shareholders.

25 **Q. How does ONE Gas ensure that its compensation programs are reasonable?**

1 A. ONE Gas participates in salary surveys that are conducted by independent third-party
2 human resources or compensation consulting firms to determine proper pay ranges
3 and LTI and STI targets for each position. These may be general industry surveys or
4 specific to the energy or utilities sectors. Pay information is submitted and reviewed
5 on an annual basis, allowing ONE Gas to maintain relevant and competitive pay
6 ranges. Most positions are matched to multiple surveys. In short, ONE Gas relies on
7 surveys to establish pay (or market) ranges that are competitive with its peers.

8 **Q. What are some of the studies used to monitor market-based pay related to ONE**
9 **Gas employees?**

10 A. Some of the studies used to monitor market-based pay include:

- 11 • Willis Towers Watson (“WTW”) General Industry Mid-Management,
12 Profession, and Support;
- 13 • WTW Energy Services Mid-Management, Professional and Support;
- 14 • WTW Energy Services Executive Compensation;
- 15 • WTW American Gas Association Compensation;
- 16 • Mercer Energy Total Compensation; and
- 17 • Mercer Benchmark.

18 Several of these recent studies and study excerpts are included as confidential exhibits
19 to my testimony.

20 **Q. Does ONE Gas determine and monitor executive compensation similar to the**
21 **manner in which it determines and monitors other employee compensation?**

22 A. Yes, ONE Gas uses a market-based pay process for both executives and non-
23 executive employees. The Executive Compensation Committee of ONE Gas’ Board
24 of Directors and its independent executive compensation consultant, Meridian
25 Compensation Partners, LLC, review executive market data of ONE Gas’ peers. The

1 compensation peers are selected because of their similarities to ONE Gas, including
2 their business, size of their operations, and the skills and experience required of their
3 senior management. A list of peer companies included in the review is contained in
4 ONE Gas' 2023 Proxy Statement on page 49. As it does for all positions, ONE Gas
5 strives to pay experienced executives at the median level of total compensation for
6 peer companies. On page 6 of confidential Exhibit MZG-1, Willis Towers Watson
7 states, *** [REDACTED]

8 [REDACTED] ***

9 **Q. How should ONE Gas' compensation package be viewed?**

10 A. The compensation ONE Gas offers employees should be viewed as a comprehensive
11 compensation package. On a combined basis, considering base salaries and
12 incentive compensation, the Company is generally at the median of comparable
13 energy company industry levels. The Compensation Study provided in confidential
14 Exhibit MZG-1 illustrates that employee groups (non-exempt, professional, etc.) at
15 ONE Gas and KGS have salaries and incentives valued within a competitive position
16 of the market median. On page 3 of confidential Exhibit MGZ-1, Willis Towers Watson
17 concludes that, *** [REDACTED]

18 [REDACTED]

19 [REDACTED]

20 [REDACTED] *** WTW's assessment included the review of small and
21 large utility peers as well as the general industry.

22 **Q. What data demonstrates that ONE Gas must offer incentive compensation
23 opportunities to attract and retain employees?**

24 A. The utility industry in general continues to provide incentive compensation as part of
25 the compensation awarded to employees. This has been a consistent form of

1 compensation to attract, engage, reward, motivate, and retain employees for many
2 years. The points below indicate that almost all public utilities rely upon some form of
3 incentive compensation as part of their overall compensation structure:

- 4 • The WTW 2023 Long-Term Incentives Policies and Practices Survey Report

5 U.S. excerpt - ***

6 [REDACTED] ***

7 (page 5, confidential Exhibit MZG-2);

- 8 • All companies in the large and small peer groups studied by WTW offer STI
9 and LTI; and
- 10 • All the companies in our executive compensation benchmarking group offer
11 broad-based STI and LTI programs.

12 **Q. What consequences would ONE Gas experience if it did not offer a**
13 **comprehensive compensation package?**

14 A. If ONE Gas did not offer a comprehensive compensation package, ONE Gas and KGS
15 would expect to experience: (1) a departure of skilled employees; (2) reduced levels
16 of service and customer satisfaction; (3) lower employee engagement; (4) increased
17 turnover costs; and (5) difficulty attracting and retaining employees. It is even more
18 important to offer competitive compensation packages with today's tight labor market
19 to help ensure a stable workforce to deliver safe and reliable services to our
20 customers. Without some form of incentive compensation, highly motivated and high-
21 performing employees will seek employment opportunities where employees with their
22 skillsets are provided an opportunity to earn compensation beyond their base pay. A
23 comprehensive compensation package, including incentive compensation, helps to
24 create and retain an engaged, skilled, safe, and high performing workforce.

1 **Q. What consequences would result if ONE Gas were to eliminate incentive**
2 **compensation and increase base pay accordingly?**

3 A. If incentive compensation were moved to base pay, several consequences would
4 occur. First, it would impact the Commission's and the Company's ability to determine
5 whether employees' compensation is within a reasonable range. For instance, page
6 7 of the WTW study states that *** [REDACTED]

7 [REDACTED]
8 [REDACTED] *** ONE Gas' and KGS peer companies use of a base and incentive
9 compensation structure is aligned with the energy industry and is how WTW and the
10 Company were able to determine that KGS' salaries are competitive with market
11 median levels.

12 Second, moving incentive compensation would result in confusing optics for
13 regulatory review. Essentially, by shifting incentive compensation to base pay, all else
14 being equal, the overall compensation level may be the same. To illustrate, if
15 Company A pays \$100 and Company B pays \$80 plus a \$20 incentive if certain metrics
16 are met, the salaries would be comparable assuming Company B pays its incentive.
17 However, as a starting point it appears Company A pays more because the salary
18 level paid by Company A is not dependent on any at-risk incentives.

19 The example above assumes the incentive compensation metrics were met,
20 resulting in a comparable target payout. However, if incentive compensation was
21 moved entirely to base pay for Company A, and Company B does not pay the incentive
22 compensation, then Company A's compensation, which relies solely on base salary,
23 would be overstated and not comparable to its peer companies. To reiterate,
24 compensating employees based solely on base pay would place ONE Gas and KGS
25 at a disadvantage because knowledge and insight gained through having comparable

1 compensation plans to industry peers would be limited, misaligned, or even overstated
2 when determining competitive pay packages.

3 Having the incentive compensation component places a portion of an employee's
4 pay at risk in an effort to encourage productive employee behavior that leads to
5 favorable safety, operational, and financial results for the benefit of customers. If the
6 threshold objectives of this plan are not met, the incentive will not be paid. This
7 encourages our employees to be invested in the safety and financial health of our
8 company.

9 The Company's ability to attract, engage, motivate, and retain highly skilled
10 employees has a very real and direct impact to KGS customers. Not only are ONE
11 Gas and KGS competing with other utilities for talented employees, but ONE Gas and
12 KGS also competes with non-regulated businesses that offer incentive compensation.
13 Providing employees the opportunity to earn incentive compensation in addition to
14 base pay is an integral component of ONE Gas' compensation package.

15 **Q. You mention retaining employees throughout your testimony, how has this**
16 **recently proven to be an important part of offering incentive compensation?**

17 A. These past few years, retention has become even more important. KGS operations
18 were significantly affected by COVID and recent extreme weather events, including
19 Winter Storm Uri in 2021, Winter Storm Elliot in 2022 and most recently Winter Storm
20 Gerri. During COVID and these periods of adverse weather conditions, KGS
21 experienced contract labor shortages, delayed delivery times, lower quantities of
22 necessary materials and supplies, and fleet vehicle shortages. During the winter
23 storms, KGS's priority was to provide safe and reliable service for the human needs
24 customers. To do so, employees across KGS and ONE Gas worked tirelessly and
25 collaborated on a daily (and sometimes hourly) basis including Operations,

1 Engineering, Gas Supply, Communications, Rates, Legal and ONE Gas management.
2 During each of these storms, KGS maintained service to almost all of its residential
3 customers throughout the state, with no significant customer outages reported due to
4 system reliability.

5 Operation supervisors, project coordinators, and engineers, along with other
6 supervisory or leadership positions, were working to monitor employee reports related
7 to critical equipment and address system constraints identified by our engineering
8 team. For example, operations supervisors continuously monitored system pressures
9 in the event actions were necessary to maintain service. Under the direct supervision
10 of the KGS management team, service technicians, construction and maintenance
11 crews, and pressure and measurement technicians were also on site at various district
12 regulator and town border stations across the KGS operating areas in the event
13 operating conditions required adjustment to maintain system integrity.

14 The average tenure for active non-bargaining unit employees is 13.2 years and 9
15 years for KGS and ONE Gas, respectively. It can take eighteen months to train a field
16 technician before they are fully qualified to perform work on the system. However, it
17 takes years for supervisors to develop the institutional knowledge and skills for those
18 leadership positions to preserve and pass on to new hires and a diverse workforce.
19 KGS employs qualified, experienced, and skilled employees to ensure that it provides
20 safe and reliable service. Due to recent market conditions, a tight labor force, and
21 rising labor costs, KGS faces competition for employees from other industries. KGS
22 pays a reasonable salary but cannot always compete with the salaries being offered
23 by other employers. KGS must also invest in necessary training and development of
24 its employees. There have been instances when KGS loses employees to a higher
25 paying job opportunity.

1 Having an incentive compensation program, which includes financial metrics,
2 encourages employees to make purposeful and financially responsible decisions and
3 to be good stewards of the Company's resources. ONE Gas' incentive compensation
4 program also strengthens retention, furthers the development of natural gas
5 knowledge and experience, and motivates employees to be vested in meeting or
6 exceeding the safety, operational, and financial goals set by ONE Gas.

7 **Q. Are KGS's requested incentive compensation costs necessary and reasonable?**

8 A. Yes, KGS's requested incentive compensation is both necessary and reasonable. The
9 STI and LTI costs KGS seeks to recover are necessary costs the Company incurs to
10 provide service to its customers. KGS and ONE Gas employees perform a variety of
11 functions that are integral for providing safe, reliable, and affordable energy to
12 customers. From field supervisors who ensure the safety of customer premises, to
13 engineers who design and operate our system, the costs KGS incurs to attract and
14 retain dedicated employees are real costs necessary to serve customers. Since well-
15 trained and motivated employees are critical to operating a public utility, KGS's
16 incentive compensation is a necessary part of the Company's operations. Likewise,
17 KGS's requested incentive compensation is reasonable. Overall, KGS's incentive
18 compensation costs are generally at the median of the market.

19 **Q. Are there any unique aspects of ONE Gas that support the reasonableness and
20 necessity of the incentive compensation costs KGS is requesting in this case?**

21 A. Yes, as I stated previously, ONE Gas is a fully regulated entity and operates only
22 regulated local distribution companies, including KGS. Due to ONE Gas' fully
23 regulated nature, all of the work performed by ONE Gas and KGS employees is
24 focused on serving customer interests and operating a safe and reliable system.
25 Because efforts from all employees are directed towards meeting customer needs, the

1 compensation costs KGS incurs and is seeking to recover in this case are reasonable
2 and necessary for the provision of service.

3 **IV. Compensation Components**

4 **Q. What are the compensation components?**

5 A. Compensation is comprised of several components, including base pay and incentive
6 programs commonly known as STI and LTI. STI and LTI are commonly referred to as
7 at-risk pay. STI is awarded to all employees, not subject to a specific collective
8 bargaining unit, based on first meeting specific company metrics and then meeting
9 individual performance standards. STI provides meaningful incentives for employees
10 to operate with an emphasis on safety and customer service along with ONE Gas'
11 financial performance. LTI is only awarded to a select group of employees. ONE Gas
12 also offers benefits such as health and welfare, well-being, and retirement plans, which
13 are considered part of the overall employee total rewards package.

14 **Q. Please explain base pay.**

15 A. Base pay is designed to compensate employees based on the skills and competencies
16 required for their position, proficiency level, experience, consistent performance level,
17 and the overall value the employee brings to the position. Other components
18 considered when determining base pay include workforce availability in the
19 marketplace, employer needs, location, cost of labor, and economic conditions. Base
20 pay is reviewed at least annually for all non-bargaining unit employees, with any
21 resulting pay increases awarded in December to remain competitive with the
22 marketplace. This process is known as the Annual Salary Review.

23 **Q. Can you now explain the incentive compensation programs ONE Gas offers to**
24 **its employees?**

1 A. ONE Gas has two incentive compensation programs: (1) the Annual Employee
2 Incentive Plan and the Annual Officer Incentive Plan, which collectively are identified
3 as ONE Gas' "STI Plan", and (2) the Equity Compensation Plan, which is identified as
4 LTI.

5 **Q. How are the metrics in the STI and LTI plans designed?**

6 A. ONE Gas relies on recent market studies to design the incentive plans. The metrics,
7 explained in detail below, are designed to encourage productive employee behavior
8 that leads to favorable safety, operational, and financial results for the benefit of
9 customers.

10 **a. Short Term Incentive Plan**

11 **Q. Please explain ONE Gas' STI Plan.**

12 A. The Annual Employee Incentive Plan and the Annual Officer Incentive Plan provides
13 an annual, lump-sum cash amount based on specific employee and ONE Gas
14 performance criteria. All full-time employees of ONE Gas and its divisions, except for
15 those employees affiliated with collective bargaining units, are eligible to participate in
16 the STI Plan. STI awards are calculated using four variables: an employee's base
17 wages earned times the employee's STI target (determined by their position and based
18 on market studies) times the ONE Gas performance modifier times their individual
19 performance modifier. The ONE Gas performance modifier measures multiple
20 categories to encourage all employees to operate safely, efficiently, and in a fiscally
21 responsible manner.

22 STI provides employees with an incentive to provide the safe delivery of energy to
23 our customers, excellent customer service, and high-quality work. It is designed to
24 engage and motivate employees to operate safely and efficiently in their day-to-day
25 activities. On page 7 of confidential Exhibit MZG-1, Willis Towers Watson identifies

1 that *** [REDACTED]
2 [REDACTED] *** The details of ONE Gas' STI Plan are set forth in
3 confidential Exhibit MZG-3 and Exhibit MZG-4.

4 **Q. What performance metrics are included in the STI Plan?**

5 A. The ONE Gas performance metrics included in the STI Plan are:

- 6 1. Preventable Vehicle Incident Rate ("PVIR"),
- 7 2. Days Away, Restricted or Transferred ("DART"),
- 8 3. Emergency Response Time ("ERT"),
- 9 4. Emissions Reduction ("ER"), and
- 10 5. diluted Earnings Per Share ("EPS").

11 For any of the five individual STI metrics to contribute toward an incentive payout, ONE
12 Gas must achieve at least the threshold performance level for the metric. Any metric
13 for which the threshold is not achieved will not contribute toward an incentive payout.
14 Lastly, an individual's STI award may increase or decrease based on their individual
15 work performance.

16 **Q. Does the STI plan offer employees the opportunity to earn payouts above the**
17 **100% target?**

18 A. Yes. As I have noted, ONE Gas designs its compensation plans to compensate
19 employees at the median of the market and to do so in a way that is comparable to
20 incentive opportunities at peer companies. The Compensation Study provided in
21 confidential Exhibit MZG-1, page 8, reflects that *** [REDACTED]

22 [REDACTED] *** For this
23 reason, offering employees payouts that range from 0% to 150% helps ONE Gas
24 maintain compensation that is competitive with the median of the market. In fact, up

1 to 45% of the peer companies ONE Gas competes with for employees offer a
2 maximum incentive payout at the 200% level.

3 **Q. What consequences could result if the ONE Gas STI Plan did not include**
4 **opportunities for employees to be awarded at a level greater than the 100%**
5 **target?**

6 A. If ONE Gas did not offer the opportunity for STI awards to exceed the 100% target, it
7 would risk losing a motivational element in the plan design. By structuring a STI plan
8 that offers additional compensation for exceeding performance targets, ONE Gas is
9 able to reward employees when their own efforts exceed expectations or help ONE
10 Gas exceed the target for the safety, operational, and financial goals in the plan.
11 Likewise, if the employee or ONE Gas does not achieve its performance targets, the
12 payouts would be below target and/or threshold.

13 **Q. How is the individual employee performance measured?**

14 A. Employees are evaluated on job-related goals and objectives established at the
15 beginning of each year. Operational employee goals may include, but are not limited
16 to, safety, productivity, efficiency, leadership, team collaboration, quality and reliability
17 of service and customer satisfaction. For example, related to the chart below, the
18 performance of a GIS Tech Specialist and a Customer Service Specialist, which are
19 both roles not subject to a specific collective bargaining unit, would be assessed based
20 on various factors that impact how effectively and efficiently information is
21 professionally delivered to customers.

22 Each employee's performance is a key factor in calculating their STI
23 compensation. Individual performance is ranked at five levels: (a) does not meet
24 expectations; (b) needs improvement; (c) meets expectations; (d) exceeds
25 expectations; or (e) far exceeds expectations. If an employee does not meet

1 expectations or needs improvement, their incentive compensation will be eliminated
 2 altogether or limited to some extent. Conversely, there may be some employees who
 3 receive a larger incentive if they exceed performance expectations. This is reasonable
 4 as employees should be rewarded for the ways in which their actions exceed
 5 performance expectations related to the overall safety, operational efficiency, and
 6 quality of service delivered to our customers, as well as the financial health of ONE
 7 Gas. Rewarding employees for actions that contribute to a safe environment while
 8 providing quality and efficient service to our customers and the Company, promotes
 9 positive behavior, a supportive customer experience, and is reasonable to recover in
 10 rates.

11 **Q. Can you provide payout examples for employees in the STI Plan?**

12 A. Below are actual examples of employee STI payouts for a GIS Tech Specialist and a
 13 Customer Service Specialist, which are employees who regularly interact with and
 14 serve customers. The GIS Tech Specialist in the example below had \$56,000 in base
 15 wages and a 6% incentive target. The Customer Service Specialist had \$58,000 in
 16 base wages and a 6% incentive target. ONE Gas performance resulted in a company
 17 modifier of 108.15%. One employee earned an individual performance modifier of
 18 100%, while the other achieved 90%. The individual modifiers are based on the
 19 employee's performance throughout the year. The calculations are as follows:

GIS Tech Specialist							
Base Wages Earned	x	STI Incentive Target	x	Individual Modifier	x	Company Modifier	= STI
\$56,000	x	6%	x	100%	x	108.15%	= \$3,634
Customer Service Specialist							

Base Wages Earned	x	STI Incentive Target	x	Individual Modifier	x	Company Modifier	=	STI
\$58,000	x	6%	x	90%	x	108.15%	=	\$3,387

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As the examples demonstrate, the GIS Tech Specialist and the Customer Service Specialist must meet individual performance metrics and ONE Gas must (through the company modifier) have met safety and performance goals and managed costs effectively in a given year for an employee to receive STI. These examples show that STI pay amounts are reasonable and beneficial to an employee's total cash compensation.

Q. What goal is ONE Gas trying to achieve through the combination of metrics in the STI Plan?

A. Achieving the metrics in the STI Plan encourages employees to: (a) provide safe, timely, and reliable service; (b) practice safe driving and operating behaviors; (c) participate in the company's commitment to emission reduction through execution of the replacement of vintage pipeline materials; and (d) be good stewards of resources by encouraging decisions that help manage the Company's costs.

The combination of these criteria is key to safely providing reliable service to our customers at reasonable rates, as well as providing a balanced approach for attracting, engaging, motivating, and retaining a high-performing employee workforce appropriate for the needs and requirements of ONE Gas, KGS, and its customers. In this way, the metrics in the STI Plan encourage employee actions and performance that come together to provide benefits to customers, employees, and shareholders rather than creating a situation in which certain types of metrics benefit only one stakeholder group. In fact, utilizing safety metrics in the STI Plan has allowed ONE

1 Gas to remain one of the top safety performers amongst American Gas Association
2 peers thus benefiting ONE Gas, KGS, and its customers.

3 **b. Long Term Incentive Plan**

4 **Q. Please explain the LTI plan.**

5 A. ONE Gas has an LTI Plan in which two types of LTI equity awards (grants of ONE Gas
6 stock) are available to executives and certain key employees. 127 non-officers
7 received an LTI grant in February 2023. The payout that vested in February 2023,
8 included 108 non-officers. ONE Gas' LTI plan is included as Exhibit MZG-5 to my
9 testimony. LTI awards are approved and granted on an annual cycle, typically in the
10 first quarter of each fiscal year. The ONE Gas Board of Directors' Executive
11 Compensation Committee oversees the Equity Compensation Plan, approves all
12 executive LTI grants, and receives information on all non-executive LTI grants.

13 In 2023, ONE Gas granted two forms of LTI compensation: Restricted Stock Units
14 and Performance Stock Units. A higher ratio of Performance Stock Units to Restricted
15 Stock Units is granted to participants with a more direct ability to impact the overall
16 performance of ONE Gas. The grant values were based on position and base salary
17 utilizing compensation survey data. In addition to position and base salary, employee
18 performance, employee potential, long-term value to ONE Gas, criticality of the job or
19 a unique skill set and our desire to retain quality employees are considered in
20 determining employee eligibility. LTI awards cliff vest three years after the grant to
21 encourage long-term improvements, safe operations, and financial awareness in key
22 employees and to provide an incentive to remain employed with ONE Gas.

23 The Long-Term Incentives Policies and Practices Survey Report U.S. provided in
24 confidential Exhibit MZG-2, at pages 4-5, identifies that *** [REDACTED]

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[REDACTED]

[REDACTED]***

Q. Please explain the difference between restricted stock units and performance stock units.

A. Restricted Stock Units are granted for a term of three years from the date of the grant, with the participant being vested and entitled to receive one share of ONE Gas common stock for each restricted stock unit granted after three years of employment following the grant date. Restricted Stock Units are service-based equity awards and are not based on the financial performance of ONE Gas. Instead, Restricted Stock Units are a form of compensation that depend entirely on an employee’s tenure with ONE Gas. Restricted Stock Units are designed to encourage the retention of key employees, reducing turnover costs and retaining experienced employees who contribute to the overall success and stability of the organization.

Performance Stock Units also cliff vest three years from the date of the grant, at which time the employee is entitled to receive a percentage of the Performance Stock Units granted in shares of ONE Gas common stock. The number of shares of common stock awarded will range from 0% to 200% of the number of units granted based upon ONE Gas’ performance as measured by its three-year total shareholder return (“TSR”) compared with a designated peer group of utility companies established each year by the ONE Gas Board of Directors’ Executive Compensation Committee over the same three-year measurement period. If the ONE Gas TSR equals the 50th percentile of the TSR earned by the peer companies over the measurement period, participants will receive 100% of the Performance Stock Units granted. A performance scale calibrates the potential number of performance stock units earned, with a 25th percentile TSR performance compared to the peer group equating to an award of 50% of the

1 Performance Stock Units granted and a 90th percentile performance compared to the
2 peer group equating to a payment of 200% of the Performance Stock Units granted.
3 If the ONE Gas TSR falls below the 25th percentile TSR of the peer group, participants
4 will not receive an award for any of the Performance Stock Units granted at the start
5 of the measurement period. This measurement is commonly referred to as relative
6 TSR. As I explain below, relative TSR is a common measure of long-term performance
7 associated with utility performance plans such as the ONE Gas Performance Stock
8 Units.

9 **Q. What is the purpose of offering LTI?**

10 A. LTI grants, along with base pay and STI, are necessary for certain positions to allow
11 ONE Gas to compete with peers in the market. LTI is also necessary to attract, retain,
12 engage, and motivate key employees, including executives, and encourages them to
13 make operational decisions that create value for customers, employees, and other
14 stakeholders. Generally, participants who receive LTI are those employees who are
15 in a position to significantly contribute to the operational and financial stability of ONE
16 Gas.

17 **Q. Is it appropriate for performance stock units to be linked to financial goals?**

18 A. Yes, linking the award of ONE Gas Performance Stock Units to financial goals is a
19 consistent standard across the marketplace. The most common financial metric used
20 to evaluate company performance in an LTI plan is TSR, with ***[REDACTED]*** of energy
21 companies using that metric according to page 6 of the WTW 2023 Long-Term
22 Incentives Policies and Practices Survey Report U.S. excerpt - LTI Prevalence
23 provided in confidential Exhibit MZG-2. The ONE Gas LTI plan design relies on TSR
24 since it is the most common approach among the majority of peer companies, is

1 evaluated annually to ensure that ONE Gas remains competitive with the market and
2 ensures alignment to our shareholders' experience.

3 **Q. Why does the LTI program offer payouts for performance stock units in excess**
4 **of the 100% target for TSR performance?**

5 A. As mentioned previously, if ONE Gas did not offer the opportunity for payouts to
6 exceed target when ONE Gas' performance exceeds the 100% target, we would run
7 the risk of losing a motivational and retention element in the plan design. All
8 performance-based LTI programs within the market offer a range of opportunities,
9 typically from 0% to 200% of target measured by relative TSR. When ONE Gas
10 performs above its peers, a higher payout is competitive and motivates employees just
11 like a lower or zero payout is competitive when the company performs below peers.

12 **Q. What does ONE Gas hope to achieve through the LTI plan?**

13 A. The LTI plan enables ONE Gas to compete in the market in order to attract, engage,
14 motivate, and retain quality executives and key employees. This encourages
15 employees to continuously improve performance, which directly benefits customers
16 through a focus on safe, reliable and efficient service at reasonable rates. Retaining
17 key employees also improves system and operations knowledge and reduces the
18 need (and cost) to recruit, hire and train employees to replace employees who might
19 leave ONE Gas or KGS if we did not compensate them competitively in the market.

20 **V. Recovery of Incentive Compensation**

21 **Q. What incentive compensation cost does KGS seek to recover in this case?**

22 A. KGS seeks to recover 2023 STI costs limited to 50% of STI based on financial metrics
23 for Officers and limited to 100% of target for Officers and Non-Officers. Company
24 witness Ms. Keara Downum's Direct Testimony supports the STI adjustment removing
25 50% of the financial metric portion of STI for Officers and removal of STI in excess of

1 100 percent for Officers and non-officers. KGS also seeks to recover a portion of its
2 LTI costs incurred during the test year. Ms. Keara Downum's Direct Testimony
3 supports the LTI adjustment removing 50% of the Performance and Restricted LTI for
4 Officers. Ms. Lorna Eaton provides support for the Company's request to vary from
5 the Commission's decision related to incentive compensation within the Order issued
6 in Docket No. 19-ATMG-525-RTS, which has been deemed precedential by the
7 Commission, because the Company can show that the financial metrics used by ONE
8 Gas benefit both shareholders and customers. The Company's request falls within the
9 exception to the Commission's decision, which allows for recovery of incentive
10 compensation that is shown to directly provide benefits to customers.

11 **VI. General Benefits**

12 **Q. What are the components of ONE Gas' benefit plans?**

13 A. ONE Gas provides a competitive range of benefits to its employees that include: (a)
14 medical, dental, and vision insurance; (b) basic life insurance; (c) basic accidental
15 death and dismemberment; (d) short-term and long-term disability; (e) voluntary
16 benefits; (f) an Employee Assistance Program (EAP); (g) 401(k) plan; (h) Profit Sharing
17 Plan or Retirement Plan; and (i) an Employee Stock Purchase Plan (ESPP). These
18 benefit programs are offered to employees, who may elect to participate in certain
19 benefits at varying levels.

20 **Q. Has ONE Gas taken any measures to help manage its health benefit costs?**

21 A. Yes. ONE Gas' goal is to provide benefits that are competitive in the marketplace and
22 allow ONE Gas to attract, retain, engage, and motivate, a quality workforce. ONE Gas
23 compares the benefits it offers employees with that of peer companies to ensure
24 market competitiveness. Having a quality workforce is key to providing safe, reliable
25 and efficient service to the Company's customers. ONE Gas contracts with market

1 standard health care vendors to provide reliable service to our employees and their
2 dependents while helping ONE Gas to control health care costs. ONE Gas has a
3 process for auditing vendor administration fees and participant eligibility to ensure
4 efficient administration and has performance guarantees in place to help ensure high
5 quality vendor management. ONE Gas continues to partner with a pharmacy benefit
6 manager to help control pharmacy cost. The Company has expanded the virtual visit
7 option for medical and mental health visits which in turn reduced cost to the plan while
8 allowing safe and reliable health care to our participants. ONE Gas has regular
9 governance meetings with current healthcare vendors that provide support to
10 employees helping them to navigate and identify quality providers, review medical bills
11 for accuracy, and provide second opinions to avoid unnecessary medical procedures
12 or identify better therapies with more favorable outcomes.

13 In addition, employees' dependents over age 18 are required to identify whether
14 they use tobacco products. Those who do pay a premium surcharge. ONE Gas also
15 offers a tobacco cessation program for employees and dependents over age 18 who
16 wish to stop smoking or using tobacco products. The tobacco surcharge, in turn
17 reduces ONE Gas health claim costs. ONE Gas contracts with health carriers to
18 provide several programs to ensure early detection of potential health concerns to
19 produce quality outcomes and help manage health care trends.

20 **Q. Why is it important that ONE Gas benefit programs are comparable with its**
21 **industry peers?**

22 A. ONE Gas provides competitive benefits because it competes with other utilities and
23 local companies and businesses for talented employees to meet its goal of providing
24 safe, reliable service to customers at a reasonable cost. Additionally, most of our
25 employees have transferable skills, meaning they can go work in the broader energy

1 industry or a completely unrelated industry. We compete with the broader marketplace
2 to attract, engage, motivate, and retain employees that will support our business of
3 providing natural gas to our customers safely and reliably. Part of that attraction,
4 engagement, motivation, and retention is that ONE Gas' pay and benefits must be
5 competitive in the industry and local market. See confidential Exhibit MZG-6 for an
6 independent study showing the value of ONE Gas' benefits are comparable to peer
7 companies and approximately at the median value.

8 **VII. Conclusion**

9 **Q. Are compensation plan costs incurred by ONE Gas reasonable and necessary?**

10 A. Yes. The Company targets the median (50th percentile) of the local market and peer
11 groups in the locations in which it operates to set pay and benefits. By reducing or
12 eliminating any element of our total direct compensation, we would not be competitive
13 in the market. Competitive pay and benefit plans are a necessary cost of doing
14 business in order to attract, motivate, and retain qualified employees, which benefits
15 the customer and communities by ensuring the delivery of safe, reliable, and efficient
16 service.

17 **Q. Does this conclude your testimony.**

18 A. Yes, it does.

1

LIST OF EXHIBITS

- Exhibit MZG-1 Willis Towers Watson 2024 General Rate Case Total Compensation Study for KGS (CONFIDENTIAL)
- Exhibit MZG-2 Willis Towers Watson 2023 Long-Term Incentives Policies and Practices Survey Report U.S. - LTI Prevalence (CONFIDENTIAL)
- Exhibit MZG-3 ONE Gas_ Inc. 2023 Annual Employee Short-Term Incentive Plan (CONFIDENTIAL)
- Exhibit MZG-4 ONE Gas_ Inc. 2023 Annual Officer Short-Term Incentive Plan
- Exhibit MZG-5 ONE Gas_ Inc. 2023 Amended and Restated Equity Compensation Plan
- Exhibit MZG-6 ONE Gas_ Inc. 2022 Ben Val Study (CONFIDENTIAL)

2

VERIFICATION


STATE OF OKLAHOMA)
) ss.
COUNTY OF TULSA)

Megan Z. Gough, being duly sworn upon her oath, deposes and states that she is the Manager of Compensation for ONE Gas, Inc.; that she has read and is familiar with the foregoing Direct Testimony filed herewith; and that the statements made therein are true to the best of her knowledge, information, and belief.


Megan Z. Gough

Subscribed and sworn to before me this 28 day of February 2024.




NOTARY PUBLIC

My appointment Expires: 3/1/25

In the Matter of the Application of Kansas)
Gas Service, a Division of ONE Gas, Inc.)
for Adjustment of its Natural Gas Rates in) Docket No. 24-KGSG-____ - RTS
the State of Kansas.)

CONFIDENTIAL

Exhibit MZG-1

REDACTED

In the Matter of the Application of Kansas)
Gas Service, a Division of ONE Gas, Inc.)
for Adjustment of its Natural Gas Rates in) Docket No. 24-KGSG-____ - RTS
the State of Kansas.)

CONFIDENTIAL

Exhibit MZG-2

REDACTED

In the Matter of the Application of Kansas)
Gas Service, a Division of ONE Gas, Inc.)
for Adjustment of its Natural Gas Rates in) Docket No. 24-KGSG-____ - RTS
the State of Kansas.)

CONFIDENTIAL

Exhibit MZG-3

REDACTED

ONE GAS, INC.
ANNUAL OFFICER INCENTIVE PLAN
Amended and Restated
Effective January 1, 2020

ARTICLE I
PURPOSE

1.1 *Purpose of the Plan.* The ONE Gas, Inc. Annual Officer Incentive Plan (the “Plan”) is a performance-based annual bonus program. The purpose of the Plan is to provide cash-based incentive compensation to those officers who, in the opinion of ONE Gas, Inc. (the “Company”), contribute significantly to the growth and success of the Company; and to align the interests of those who hold positions of major responsibility in the Company with the interests of Company shareholders.

ARTICLE II
DEFINITIONS

Unless context otherwise indicates, the following definitions shall be applicable:

2.1 “*Award*” shall mean a right granted to a Participant pursuant to Article IV of the Plan to receive a cash payment from the Company based upon achievement of Performance Goal(s) during the relevant Performance Period and subject to the Committee’s discretion pursuant to Section 6.2 of the Plan.

2.2 “*Base Wages Earned*” shall mean the Participant’s base salary earned for the Performance Period, before deductions for taxes or benefits and deferrals of compensation pursuant to any Company sponsored plans. Base Wages Earned does not include incentives, bonuses, benefits, or any other type of pay other than base salary.

2.3 “*Board*” shall mean the Board of Directors of the Company.

2.4 “Change of Control” shall mean the occurrence of any of the following:

(a) An acquisition (other than directly from the Company) of any voting securities of the Company (the “Voting Securities”) by any “Person” (as the term person is used for purposes of Section 13(d) or 14(d) of the Exchange Act), immediately after which such Person has “Beneficial Ownership” (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of twenty percent (20%) or more of the then outstanding Shares or the combined voting power of the Company’s then outstanding Voting Securities; *provided, however*, in determining whether a Change in Control has occurred pursuant to this Section 2.4(a), Shares or Voting Securities which are acquired in a “Non-Control Acquisition” (as hereinafter defined) shall not constitute an acquisition which would cause a Change in Control. A “Non-Control Acquisition” shall mean an acquisition by (i) an employee benefit plan (or a trust forming a part thereof) maintained by (A) the Company or (B) any company or other Person of which a majority of its voting power or its voting equity securities or equity interest is owned or controlled, directly or indirectly, by the Company (for purposes of this definition, a “Related Entity”), (ii) the Company or any Related Entity, or (iii) any Person in connection with a “Non-Control Transaction” (as hereinafter defined);

(b) The individuals who, as of November 18, 2016, are members of the Board of Directors (the “Incumbent Board”), cease for any reason to constitute at least a majority of the members of the Board of Directors; or, following a Merger which results in a Parent Company, the board of directors of the ultimate Parent Company; provided, however, that if the election, or

nomination for election by the Company's common stockholders, of any new director was approved by a vote of at least two-thirds of the Incumbent Board, such new director shall, for purposes of this Plan, be considered as a member of the Incumbent Board; provided further, however, that no individual shall be considered a member of the Incumbent Board if such individual initially assumed office as a result of either an actual or threatened "Election Contest" (as described in Rule 14a-11 promulgated under the Exchange Act) or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board of Directors (a "Proxy Contest"), including by reason of any agreement intended to avoid or settle any Election Contest or Proxy Contest; or

(c) The consummation of:

(1) A merger, consolidation or reorganization with or into the Company or in which securities of the Company are issued (a "Merger"), unless such Merger is a "Non-Control Transaction." A "Non-Control Transaction" shall mean a Merger where:

(A) the stockholders of the Company, immediately before such Merger, own directly or indirectly immediately following such Merger at least fifty percent (50%) of the combined voting power of the outstanding voting securities of (x) the company resulting from such Merger (the "Surviving Company") if fifty percent (50%) or more of the combined voting power of the then outstanding voting securities of the Surviving Company is not Beneficially Owned, directly or indirectly by another Person (a "Parent Company"), or (y) if there is one or more Parent Companies, the ultimate Parent Company;

(B) the individuals who were members of the Incumbent Board immediately prior to the execution of the agreement providing for such Merger constitute at least a majority of the members of the board of directors of (i) the Surviving Company, if there is no Parent Company, or (ii) if there is one or more Parent Companies, the ultimate Parent Company; and

(C) no Person other than (1) the Company, (2) any Related Entity, (3) any employee benefit plan (or any trust forming a part thereof) that, immediately prior to such Merger was maintained by the Company or any Related Entity, or (4) any Person who, immediately prior to such Merger had Beneficial Ownership of thirty percent (30%) or more of the then outstanding Voting Securities or Shares, has Beneficial Ownership of thirty percent (30%) or more of the combined voting power of the outstanding voting securities or common stock of (i) the Surviving Company if there is no Parent Company, or (ii) if there is one or more Parent Companies, the ultimate Parent Company.

(2) A complete liquidation or dissolution of the Company; or

(3) The sale or other disposition of all or substantially all of the assets of the Company to any Person (other than a transfer to a Related Entity or under conditions that would constitute a Non-Control Transaction with the disposition of assets being regarded as a Merger for this purpose or the distribution to the Company's stockholders of the stock of a Related Entity or any other assets).

Notwithstanding the foregoing, a Change in Control shall not be deemed to occur solely because any Person (the "Subject Person") acquired Beneficial Ownership of more than the permitted

amount of the then outstanding Shares or Voting Securities if: (1) such acquisition occurs as a result of the acquisition of Shares or Voting Securities by the Company which, by reducing the number of Shares or Voting Securities then outstanding, increases the proportional number of shares Beneficially Owned by the Subject Person, provided that if a Change in Control would occur (but for the operation of this subparagraph) as a result of the acquisition of Shares or Voting Securities by the Company, and after such share acquisition by the Company, the Subject Person becomes the Beneficial Owner of any additional Shares or Voting Securities which increases the percentage of the then outstanding Shares or Voting Securities Beneficially Owned by the Subject Person, then a Change in Control shall occur, or (2) (A) within five business days after a Change in Control would have occurred (but for the operation of this subparagraph), or if the Subject Person acquired Beneficial Ownership of twenty percent (20%) or more of the then outstanding Shares or the combined voting power of the Company's then outstanding Voting Securities inadvertently, then after the Subject Person discovers or is notified by the Company that such acquisition would have triggered a Change in Control (but for the operation of this subparagraph), the Subject Person notifies the Board of Directors that it did so inadvertently, and (B) within two business days after such notification, the Subject Person divests itself of a sufficient number of Shares or Voting Securities so that the Subject Person is the Beneficial Owner of less than twenty percent (20%) of the then outstanding Shares or the combined voting power of the Company's then outstanding Voting Securities.

Notwithstanding any provisions to the Plan to the contrary, with respect to an Award subject to Section 409A of the Code that provides for payment upon a Change in Control, then no Change in Control shall be deemed to have occurred upon an event described in this Section 2.4 unless the event would also constitute a "change in ownership" of the Company, a "change in effective control" of the Company, or a "change in ownership of a substantial portion of the Company's assets" under Section 409A of the Code.

2.5 "Code" shall mean the Internal Revenue Code of 1986, as amended from time to time; references to particular sections of the Code include references to regulations and rulings thereunder and to successor provisions.

2.6 "Committee" shall mean the Executive Compensation Committee of the Board.

2.7 "Company" shall mean ONE Gas, Inc., its divisions and subsidiaries, or, any successor thereto by merger, consolidation, liquidation or other reorganization.

2.8 "Disability" shall mean a physical or mental infirmity which impairs the Participant's ability to perform substantially his or her duties for a period of one-hundred eighty (180) consecutive days. With respect to any Award that is subject to Section 409A of the Code that provides for payment due to a Participant's Disability, the Committee may not find that a Disability exists with respect to such Participant unless, in the Committee's opinion, such Participant is also "disabled" within the meaning of Code Section 409A.

2.9 "Employee" shall mean an active full-time employee of the Company, and shall exclude independent contractors, or leased or temporary employees. Employees included in other annual cash incentive plans (including but not limited to participants in the ONE Gas, Inc. Annual Employee Incentive Plan) shall not be considered as Employees for the purpose of this Plan. Except as otherwise specifically provided in this Plan, separated and retired employees shall not be considered as Employees for purposes of this Plan.

2.10 "Exchange Act" shall mean the Securities Exchange Act of 1934, as amended from time to time.

2.11 “GAAP” shall mean generally accepted accounting principles set forth in the opinions, statements and pronouncements of the Financial Accounting Standards Board (or predecessors or successors thereto or agencies with similar functions) or in such other statements by such other entity as may be in general use by significant segments of the accounting profession, which are applicable to the circumstances as of the date of determination and in any event applied in a manner consistent with the application thereof used in the preparation of the Company’s financial statements.

2.12 “Participant” shall mean an Employee of the Company who is eligible to participate in the Plan under the eligibility provisions of Article IV.

2.13 “Performance Goal” shall mean performance objectives established by the Committee for each Performance Period for the purpose of determining the extent to which a Participant will receive an Award for such Performance Period. Each Performance Goal selected for a particular Performance Period shall include any one or more of the following performance criteria, either individually or in any combination, applied to the Company as a whole, to a Subsidiary, to a business unit of the Company or any Subsidiary, to an affiliate of the Company or any Subsidiary or to any individual, measured either annually or cumulatively over a period of time, on an absolute basis or relative to an identified index or peer group, and, where applicable, may be measured on a pre-tax or post-tax basis, in the aggregate or on a per- share basis and on an absolute basis or as a percentage change over a period of time:

- (i) increased revenue;
- (ii) net income measures, including without limitation, income after capital costs, and income before or after taxes;
- (iii) stock price measures, including without limitation, growth measures and total stockholder return;
- (iv) market share;
- (v) earnings per share (actual or targeted growth);
- (vi) earnings before interest, taxes, depreciation, and amortization;
- (vii) economic value added;
- (viii) cash flow measures, including without limitation, net cash flow, and net cash flow before financing activities;
- (ix) return measures, including without limitation, return on equity, return on average assets, return on capital, risk adjusted return on capital, return on investors’ capital and return on average equity;
- (x) operating measures, including without limitation, operating income, funds from operations, cash from operations, after-tax operating income, sales volumes, production volumes, and production efficiency;
- (xi) expense measures, including but not limited to, finding and development costs, overhead costs, and general and administrative expense;
- (xii) margins;

- (xiii) shareholder value;
- (xiv) reserve addition;
- (xv) proceeds from dispositions;
- (xvi) total market value; and
- (xvii) corporate value criteria or standards including, without limitation, ethics, environmental and safety compliance.

2.14 “*Performance Period*” shall mean the period designated by the Committee and communicated to each Participant over which the attainment of the Performance Goal(s) will be measured for purposes of determining payment of an Award or, for an Employee who is first hired as an employee after the first day of such period and who becomes a Participant during such period, such portion of the period as determined by the Committee.

2.15 “*Plan*” shall mean the ONE Gas, Inc. Annual Officer Incentive Plan.

2.16 “*Retirement*” shall mean a voluntary termination of employment of the Participant with the Company by the Participant if at the time of such termination of employment the Participant has completed both five (5) years of service with the Company and attained age fifty (50). For this purpose, “years of service” means the number of full years of service of a Participant, based on such Participant’s period of continuous employment with the Company.

2.17 “*SEC Rule 16b-3*” shall mean Rule 16b-3 of the Securities and Exchange Commission promulgated under the Exchange Act, as such rule or any successor rule may be in effect from time to time.

2.18 “*Subsidiary*” shall mean any entity that is directly or indirectly controlled by the Company; as determined by the Committee.

ARTICLE III PLAN ADMINISTRATION

3.1 *The Committee.* The Plan will be administered by a committee appointed by the Board consisting of two or more directors, each of whom is a “non-employee director” within the meaning of SEC Rule 16b-3 (the “Committee”). The Committee may adopt rules and regulations for carrying out the Plan and may designate such other committee or committees, in its discretion, to administer the Plan with respect to Participants who are not subject to Section 16 of the Exchange Act. The interpretation and construction of any provision of the Plan by the Committee shall be final and conclusive. The Committee may consult with counsel, who may be counsel to the Company, and shall not incur any liability for any action taken in good faith in reliance upon the advice of counsel. In accordance with and subject to the provisions of the Plan, the Committee will have full authority and discretion with respect to Awards made under the Plan, including without limitation the following: (a) selecting the officers for participation in the Plan; (b) establishing the terms of each Award; (c) determining the time or times when Awards will be granted; and (d) establishing the restrictions and other conditions to which the payment of Awards may be subject. Each determination, interpretation, or other action made or taken by the Committee pursuant to the provisions of the Plan will be conclusive and binding for all purposes and on all persons.

3.2 *Adjustments.* The Committee may provide in any Award that any evaluation of performance may include or exclude the impact, if any, on reported financial results of any of the following events that occurs during a Performance Period: (a) asset write-downs, (b) litigation or claim

judgments or settlements, (c) changes in tax laws, accounting principles or other laws or provisions, (d) reorganization or restructuring programs, (e) acquisitions or divestitures, (f) foreign exchange gains and losses or (g) gains and losses that are treated as unusual in nature or that occur infrequently under Accounting Standards Codification Topic 225.

ARTICLE IV PARTICIPATION

4.1 *Designation of Participants.* The Participants for any Performance Period shall be those officers who are granted Awards by the Committee under the Plan for such Performance Period. On or before March 1 of each Performance Period, the Committee shall select the Participants and determine their Awards for that Performance Period. The Committee will notify or cause Participants to be notified of their eligibility to participate, and the terms thereof, in writing.

4.2 *Partial Year Participation.* If an Employee begins employment or is promoted to an eligible position after the beginning of a Performance Period, the Committee, in its discretion, may determine whether such Employee becomes a Participant in this Plan and if so, the terms of such participation, which will be based on the Participant's Base Wages Earned in an incentive-eligible position during the applicable Performance Period, unless the Committee determines otherwise.

4.3 *Demotions.* If a Participant is demoted during the Performance Period, the Committee will determine whether participation in this Plan ends at that time, or is continued, potentially at a reduced level.

ARTICLE V PERFORMANCE GOALS

5.1 *General.* Prior to the beginning of each Performance Period, or not later than ninety (90) days following the commencement of the relevant Performance Period (or, in the case of a Performance Period for a period of time of less than 12 months' duration, no later than by the end of the first 25% of such period), the Committee shall establish and communicate in writing to each Participant the specific Performance Goals which must be achieved for each Participant to receive an Award payment for such Performance Period. For an Employee who is first hired as an employee and who becomes a Participant after the first day of the Performance Period, the Performance Goals and other criteria as set forth in this Article V shall be established by the Committee and communicated to the Participant upon their selection for participation in the Plan.

5.2 *Establishment of Target Awards.* The Committee will establish the percentage of each Participant's Base Wages Earned that will be awarded to the Participant for a given Performance Period if the Performance Goals are achieved at the target level (the "Target Award"). Each Participant's Target Award percentage will be communicated in writing to the Participant, and shall remain in effect for the Performance Period until any change thereto is communicated to the Participant in writing. The actual Award to a Participant may be greater or less than his or her Target Award, depending on the level of achievement of the Performance Goals and any other objective or subjective factors as the Committee shall deem relevant.

ARTICLE VI PAYMENT OF AWARDS

6.1 *Performance Period Payments.* The Committee shall make a determination as soon as practicable after appropriate financial and other data respecting the Performance Goal(s) respecting the applicable Performance Period, or such portion of the applicable Performance Period as the Committee shall determine, whether the Performance Goal(s) have been achieved and the amount of the Award

payment for each Participant. The Committee shall certify the foregoing determinations in writing. Payment of each Award in a cash lump sum, less applicable withholding taxes pursuant to Article IX of the Plan, shall be made as soon as practicable after certification by the Committee, provided, however, that any such payment shall be made no later than March 15 of the year immediately following the year in which the applicable Performance Period expires.

6.2 *Discretionary Downward Adjustments.* At any time after an Award has been granted but before the Award has been paid, the Committee, in its sole and absolute discretion, may reduce or eliminate the Award granted to any Participant for any reason or for no reason, including, without limitation, the Committee's judgment that the Performance Goals have become an inappropriate measure of achievement, additional Performance Goals are necessary to measure achievement, change in the employment status, position or duties of the Participant, unsatisfactory performance of the Participant, or the Participant's service for less than the entire Performance Period.

ARTICLE VII TERMINATION OF EMPLOYMENT

7.1 *Termination Due to Death, Disability, or Retirement.* In the event a Participant's employment with the Company and all Subsidiaries is terminated by reason of death, Disability, or Retirement prior to the payment date of an Award or during a Performance Period, the Participant (or the Participant's estate) (subject to the Committee's discretion as allowed by Sections 3.2 and 6.2 of the Plan) shall be entitled to a distribution of the Award on the payment date that would otherwise have been payable to the Participant pursuant to Article VI of the Plan after the completion of the Performance Period, based on the Participant's Base Wages Earned in an incentive-eligible position during the applicable Performance Period, as determined by the Committee. In the event no Award is payable under Article VI upon completion of the Performance Period, no amount will be payable to a Participant.

7.2 *Termination for Reasons Other than Death, Disability, or Retirement.* In the event a Participant's employment is terminated with the Company and all Subsidiaries prior to the end of the Performance Period for any reason other than death, Disability, or Retirement, the Participant's Award for such Performance Period shall be immediately forfeited and the Participant shall have no right to any payment thereafter; provided, however, that under such circumstances the Committee may, in its sole discretion, pay the Participant an amount not to exceed the amount earned according to the terms of the Award based on the Participant's Base Wages Earned in an incentive-eligible position during the applicable Performance Period. In the event no Award is payable under Article VI upon completion of the Performance Period, no amount will be payable to a Participant.

ARTICLE VIII CHANGE OF CONTROL

If a Change of Control occurs, then notwithstanding any other provisions of the Plan, each outstanding Award shall be deemed to have achieved a level of performance equal to the actual performance level achieved as of the occurrence of such Change of Control as determined by the Committee. In determining whether a performance level is achieved in this circumstance, the Committee may make any adjustment in the Performance Goals by measuring such criteria over the period commencing on the first day of the Performance Period and ending on the date of the Change of Control, instead of over the entire Performance Period. In the event of a Change of Control, payment of an award shall be made as soon as practicable, but in no event later than 60 days following such Change of Control.

ARTICLE IX
PAYMENT OF WITHHOLDING TAXES

All distributions under the Plan are subject to withholding of all applicable taxes. The Company may condition the delivery of benefits under the Plan on satisfaction of the applicable withholding obligations and is entitled to withhold and deduct from the payment made pursuant to an Award or from future wages of the Participant (or from other amounts that may be due and owing to the Participant from the Company), or make other arrangements for the collection of, all legally required amounts necessary to satisfy any and all federal, state, and local withholding and employment-related tax requirements attributable to any payment made pursuant to an Award.

ARTICLE X
AMENDMENT; MODIFICATION; TERMINATION

The Committee or the Board may amend, suspend or terminate the Plan or any portion thereof at any time and for any reason in its sole discretion. Any amendment, suspension or termination of the Plan may adversely affect any outstanding Award without the consent of the affected Participant. Any payments pursuant to Awards outstanding upon termination of the Plan may continue to be made in accordance with the terms of the Awards, subject to the authority of the Committee pursuant to Articles III and IX of the Plan.

ARTICLE XI
NON-FUNDED, UNSECURED OBLIGATION

Neither a Participant nor any other person shall, by reason of participation in the Plan, acquire any right in or title to any assets, funds or property of the Company whatsoever, including, without limitation, any specific funds, assets, or other property which the Company, in its sole discretion, may set aside in anticipation of a liability under the Plan. A Participant shall have only a contractual right to the cash, if any, payable under the Plan (subject to the authority of the Committee pursuant to Article III), unsecured by any assets of the Company, and nothing contained in the Plan shall constitute a guarantee that the assets of the Company shall be sufficient to pay any benefits to any person. To the extent that a Participant acquires a right to receive such a cash payment under the Plan, such right shall be no greater than the right of any unsecured, general creditor of the Company. No portion of any amount payable to Participants under the Plan shall be held by the Company in trust or escrow or any other form of asset segregation.

ARTICLE XII
EFFECTIVE DATE; DURATION OF THE PLAN

The Plan was approved by the Board on November 18, 2016. The Plan became effective upon approval by the shareholders at the Company's 2017 annual meeting of the shareholders on May 25, 2017. The Plan is hereby amended and restated February 17, 2020 to be effective January 1, 2020. The Annual Officer Incentive Subplan adopted pursuant to this Plan is hereby terminated effective January 1, 2020. The terms of the Plan as it existed on December 31, 2019 shall continue to apply to Awards granted prior to January 1, 2020. The terms of this amended and restated Plan shall apply to Awards granted on or after January 1, 2020. The Plan shall remain in effect until such time as the Plan is terminated as provided in Article X.

ARTICLE XIII
MISCELLANEOUS

13.1 *Employment.* The Plan does not constitute a contract of employment and nothing in the

Plan will interfere with or limit in any way the right of the Company to terminate the employment or otherwise modify the terms and conditions of the employment of any Employee or Participant at any time, nor confer upon any Employee or Participant any right to continue in the employ of the Company.

13.2 *Restrictions or Transfer.* Except pursuant to testamentary will or the laws of descent and as otherwise expressly permitted by the Plan, no right or interest of any Participant in an Award will be assignable or transferable, or subjected to any lien, during the lifetime of the Participant, either voluntarily or involuntarily, directly or indirectly, by operation of law or otherwise.

13.3 *Governing Law.* Except in connection with other matters of corporate governance and authority (all of which shall be governed by the laws of the Company's jurisdiction of incorporation), the validity, construction, interpretation, administration, and effect of the Plan and any rules, regulations, and actions relating to the Plan will be governed by and construed exclusively in accordance with the internal, substantive laws of the State of Oklahoma, without regard to the conflict of law rules of the State of Oklahoma or any other jurisdiction.

13.4 *Clawbacks.*

(a) Awards made pursuant to the Plan are subject to recovery pursuant to the Company's compensation recovery policy then in effect. To the extent required by applicable laws, rules, regulations or securities exchange listing requirements and the Company's compensation recovery policy then in effect, the Company shall have the right, and shall take all actions necessary, to recover any amounts paid to any individual under this Plan.

(b) In any event, even if not required by law or Company policy, in any situation where the Board or the Committee determines that fraud, negligence, or intentional misconduct by the Participant was a contributing factor to the Company having to restate all or a portion of its financial statement(s), the Committee may request repayment or reduction of compensation. The Committee may determine whether the Company shall effect any such repayment or reduction: (i) by seeking repayment from the Participant, (ii) by reducing (subject to applicable law and the terms and conditions of the Plan or any other applicable plan, program, or arrangement) the amount that would otherwise be awarded or payable to the Participant under the Award, the Plan or any other compensatory plan, program, or arrangement maintained by the Company, (iii) by withholding payment of future increases in compensation (including the payment of any discretionary bonus amount) or grants of compensatory awards that would otherwise have been made in accordance with the Company's otherwise applicable compensation practices, or (iv) by any combination of the foregoing. The determination regarding the Participant's conduct, and repayment or reduction under this provision shall be within the sole discretion of the Committee and shall be final and binding on the Participant and the Company. The Participant, in consideration of the grant of the Award, acknowledges the Participant's understanding and agreement to this provision, and hereby agrees to make and allow an immediate and complete repayment or reduction in accordance with this provision in the event of a call for repayment or other action by the Company or Committee to effect its terms with respect to the Participant and the Award.

13.5 *Code Section 409A.* The Plan and all Awards granted hereunder are intended to comply with, or otherwise be exempt from, Code Section 409A. The Plan and all Awards shall be administered, interpreted, and construed in a manner consistent with Code Section 409A or an exemption therefrom. Should any provision of the Plan, any Award hereunder, or any other agreement or arrangement contemplated by the Plan be found not to comply with, or otherwise be exempt from, the provisions of the Code Section 409A, such provision shall be modified and given effect (retroactively if necessary), in the sole discretion of the Committee, and without the consent of the Participant, in such manner as

the Committee determines to be necessary or appropriate to comply with, or to effectuate an exemption from, Code Section 409A. Without limiting the foregoing and notwithstanding anything contained herein to the contrary, to the extent required in order to avoid accelerated taxation or tax penalties under Section 409A, amounts that would otherwise be payable and benefits that would otherwise be provided pursuant to this Plan during the six-month period immediately following the Employee's separation from service shall instead be paid on the first business day after the date that is six months following the Employee's termination date (or death, if earlier), with interest from the date such amounts would otherwise have been paid at the short-term applicable federal rate, compounded semi-annually, as determined under Section 1274 of the Code, for the month in which payment would have been made but for the delay in payment required to avoid the imposition of an additional rate of tax on the Employee under Section 409A. Any payments to be made under this Plan upon a termination of employment shall only be made if such termination of employment constitutes a "separation from service" under Section 409A. Notwithstanding the foregoing, the Company makes no representations that the payments and benefits provided under this Plan comply with Section 409A and in no event shall the Company be liable for all or any portion of any taxes, penalties, interest or other expenses that may be incurred by the Employee on account of non-compliance with Section 409A.

13.6 *Successors.* The Plan will be binding upon and inure to the benefit of the successors of the Company and the Participants.

Adopted by the Board of Directors February 17, 2020 to be effective January 1, 2020.

ONE GAS, INC.

By: _____

ONE GAS, INC.
AMENDED AND RESTATED
EQUITY COMPENSATION PLAN (2018)

1. General

1.1 *Establishment; Amendment and Restatement.* By unanimous consent, the Board of Directors of the Company originally approved the adoption of this Plan, effective as of January 31, 2014, subject to approval by ONEOK, Inc., the Company's sole shareholder, prior to such date. The Board of Directors of the Company most recently amended and restated this Plan effective December 1, 2017. The Board of Directors has approved on February 20, 2018, subject to the approval of the shareholders, the amendment and restatement of this Plan effective as of May 24, 2018. The amendment and restatement of this Plan shall affect only Awards granted on or after the Effective Date (as hereinafter defined). Awards granted prior to the Effective Date shall continue to be governed by the terms of the Plan as in effect prior to the Effective Date and the applicable Award Agreements. The terms of this Plan are not intended to affect the interpretation of the terms of the Plan as it existed prior to the Effective Date.

1.2 *Purposes.* The purposes of this Plan are (a) to provide competitive incentives that will enable the Company to attract, retain, motivate, and reward eligible Employees and Non-Employee Directors of the Company and its Subsidiaries, and (b) to give eligible Employees and Non-Employee Directors an interest parallel to the interests of the Company's shareholders generally.

1.3 *Duration of Plan.* The date of adoption and term of the Plan are as follows:

(a) The Plan was initially adopted and effective on January 31, 2014. The term of the Plan as so initially adopted and approved was until a termination date of December 13, 2023, or until sooner terminated by the Board of Directors.

(b) If the Plan, as so amended and restated in and by this instrument, is approved by the shareholders of the Company, it shall have an extended term and shall terminate on a termination date of May 24, 2028, or until sooner terminated by the Board of Directors.

(c) If the Plan, as so amended and restated in and by this instrument, is not so approved by the shareholders of the Company, the amendments thereto and this instrument shall not become effective and shall be of no force and effect, and the Plan shall remain in effect in accordance with its written terms and provisions as initially adopted and approved.

(d) The Plan shall remain in effect until its termination date, or until the Plan is sooner terminated by the Board of Directors, and upon its termination shall continue to be administered thereafter with respect to any Stock Incentive granted prior to the date of such termination.

(e) In no event shall a Stock Incentive be granted under the Plan more than ten (10) years from May 24, 2018, the date the Plan, as amended and restated in and by this instrument, is effective.

1.4 *Section 409A.* The Company intends that Stock Incentives and Awards granted pursuant to the Plan be exempt from or comply with Section 409A and Treasury Regulations thereunder and the Plan shall be so construed.

2. Definitions

Unless otherwise required by the context, the following terms, when and wherever used in this Plan, shall have the meanings set forth in this Section 2.

2.1 “Award” means an award of a Stock Incentive that is made under the Plan.

2.2 “Award Agreement” means a written instrument that is an agreement that evidences an Award and terms and provisions of a Stock Incentive granted under the Plan, pursuant to Section 15.4 or other provisions of the Plan.

2.3 “Beneficiary” means a person or entity (including a trust or estate), designated in writing by a Participant on such forms and in accordance with such terms and conditions as the Committee may prescribe, to whom the Participant’s rights under the Plan shall pass in the event of the death of the Participant.

2.4 “Board” or “Board of Directors” means the Board of Directors of the Company, as constituted from time to time.

2.5 A “Change in Control” shall mean the occurrence of any of the following:

(a) An acquisition (other than directly from the Company) of any voting securities of the Company (the “Voting Securities”) by any “Person” (as the term person is used for purposes of Section 13(d) or 14(d) of the Exchange Act), immediately after which such Person has “Beneficial Ownership” (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of twenty percent (20%) or more of the then outstanding Shares or the combined voting power of the Company’s then outstanding Voting Securities; *provided, however*, in determining whether a Change in Control has occurred pursuant to this Section 2.5(a), Shares or Voting Securities which are acquired in a “Non-Control Acquisition” (as hereinafter defined) shall not constitute an acquisition which would cause a Change in Control. A “Non-Control Acquisition” shall mean an acquisition by (i) an employee benefit plan (or a trust forming a part thereof) maintained by (A) the Company or (B) any company or other Person of which a majority of its voting power or its voting equity securities or equity interest is owned or controlled, directly or indirectly, by the Company (for purposes of this definition, a “Related Entity”), (ii) the Company or any Related Entity, or (iii) any Person in connection with a “Non-Control Transaction” (as hereinafter defined);

(b) The individuals who, as of the Effective Date, are members of the Board of Directors (the “Incumbent Board”), cease for any reason to constitute at least a majority of

the members of the Board of Directors; or, following a Merger which results in a Parent Company, the board of directors of the ultimate Parent Company; provided, however, that if the election, or nomination for election by the Company's common stockholders, of any new director was approved by a vote of at least two-thirds of the Incumbent Board, such new director shall, for purposes of this Plan, be considered as a member of the Incumbent Board; provided further, however, that no individual shall be considered a member of the Incumbent Board if such individual initially assumed office as a result of either an actual or threatened "Election Contest" (as described in Rule 14a-11 promulgated under the Exchange Act) or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board of Directors (a "Proxy Contest"), including by reason of any agreement intended to avoid or settle any Election Contest or Proxy Contest; or

(c) The consummation of:

(1) A merger, consolidation or reorganization with or into the Company or in which securities of the Company are issued (a "Merger"), unless such Merger is a "Non-Control Transaction." A "Non-Control Transaction" shall mean a Merger where:

(A) the stockholders of the Company, immediately before such Merger, own directly or indirectly immediately following such Merger at least fifty percent (50%) of the combined voting power of the outstanding voting securities of (x) the company resulting from such Merger (the "Surviving Company") if fifty percent (50%) or more of the combined voting power of the then outstanding voting securities of the Surviving Company is not Beneficially Owned, directly or indirectly by another Person (a "Parent Company"), or (y) if there is one or more Parent Companies, the ultimate Parent Company;

(B) the individuals who were members of the Incumbent Board immediately prior to the execution of the agreement providing for such Merger constitute at least a majority of the members of the board of directors of (i) the Surviving Company, if there is no Parent Company, or (ii) if there is one or more Parent Companies, the ultimate Parent Company; and

(C) no Person other than (1) the Company, (2) any Related Entity, (3) any employee benefit plan (or any trust forming a part thereof) that, immediately prior to such Merger was maintained by the Company or any Related Entity, or (4) any Person who, immediately prior to such Merger had Beneficial Ownership of thirty percent (30%) or more of the then outstanding Voting Securities or Shares, has Beneficial Ownership of thirty percent (30%) or more of the combined voting power of the outstanding voting securities or common stock of (i) the Surviving Company if there is no Parent Company, or (ii) if there is one or more Parent Companies, the ultimate Parent Company.

(2) A complete liquidation or dissolution of the Company; or

(3) The sale or other disposition of all or substantially all of the assets of the Company to any Person (other than a transfer to a Related Entity or under conditions that would constitute a Non-Control Transaction with the disposition of assets being regarded as a Merger for this purpose or the distribution to the Company's stockholders of the stock of a Related Entity or any other assets).

Notwithstanding the foregoing, a Change in Control shall not be deemed to occur solely because any Person (the "Subject Person") acquired Beneficial Ownership of more than the permitted amount of the then outstanding Shares or Voting Securities if: (1) such acquisition occurs as a result of the acquisition of Shares or Voting Securities by the Company which, by reducing the number of Shares or Voting Securities then outstanding, increases the proportional number of shares Beneficially Owned by the Subject Person, provided that if a Change in Control would occur (but for the operation of this subparagraph) as a result of the acquisition of Shares or Voting Securities by the Company, and after such share acquisition by the Company, the Subject Person becomes the Beneficial Owner of any additional Shares or Voting Securities which increases the percentage of the then outstanding Shares or Voting Securities Beneficially Owned by the Subject Person, then a Change in Control shall occur, or (2) (A) within five business days after a Change in Control would have occurred (but for the operation of this subparagraph), or if the Subject Person acquired Beneficial Ownership of twenty percent (20%) or more of the then outstanding Shares or the combined voting power of the Company's then outstanding Voting Securities inadvertently, then after the Subject Person discovers or is notified by the Company that such acquisition would have triggered a Change in Control (but for the operation of this subparagraph), the Subject Person notifies the Board of Directors that it did so inadvertently, and (B) within two business days after such notification, the Subject Person divests itself of a sufficient number of Shares or Voting Securities so that the Subject Person is the Beneficial Owner of less than twenty percent (20%) of the then outstanding Shares or the combined voting power of the Company's then outstanding Voting Securities.

Notwithstanding anything in this Plan to the contrary, if an eligible Employee's employment is terminated by the Company without Just Cause prior to the date of a Change in Control but the eligible Employee reasonably demonstrates that the termination (1) was at the request of a third party who has indicated an intention or taken steps reasonably calculated to effect a Change in Control or (2) otherwise arose in connection with, or in anticipation of, a Change in Control which has been threatened or proposed, such termination shall be deemed to have occurred after a Change in Control for purposes of this Plan, provided a Change in Control shall actually have occurred.

Notwithstanding the foregoing, the Committee may from time to time provide in the written terms and provisions of a Stock Incentive instrument, Award or Award Agreement that a different definition of the terms Change in Ownership or Control shall apply and determine the time of settlement, distribution and payment of an Award for purposes of Section 409A and any deferral of compensation subject to the requirements of Section 409A under the Plan.

2.6 “Code” means the Internal Revenue Code of 1986, as amended and in effect from time to time. References to a particular section of the Code shall include references to any related Treasury Regulations and to successor provisions.

2.7 “Committee” means the Committee appointed by the Board of Directors to administer the Plan pursuant to the provisions of section 14.1 below.

2.8 “Common Stock” means common stock, \$0.01 par value, of the Company.

2.9 “Company” means ONE Gas, Inc., an Oklahoma corporation.

2.10 “Deferred Compensation Program” means a program established by the Committee providing for the deferral of compensation with respect to Awards pursuant to sections 10 and 11.

2.11 “Director Fees” means all compensation and fees paid to a Non-Employee Director by the Company for his or her services as a member of the Board of Directors.

2.12 “Director Stock Award” means an award of Common Stock granted to a Non-Employee Director.

2.13 “Effective Date” means May 24, 2018, the date this Plan, as so amended and restated in and by this instrument, is approved by the shareholders of the Company.

2.14 “Employee” means an employee of the Company or its Subsidiaries, including an officer or director who is such an employee.

2.15 “Exchange Act” means the Securities Exchange Act of 1934, as amended from time to time.

2.16 “Fair Market Value” means (A) during such time as the Common Stock is listed upon the New York Stock Exchange or any other established stock exchange, the closing price of the Common Stock as reported by such stock exchange on the day for which such value is to be determined (or, if no sale of the Common Stock shall have been made on any such stock exchange that day, the closing price on the most recent prior day for which a sale was so reported) or (B) during any such time as the Common Stock is not listed upon an established stock exchange, the mean between high bid and low asked prices of the Common Stock in the over-the-counter market on the day for which such value is to be determined, as reported in *The Wall Street Journal* or another reputable source designated by the Committee, or (C) during any such time as the Common Stock cannot be valued pursuant to (A) or (B) above, the fair market value shall be as determined by the Committee considering all relevant information including, by example and not by limitation, the services of an independent appraiser. In the case of an Incentive Stock Option, if the foregoing method of determining Fair Market Value should be inconsistent with section 422 of the Code, or in the case of any other type of Stock Incentive the foregoing method is determined by the Committee, in its discretion, to not be applicable, a “Fair Market Value” shall be determined by the Committee in a manner consistent with such section of the Code, or in such other manner as the Committee, in its discretion, determines to be appropriate, and shall mean the value as so determined.

Notwithstanding the foregoing, the Committee may, in its discretion, determine the Fair Market Value of a share of Stock on the basis of the opening, closing, or average of the high and low sale prices of a share of Stock on such date or the preceding trading day, the actual sale price of a share of Stock received by a Participant, any other reasonable basis using actual transactions in the Stock as reported on a national or regional securities exchange or market system and consistently applied, or on any other basis consistent with the requirements of Section 409A. The Committee may vary its method of determination of the Fair Market Value as provided in this Section for different purposes under the Plan to the extent consistent with the requirements of Section 409A.

2.17 “General Counsel” means the General Counsel of the Company serving from time to time.

2.18 “Incentive Stock Option” means an option, including an Option as the context may require, intended to qualify for the tax treatment applicable to incentive stock options under section 422 of the Code.

2.19 “Just Cause” shall mean the Employee’s conviction in a court of law of a felony, or any crime or offense in a court of law of a felony, or any crime or offense involving misuse or misappropriation of money or property, the Employee’s violation of any covenant, agreement or obligation not to disclose confidential information regarding the business of the Company (or a Subsidiary); any violation by the Employee of any covenant not to compete with the Company (or a Subsidiary); any act of dishonesty by the Employee which adversely affects the business of the Company (or a Subsidiary); any willful or intentional act of the Employee which adversely affects the business of, or reflects unfavorably on the reputation of the Company (or a Subsidiary); the Employee’s use of alcohol or drugs which interferes with the Employee’s performance of duties as an employee of the Company (or a Subsidiary); or the Employee’s failure or refusal to perform the specific directives of the Company’s Board of Directors, or its officers which directives are consistent with the scope and nature of the Employee’s duties and responsibilities with the existence and occurrence of all of such causes to be determined by the Company in its sole discretion; provided, that nothing contained in the foregoing provisions of this paragraph shall be deemed to interfere in any way with the right of the Company (or a Subsidiary), which is hereby acknowledged, to terminate the Employee’s employment at any time without cause.

2.20 “Non-Employee Director” means a member of the Board of Directors of the Company (or a Subsidiary) who is not an employee of the Company (or a Subsidiary), and who qualifies as a “Non-Employee Director” under the definition of that term in SEC Rule 16b-3.

2.21 “Non-Statutory Stock Option” means an option, including an Option as the context may require, which is not intended to qualify for the tax treatment applicable to incentive stock options under section 422 of the Code.

2.22 “Option” means an option granted under this Plan to purchase shares of Common Stock. Options may be Incentive Stock Options or Non-Statutory Stock Options.

2.23 “Participant” means an Employee who the Committee determines is in a position to contribute significantly to the growth and profitability of, or to perform services of major

importance to the Company and/or Subsidiaries, or Non-Employee Director, who is selected by the Committee to be a Participant in the Plan and to be granted a Stock Incentive under the Plan.

2.24 “Performance Goal” means one or more criteria or standards established by the Committee to determine, in whole or in part, whether a Performance Stock Incentive shall be awarded or earned, which may include the criteria and standards established pursuant to Section 15.9.

2.25 “Performance Period” means the time period designated by the Committee during which Performance Goals must be met.

2.26 “Performance Stock Award” means a Stock Incentive providing for a grant of shares of Common Stock the award or delivery of which is subject to specified Performance Goals.

2.27 “Performance Stock Incentive” means a Stock Incentive, including without limitation, a Performance Stock Award, Performance Unit Award, Restricted Stock Award, or Restricted Unit Award providing for the award, delivery or payment of shares of Common Stock or cash, or a combination of each, that is subject to specified Performance Goals.

2.28 “Performance Unit Award” means a Stock Incentive providing for a grant of a unit or units representing an amount of cash or shares of Common Stock (including a Stock Unit), or a combination of each, that will be distributed in the future if continued employment and/or other specified Performance Goals or other performance criteria specified by the Committee are attained; and which Performance Goals or other performance criteria may include, without limitation, corporate, divisional or business unit financial or operating performance measures, as more particularly described in Section 15.9; and which other contingencies may include the Participant’s depositing with the Company or a Subsidiary, acquiring or retaining for stipulated time periods specified amounts of Common Stock; and the amount of Stock Incentive may, but need not be determined by reference to the market value of Common Stock.

2.29 “Plan” means the ONE Gas, Inc. Amended and Restated Equity Compensation Plan (2018), as amended from time to time.

2.30 “Plan Year” means the calendar year beginning on January 1 and ending the next December 31.

2.31 “Restricted Stock Award” means shares of Common Stock which are issued or transferred to a Participant under Section 6, below, and which will become free of restrictions specified by the Committee if continued employment and/or Performance Goals or other performance criteria specified by the Committee are attained; and which Performance Goals or other criteria, circumstances or conditions arise, exist or are satisfied; and which may but need not include, without limitation, corporate, divisional or business unit financial or operating performance measures, as more particularly described in Section 15.9

2.32 “Restricted Unit Award” means a Stock Incentive providing for a grant of a unit or units representing an amount of cash or shares of Common Stock or a combination of each, which become free of restrictions specified by the Committee if continued employment and/or Performance Goals or other criteria, circumstances or conditions arise, exist or are attained; and

which may but need not include, without limitation, corporate, divisional or business unit financial or operating performance measures, as more particularly described in Section 15.9.

2.33 “SEC Rule 16b-3” means Rule 16b-3 of the Securities and Exchange Commission promulgated under the Exchange Act, as such rule or any successor rule may be in effect from time to time.

2.34 “Secretary” means the Secretary of the Company.

2.35 “Section 16 Person” means a person subject to Section 16(b) of the Exchange Act with respect to transactions involving equity securities of the Company.

2.36 “Section 409A” means Section 409A of the Code, and unless otherwise expressly indicated herein, all Treasury Regulations issued under Section 409A of the Code.

2.37 “Section 409A Deferred Compensation” means compensation provided pursuant to the Plan that constitutes deferred compensation subject to and not exempted from the requirements of Section 409A.

2.38 “Share” or “Shares” means a share or shares of Common Stock.

2.39 “Stock” has the same meaning as Common Stock.

2.40 “Stock Appreciation Right” means a right granted to a Participant denominated in shares of Common Stock, to receive, upon exercise of the right (or both the right and a related Option, if applicable in the case of issuance in tandem with an Option), an amount, payable in shares of Common Stock, in cash, or a combination thereof that does not exceed the excess of the Fair Market Value of the share or shares of Common Stock on the date such right is exercised over the base price of such share or shares provided in and for such right on the date such right is granted, as determined by the Committee.

2.41 “Stock Bonus Award” means an amount of cash or shares of Common Stock which is distributed to a Participant or which the Committee agrees to distribute in the future to a Participant in lieu of, or as a supplement to, any other compensation that may have been earned by services rendered prior to the date the distribution is made. Unless otherwise determined by the Committee, the amount of the award shall be determined by reference to the Fair Market Value of Common Stock. Performance Stock Awards, Performance Unit Awards, Restricted Stock Awards and Restricted Unit Awards are specific types of Stock Bonus Awards.

2.42 “Stock Incentive” means rights and incentive compensation granted under this Plan in one of the forms referred to and provided for in Section 3.

2.43 “Stock Unit” means a unit evidencing the right to receive under certain conditions or in specified circumstances one (1) share of Common Stock or equivalent value, as determined by the Committee.

2.44 “Subsidiary” means a corporation or other form of business association of which shares (or other ownership interest) having more than fifty percent (50%) of the voting power are

or in the future become owned or controlled, directly or indirectly, by the Company; provided, however, that in the case of an Incentive Stock Option, the term “Subsidiary” shall mean a Subsidiary (as defined by the preceding clause) which is also a “subsidiary corporation” as defined in Section 424(f) of the Code.

2.45 “Time-Lapse Restricted Stock Incentive” means a Restricted Stock Award, Restricted Unit Award, or any other Stock Incentive the award of which is based solely on continued employment with the Company or any Subsidiary for a specified period of time.

3. Grants of Stock Incentives

3.1 *Stock Incentives to Employees/Participants.* Subject to the provisions of the Plan, the Committee may at any time, or from time to time, grant Stock Incentives to one or more Employees that the Committee selects to be a Participant in the Plan which may be (i) Stock Bonus Awards, which may, but need not be Performance Stock Awards, Performance Unit Awards or Restricted Stock Awards, Restricted Unit Awards and/or (ii) Options, which may be Incentive Stock Options or Non-Statutory Stock Options, and/or (iii) Stock Appreciation Rights.

3.2 *Non-Employee Director Awards.* Subject to the provisions of the Plan, the Committee shall grant Director Stock Awards to Non-Employee Directors in accordance with Section 9 of the Plan. Notwithstanding anything else otherwise expressed or implied in the Plan, no other form of Stock Incentive shall be granted to Non-Employee Directors under the Plan, and in no event shall any grant of an Incentive Stock Option be made to a Non-Employee Director.

3.3 *Modifications.* After a Stock Incentive has been granted,

(a) the Committee may waive any term or condition thereof that could have been excluded from such Stock Incentive when it was granted, and

(b) with the written consent of the affected Participant, may amend any Stock Incentive after it has been granted to include (or exclude) any provision which could have been included in (or excluded from) such Stock Incentive when it was granted, and no additional consideration need be received by the Company in exchange for such waiver or amendment;

(c) provided, that modification of any Option or Stock Appreciation Right granted under the Plan shall be subject to the prohibition of repricing stated in Section 7.9 and Section 8.6, as applicable; and

(d) the modification of any Option or other Stock Incentive that provides for, or in order to provide for, deferral of compensation subject to Section 409A must meet all requirements under Section 409A and Treasury Regulations, including requirements applicable to Subsequent Elections and the requirement that acceleration of payment of deferred compensation shall not be permissible.

3.4 *Forms of Stock Incentives.* A particular form of Stock Incentive may be granted to a Participant either alone or in addition to other Stock Incentives hereunder. The provisions of particular forms of Stock Incentives need not be the same for each Participant.

4. Stock Subject to the Plan

4.1 *Shares Authorized.* The maximum number of shares of Common Stock authorized to be issued or transferred pursuant to all Stock Incentives granted under the Plan shall be four million five hundred fifty thousand (4,550,000) shares, less the number of Shares that remained available for new Award grants immediately preceding the Effective Date. Notwithstanding anything herein to the contrary, the limitation on shares of Common Stock authorized under this Section 4.1 shall apply to all Stock Incentives granted prior to and on or after the Effective Date. The maximum number of shares authorized consists of the two million eight hundred thousand (2,800,000) shares authorized to be issued or transferred on and after the initial effective date of the Plan on January 31, 2014, and the additional shares authorized to be issued and transferred by the amendment and restatement of the Plan effective May 24, 2018. The shares of Common Stock authorized under this Section 4.1 shall be subject to the provisions governing restoration of shares stated below in Section 4.4 and adjustment in Section 13.

4.2 *Grant, Award Limitations.* Notwithstanding the foregoing, in addition to the overall maximum limitation in Section 4.1,

(a) The maximum number of shares of Common Stock with respect to which Options or Stock Appreciation Rights may be granted or issued to any one (1) Employee or Participant in any Plan Year is five hundred thousand (500,000);

(b) The maximum number of shares of Common Stock with respect to which Stock Incentives other than Options or Stock Appreciation Rights may be granted or issued to any one (1) Employee or Participant in any Plan Year is five hundred thousand (500,000);

(c) The maximum aggregate number of shares of Common Stock and the maximum dollar amount that may be issued or paid as Performance Stock Incentives to any one (1) Employee or Participant in any Plan Year are five hundred thousand (500,000) shares of Common Stock, and Ten Million Dollars (\$10,000,000), respectively;

(d) The maximum dollar amount that may be granted as Awards to any one (1) Non-Employee Director in any Plan Year is four hundred forty thousand dollars (\$440,000) (calculating the value of any Awards based on the grant date fair value for financial reporting purposes);

(e) The maximum aggregate number of shares of Common Stock that may be issued under the Plan through the granting of Incentive Stock Options is two million three hundred eighty thousand (2,380,000); and

(f) The exercise of Incentive Stock Options is also subject to the calendar year dollar limitation provided in Section 422(d) of the Code and Section 7.6.

4.3 *Source of Shares.* Such shares may be authorized but unissued shares of Common Stock, shares of Common Stock held in treasury, whether acquired by the Company specifically for use under this Plan or otherwise, or shares issued or transferred to, or otherwise acquired by, a trust pursuant to Section 15.5, as the Committee may from time to time determine, provided,

however, that any shares acquired or held by the Company for the purposes of this Plan shall, unless and until issued or transferred to a trust pursuant to Section 15.5, or to a Participant in accordance with the terms and conditions of a Stock Incentive, be and at all times remain authorized but unissued shares or treasury shares (as the case may be), irrespective of whether such shares are entered in a special account for purposes of this Plan, and shall be available for any corporate purpose.

4.4 *Restoration and Retention of Shares.* If any shares of Common Stock subject to a Stock Incentive shall not be issued or transferred to a Participant and shall cease to be issuable or transferable to a Participant because of the termination, expiration or cancellation, in whole or in part, of such Stock Incentive or for any other reason, or if any such shares shall, after issuance or transfer, be reacquired by the Company prior to the time a Stock Incentive vests because of the Participant's failure to comply with the terms and conditions of the Stock Incentive, the shares not so issued or transferred, or the shares so reacquired by the Company, as the case may be, shall no longer be charged against the limitation provided for in Section 4.1 and may be used thereafter for additional Stock Incentives under the Plan; to the extent a Stock Incentive under the Plan is settled or paid in cash, shares subject to such Stock Incentive will not be considered to have been issued and will not be applied against the maximum number of shares of Common Stock provided for in Section 4.1. If a Stock Incentive may be settled in shares of Common Stock or cash, such shares shall be deemed issued only when and to the extent that settlement or payment is actually made in shares of Common Stock; to the extent a Stock Incentive is settled or paid in cash, and not shares of Common Stock, any shares previously reserved for issuance or transfer pursuant to such Stock Incentive will again be deemed available for issuance or transfer under the Plan. Notwithstanding anything to the contrary contained herein, the following Shares shall not be added to the Shares authorized for grant under Section 4.1 and will not be available for future Stock Incentive grants: (i) Shares tendered by a holder or withheld by the Company in payment of the exercise price of an Option or Stock Appreciation Right; (ii) Shares tendered by the holder or withheld by the Company to satisfy any tax withholding obligation with respect to a Stock Incentive; and (iii) Shares subject to a Stock Appreciation Right that are not issued in connection with the stock settlement of the Stock Appreciation Right on exercise thereof.

5. Eligibility

An Employee who the Committee determines is in a position to contribute significantly to the growth and profitability of, or to perform services of major importance to, the Company and its Subsidiaries shall be eligible and may be designated by the Committee to participate in the Plan and be granted Stock Incentives as determined by the Committee, in its sole discretion, under the Plan. Subject to the provisions of the Plan, the Committee shall from time to time, in its sole discretion, select from such eligible Employees those to whom Stock Incentives shall be granted and determine the number of Shares to be granted and the form and terms of the such Stock Incentives. Non-Employee Directors shall be eligible to be granted Stock Incentives and to become Participants in the Plan to the extent provided in Sections 3.2 and 9 of the Plan and subject to the limitations of Section 4.2(d).

6. Stock Bonus Awards, Performance Stock Awards, Performance Unit Awards, Restricted Stock Awards and Restricted Unit Awards

Stock Bonus Awards, Performance Stock Awards, Performance Unit Awards, Restricted Stock Awards and Restricted Unit Awards shall be subject to the following provisions:

6.1 *Grants.* An eligible Employee may be granted a Stock Bonus Award, Performance Stock Award, Performance Unit Award, Restricted Stock Award, or Restricted Unit Award, and a Non-Employee Director may be granted a Director Stock Award, whether or not he or she is eligible to receive similar or dissimilar incentive compensation under any other plan or arrangement of the Company or its Subsidiaries.

6.2 *Issuance of Shares.* Shares of Common Stock subject to a Stock Bonus Award, Performance Stock Award, Performance Unit Award, Restricted Stock Award or Restricted Unit Award, may be issued or transferred to a Participant at the time such Award is granted, or at any time subsequent thereto, or in installments from time to time, and subject to such terms and conditions, as the Committee shall determine. In the event that any such issuance or transfer shall not be made to the Participant at the time such Award is granted, the Committee may but need not provide for payment to such Participant, either in cash or shares of Common Stock, from time to time or at the time or times such shares shall be issued or transferred to such Participant, of amounts not exceeding the dividends which would have been payable to such Participant in respect of such shares (as adjusted under Section 13) if such shares had been issued or transferred to such Participant at the time such Award was granted.

6.3 *Cash Settlement.* Any Stock Bonus Award, Performance Stock Award, Performance Unit Award, Restricted Stock Award, or Restricted Unit Award may, in the discretion of the Committee, be settled or paid in cash, or shares of Common Stock, or in either cash or shares of Common Stock. If a Stock Incentive is settled or paid in cash, such settlement and/or payment shall be made on each date on which shares would otherwise have been delivered or become unrestricted, in an amount equal to the Fair Market Value on such date of the shares which would otherwise have been delivered or become unrestricted and the number of shares for which such cash payment is made shall be added back to the maximum number of shares available for use under the Plan. Shares of Common Stock shall be deemed to be issued only when and to the extent that a Stock Bonus Award, Performance Stock Award, Performance Unit Award, Restricted Stock Award, Restricted Unit Award or other Stock Incentive under the Plan is actually settled or paid in shares of Common Stock; and to the extent a Stock Incentive is settled or paid in cash, and not shares of Common Stock, any shares previously reserved for issuance or transfer pursuant to such Stock Incentive will again be deemed available for issuance or transfer under the Plan.

6.4 *Terms of Awards.* Stock Bonus Awards, Performance Stock Awards, Performance Unit Awards, Restricted Stock Awards and Restricted Unit Awards, shall be subject to such terms and conditions, including, without limitation, restrictions on the sale or other disposition of the shares issued or transferred pursuant to such Award, and conditions calling for forfeiture of the Award or the shares issued or transferred pursuant thereto in designated circumstances, as the Committee shall determine; provided, however, that upon the issuance or transfer of shares to a Participant pursuant to any such Award, the recipient shall, with respect to such shares, be and become a shareholder of the Company fully entitled to receive dividends, to vote and to exercise all other rights of a shareholder except to the extent otherwise provided in the Award. All or any portion of a Stock Bonus Award may but need not be made in the form of a Performance Stock Award, a Performance Unit Award, a Restricted Stock Award or a Restricted Unit Award.

6.5 *Distribution, Payment and Transfer.* The terms of each Stock Incentive and Award under the Plan shall provide that distribution, payment and transfer of Common Stock, cash or any other compensation shall not be subject to any feature or provision that would constitute a deferral of compensation, and transfer to the Participant shall be made so that the Participant actually receives such payment and transfer on or as soon as reasonably practicable after the end of the period during which such Stock Incentive or Award is subject to a substantial risk of forfeiture, and in no event later than a date within the same taxable year of the Participant in which such period ends, or, if later, by the 15th day of the third calendar month following the date specified for payment under the Award and the Plan, and with respect to which the Participant shall not be permitted, directly or indirectly, to designate the taxable year of payment. Provided, that distribution, payment and transfer under an Award with a feature or provision that constitutes a deferral of compensation may be made under and pursuant to a Deferred Compensation Program, if established by the Committee pursuant to Section 10, at a specified time that is elected and provided for therein and subject to the provisions of such Award, and the terms and requirements of such Program and Section 409A, as provided for in Sections 10 and 11.

6.6 *Loans Prohibited.* The Committee shall not, without prior approval of the Company's shareholders, grant any Stock Incentive that provides for the making of a loan or other extension of credit, directly or indirectly, by the Company, its Subsidiaries or Plan to an Employee, Participant, officer of the Company or its Subsidiaries, or any other person in connection with the grant, award or payment of such Stock Incentive.

6.7 *Written Instrument.* Each Stock Bonus Award, Performance Stock Award, Performance Unit Award, Restricted Stock Award and Restricted Unit Award shall be evidenced in writing as authorized and provided for in Section 15.4.

6.8 *Director Awards.* Director Stock Awards shall be granted as determined by the Committee in accordance with the provisions of Section 9, and as otherwise provided by this Plan.

7. Options

Options shall be subject to the following provisions:

7.1 *Option Price.* Subject to the provisions of Section 12, the purchase price per share shall be, in the case of an Incentive Stock Option, a Non-Statutory Stock Option, or any other Option granted under the Plan, not less than one hundred percent (100%) of the Fair Market Value of a share of Common Stock on the date the Option is granted (or in the case of any optionee who, at the time an Incentive Stock Option is granted, owns stock possessing more than ten percent (10%) of the total combined voting power of all classes of stock of his or her employer corporation or of its parent or subsidiary corporation, not less than one hundred ten percent (110%) of the Fair Market Value of a share of Common Stock on the date the Incentive Stock Option is granted).

7.2 *Payment of Option Price.* The purchase price of shares subject to an Option may be paid in whole or in part (i) in cash, (ii) by bank-certified, cashier's or personal check subject to collection, (iii) if so provided in the Option and subject to such terms and conditions as the Committee may impose, by delivering to the Company a properly executed exercise notice together with a copy of irrevocable instructions to a stockbroker to sell immediately some or all of

the shares acquired by exercise of the Option and to deliver promptly to the Company an amount of sale proceeds (or, in lieu of or pending a sale, loan proceeds) sufficient to pay the purchase price, or (iv) if so provided in the Option and subject to such terms and conditions as are specified in the Option, in shares of Common Stock or other property surrendered to the Company. Property for purposes of this section shall include an obligation of the Company or a Subsidiary unless prohibited by applicable law. Shares of Common Stock thus surrendered shall be valued at their Fair Market Value on the date of exercise. Any such other property thus surrendered shall be valued at its fair market value on any reasonable basis established or approved by the Committee. Notwithstanding any other provision of the Plan, the Committee shall not, without prior approval of the Company's shareholders, grant an Option or any other Stock Incentive that provides for the making of a loan or other extension of credit, directly or indirectly, by the Company, a Subsidiary or the Plan to an Employee, Participant, officer of the Company or any of its Subsidiaries, or any other person in connection with the grant, exercise, payment or award of any such Option or other Stock Incentive.

7.3 Option Terms. Options may be granted for such lawful consideration, including money or other property, tangible or intangible, or labor or services received or to be received by the Company or a Subsidiary, as the Committee may determine when the Option is granted, including the agreement of the optionee to remain in the employ of the Company or one or more of its Subsidiaries at the pleasure of the Company (or the Subsidiaries) for such period, and on such terms, as are more particularly provided for therein. Property for purposes of the preceding sentence shall include an obligation of the Company or a Subsidiary unless prohibited by applicable law. Subject to the foregoing and the other provisions of this Section 7, each Option may be exercisable in full at the time of grant or may become exercisable in one or more installments, at such time or times and subject to satisfaction of such terms and conditions as the Committee may determine. The Committee may at any time accelerate the date on which an Option becomes exercisable, and no additional consideration need be received by the Company in exchange for such acceleration. Unless otherwise provided in the Option, an Option, to the extent it becomes exercisable, may be exercised at any time in whole or in part until the expiration or termination of the Option.

7.4 Exercise by Optionee. Each Option shall be exercisable during the life of the optionee only by him or her or his or her guardian or legal representative, and after the death of the optionee only by his or her Beneficiary or, absent a Beneficiary, by his or her estate or by a person who acquired the right to exercise the Option by will or the laws of descent and distribution; provided, that an Option that is made transferable by its terms and approved by the Committee pursuant to Section 15 shall be exercisable by a permissible transferee in accordance with the terms of the Option. Each Option shall expire at such time or times as the Committee may determine; provided, that notwithstanding any other provision of this Plan, (i) no Option shall be exercisable after the expiration of ten (10) years from the date the Option was granted, and (ii) no Incentive Stock Option which is granted to any optionee who, at the time such Option is granted, owns stock possessing more than ten percent (10%) of the total combined voting power of all classes of stock of his or her employer corporation or of its parent or subsidiary corporation, shall be exercisable after the expiration of five (5) years from the date such Option is granted. The Committee may but need not provide for an Option to be exercisable after termination of employment until its fixed expiration date (or until an earlier date or specified event occurs). Unless otherwise specifically

provided for under Section 10 and subject to the requirements of Section 11, an Option shall not provide for the deferral of compensation to a Participant.

7.5 *Exercise of Option.* An Option shall be considered exercised if and when written notice, signed by the person exercising the Option, or an electronic communication if such communication is authorized and approved by the Committee in the terms of the Option, and stating the number of shares with respect to which the Option is being exercised, is received by the Secretary in or on a form approved for such purpose by the Committee, accompanied by full payment of the Option exercise price in one or more forms of payment authorized by the Committee described in Section 7.2 (together with all applicable withholding taxes), for the number of share purchased. No Option may at any time be exercised with respect to a fractional share.

7.6 *Incentive Stock Options.* An Option may, but need not, be an Incentive Stock Option. All shares of Common Stock which may be made subject to Stock Incentives under this Plan may be made subject to Incentive Stock Options; provided that the aggregate Fair Market Value (determined as of the time the Option is granted) of the stock with respect to which Incentive Stock Options may be exercisable for the first time by any Employee during any calendar year (under all plans, including this Plan, of his or her employer corporation and its parent and subsidiary corporations) shall not exceed One Hundred Thousand Dollars (\$100,000) or such other amount, if any, as may apply under the Code. In no event shall an Incentive Stock Option be granted under the Plan more than ten (10) years from and after the date the Board approves the adoption of the Plan, or the date the Plan is approved by the shareholders of the Company, whichever is earlier. The Participant must notify the Company in writing within thirty (30) days after any disposition of Shares acquired pursuant to the exercise of an Incentive Stock Option within two years from the grant date or one year from the exercise date. The Participant must also provide the Company with all information that the Company reasonably requests in connection with determining the amount and character of Participant's income, the Company's deduction, and the Company's obligation to withhold taxes or other amounts incurred by reason of a disqualifying disposition.

7.7 *Written Instrument.* Each Option shall be evidenced in writing as authorized and provided for in Section 15.4. An Option, if so approved by the Committee, may include terms, conditions, restrictions and limitations in addition to those provided for in this Plan including, without limitation, terms and conditions providing for the transfer or issuance of shares, on exercise of an Option, which may be non-transferable and forfeitable to the Company in designated circumstances.

7.8 *Restored or Reload Options Prohibited.* Notwithstanding any other provision of the Plan, the Committee shall not, without prior approval of Company's shareholders, grant an Incentive Stock Option, Non-Statutory Option or other form of Option under this Plan containing any provision pursuant to which the optionee is to be granted a restored or reload Option of any kind by reason of the exercise of all or part of an Option by paying all or part of the exercise price of such Option by surrendering shares of Common Stock.

7.9 *Repricing Prohibited.* Notwithstanding any other provision of the Plan, except in connection with a corporate transaction involving the Company (including, without limitation, any

stock dividend, stock split, extraordinary cash dividend, recapitalization, reorganization, merger, consolidation, split-up, spin-off, combination, or exchange of shares), the terms of outstanding Stock Incentives may not, without Company shareholder approval, be amended to reduce the exercise price of outstanding Options, cancel outstanding Options in exchange for cash, other Stock Incentives or Options with an exercise price that is less than the exercise price of the original Options, or take any other action with respect to an Option that has the effect of buying out, repricing, replacing or regrating through cancellation underwater Options, including, but not limited to, any action that would be treated as a repricing under the rules and regulations of the principal securities exchange on which the Shares are traded.

7.10 *Regulatory Compliance.* No Option shall be exercisable unless and until the Company (i) obtains the approval of all regulatory bodies whose approval the General Counsel may deem necessary or desirable, and (ii) complies with all legal requirements deemed applicable by the General Counsel.

8. Stock Appreciation Rights

8.1 *General.* Subject to the terms of the Plan, Stock Appreciation Rights may be granted to Employees by the Committee upon such terms and conditions as the Committee determines; provided, that the base price per share of a freestanding Stock Appreciation Right shall be not less than one hundred percent (100%) of the Fair Market Value of a share of the Common Stock on the date of grant of a Stock Appreciation Right; and such Stock Appreciation Right shall be exercisable, or be forfeited or expire upon such terms as the Committee determines and are made a part of such Stock Appreciation Right.

8.2 *Stock Appreciation Rights, Options.* Stock Appreciation Rights may be granted by the Committee as freestanding Stock Incentives or in tandem with Options. A tandem Stock Appreciation Right may be included in an Option at the time the Option is granted or by amendment of the Option. Exercise of any such a tandem Stock Appreciation Right will be deemed to surrender the related Option for cancellation and vice versa.

8.3 *Exercise.* A Stock Appreciation Right shall be exercised by delivery of written notice (including facsimile or electronic transmittal) to the Committee setting forth the number of shares with respect to which the Stock Appreciation Right is exercised and date of exercise, at such time and as otherwise prescribed in the Stock Appreciation Right. Provided that no Stock Appreciation Right shall be exercisable after the expiration of ten (10) years from the date the Stock Appreciation Right was granted.

8.4 *Settlement.* A Stock Appreciation Right may be settled or paid in either cash, shares of Common Stock, or a combination thereof in accordance with its terms. If a Stock Appreciation Right is settled or paid in shares of Common Stock, such shares shall be deemed to be issued hereunder only when and to the extent that settlement or payment is actually made in shares of Common Stock. To the extent that a Stock Appreciation Right is actually settled in cash and not shares of Common Stock, any shares previously reserved for issuance or transfer pursuant to such Stock Appreciation Right shall again be deemed available for issuance or transfer under the Plan; and the maximum number of shares of Common Stock that may be issued under the Plan shall not be reduced by any actual settlement of a Stock Appreciation Right in cash. Unless otherwise

specifically provided for under Section 10 and subject to the requirements of Section 11, a Stock Appreciation Right shall not provide for the deferral of compensation to a Participant.

8.5 *Written Instrument.* Each Stock Appreciation Right granted shall be evidenced in writing as authorized and provided in Section 15.4.

8.6 *Repricing Prohibited.* Notwithstanding any other provision of the Plan, except in connection with a corporate transaction involving the Company (including, without limitation, any stock dividend, stock split, extraordinary cash dividend, recapitalization, reorganization, merger, consolidation, split-up, spin-off, combination, or exchange of shares), the terms of outstanding Stock Incentives may not, without Company shareholder approval, be amended to reduce the exercise price of outstanding Stock Appreciation Rights, cancel outstanding Stock Appreciation Rights in exchange for cash, other Stock Incentives or Stock Appreciation Rights with an exercise price that is less than the exercise price of the original Stock Appreciation Rights or take any other action with respect to a Stock Appreciation Rights that has the effect of buying out, repricing, replacing or regranting through cancellation underwater Stock Appreciation Rights, including, but not limited to, any action that would be treated as a repricing under the rules and regulations of the principal securities exchange on which the Shares are traded.

9. Director Stock Awards

9.1 *General.* Each Non-Employee Director Participant shall receive such portion of his or her Director Fees in Common Stock as shall be established from time to time by the Board, with the remainder of such Director Fees to be payable in cash or in Common Stock as elected by the Non-Employee Director Participant in accordance with Section 9.2.

9.2 *Non-Employee Director Election.* Each Non-Employee Director Participant shall have an opportunity to elect to have the remaining portion of his or her Director Fees paid in cash or shares of Common Stock or a combination thereof. Except for the initial election following the Effective Date of the Plan, or the Director's election to the Board, any such election shall be made in writing and must be made at least thirty (30) days before the beginning of the Plan Year in which the services are to be rendered giving rise to such Director Fees and may not be changed thereafter except by timely written election as to Director Fees for services to be rendered in a subsequent Plan Year. In the absence of such an election, such remaining portion of the Director Fees of a Non-Employee Director shall be paid entirely in cash. Nothing contained in this Section 9.2 shall be interpreted in such a manner as would disqualify the Plan for treatment as a "formula plan" under Rule 16b-3 pursuant to which the terms and conditions of each transaction authorized by Section 9.1 are fixed in advance by the relevant terms and provisions thereof.

9.3 *Share Awards.* The number of shares of Common Stock to be paid and distributed to a Non-Employee Director under the provisions of Sections 9.1 and 9.2, shall be determined by dividing the dollar amount of his or her Director Fees (which the Board has established, and/or such Non-Employee Director has elected) to be paid in Common Stock on any payment date by the Fair Market Value of a share of Common Stock on that date. Except as may otherwise be directed by the Committee, in its sole discretion, the payment and distribution of such shares to a Non-Employee Director shall be on or within five days after the date such Director Fees would otherwise have been paid to him or her in cash.

10. Deferred Compensation Program

10.1 *Establishment of Deferred Compensation Program.* This Section 10 shall not be effective unless and until the Committee determines to establish a program or procedures under the Plan providing for deferral of compensation with respect to Awards (“Deferred Compensation Program”) pursuant to this Section. The Committee, in its discretion and upon such terms and conditions as it may determine, pursuant to Sections 6.2, 6.4, 7.3, 8.1 and 14.2 herein, and consistent with the requirements of Section 409A, may establish one or more Deferred Compensation Programs pursuant to the Plan under which:

(a) Deferred Compensation. Participants designated by the Committee may irrevocably elect, prior to a date specified by the Committee and subject to compliance with the requirements of Section 409A, to be granted an Award that provides for the deferral of compensation of Stock Units with respect to such number of shares of Common Stock and/or upon such other terms and conditions as established by the Committee in lieu of:

(1) shares of Common Stock otherwise issuable to a Participant upon the exercise of an Option;

(2) shares of Common Stock or cash otherwise issuable to a Participant upon the exercise of a Stock Appreciation Right;

(3) shares of Common Stock or cash otherwise issuable to a Participant upon the settlement and date of distribution, payment and transfer of a Restricted Unit Award;

(4) shares of Common Stock or cash otherwise issuable to a Participant upon the settlement, distribution, payment and transfer of a Performance Unit Award; or

(5) shares of Common Stock or cash otherwise issuable to a Participant upon the settlement, distribution, payment and transfer of any other form of Stock Incentive and Award that may otherwise be granted under the Plan.

(b) *Award Deferral Feature.* The providing for the deferral of compensation under a Stock Incentive or Award, upon the granting of such Stock Incentive or Award, or by amendment or change of its terms, is intended to and shall only affect the time of distribution, payment and transfer of the Award, consistent with the nature of the Award as authorized by the Plan, and shall in no event expand the types of Awards available under the Plan, increase the number of Shares available under the Plan, expand the classes of persons eligible under the Plan, provide for any extension of the term of the Plan, change the method of determining a strike price of Options granted under the Plan, or provide for the deletion or any limitation of any provision of the Plan or the Award prohibiting repricing, and shall not increase the potential dilution of shareholders of the Company over the lifetime of the Plan.

(c) **Section 409A Compliance.** The provisions of the Plan and any amendment of the Plan with respect to the deferral of compensation or a deferred compensation feature under a Stock Incentive or Award are intended to satisfy the requirements of Section 409A. It is intended that any and all amendments of the Plan and any Awards to satisfy the requirements of Section 409A shall not be made in any manner so as to expand the types of Stock Incentives or Awards available under the Plan, and the Plan and all Awards shall be interpreted and applied in a manner consistent with such intent.

10.2 *Terms and Conditions of Stock Incentives, Awards.* Stock Incentives or Awards granted under the Plan that pursuant to this Section 10 provide for deferral of compensation, shall be evidenced by Award Agreements applicable to such Stock Incentives or Awards and other written instruments in such form as the Committee shall from time to time establish. Award Agreements and other written instruments evidencing such Award Agreements may incorporate all or any of the terms of the Plan by reference and, except as provided below, shall comply with and be subject to the terms and conditions of Section 11.

(a) **Voting Rights; Dividend Equivalent Rights and Distributions.** Participants shall have no voting rights with respect to shares of Stock represented by Stock Units until the date of the issuance of such shares of Common Stock. A Participant may be entitled to dividend equivalent rights with respect to the payment of cash dividends on Common Stock during the period beginning on the date the Stock Units are granted to the Participant and ending on the earlier of the date on which such Stock Units are settled, as provided for by the Award Agreement and determined by the Committee, subject to the terms and conditions of Section 11.

(b) **Settlement, Payment and Transfer.** A Participant electing to receive an Award of Stock Units pursuant to this Section 10 shall specify at the time of such election a settlement, distribution, payment and transfer date with respect to such Award in compliance with the requirements of Section 409A. The Company shall issue to the Participant on the specified payment date elected by the Participant, or established with respect to the Award, or as soon thereafter as practicable, a number of whole shares of Stock equal to the number of vested Stock Units subject to the Stock Unit Award. Such shares of Stock shall be fully vested, and the Participant shall not be required to pay any additional consideration (other than applicable tax withholding) to acquire such shares.

11. Compliance With Section 409A

11.1 *Awards Subject to Section 409A.* The provisions of this Section 11 shall apply to any Stock Incentive or Award or portion thereof that provides for the deferral of compensation and is or becomes subject to Section 409A, notwithstanding any provision to the contrary contained in the Plan or the Award Agreement or other written instrument applicable to such Award. Awards subject to Section 409A include, without limitation:

(a) Any Nonstatutory Stock Option or Stock Appreciation Right that permits the deferral of compensation other than the deferral of recognition of income until the exercise of the Award;

(b) Each Stock Incentive or Award that provides for the deferral of compensation; and

(c) Any Restricted Unit Award, Performance Unit Award, cash-based Award or other Stock-based Award if such Award provides for the deferral of compensation and either (i) the Award provides by its terms for settlement, distribution, payment and transfer of all or any portion of the Award on one or more specified dates or (ii) the Committee permits or requires the Participant to elect, or the Committee designates one or more dates on which the Award will be settled, distributed, paid and transferred.

11.2 *Deferral and/or Distribution Elections.* Except as otherwise permitted or required by Section 409A and Treasury Regulations thereunder or other applicable Secretary of the Treasury published guidance, the following rules shall apply to any deferral of compensation and/or distribution elections (each, an “Election”) that may be permitted, required or designated by the Committee pursuant to an Award subject to Section 409A:

(a) All Elections must be in writing and specify the amount of the distribution, payment and transfer in settlement of an Award being deferred, as well as the specific time and form of distribution as permitted by this Plan, in accordance with Section 409A and the Treasury Regulations thereunder.

(b) All Elections shall be made by the end of the Participant’s taxable year prior to the year in which services commence for which an Award may be granted to such Participant; provided, however, that:

(1) if the Award provides for forfeitable rights under which the Participant has a legally binding right to a distribution, payment or transfer in a subsequent year that is subject to a condition requiring the Participant to continue to provide services for a period of at least 12 months from the date the Participant obtains a legally binding right to avoid forfeiture of the distribution, payment or transfer and the Election is made on or before the 30th day after the Participant obtains a legally binding right to the Award, provided that the Election is made at least 12 months in advance of the earliest date the Participant at which a forfeiture condition could lapse, or

(2) if the Award qualifies as “performance-based compensation” for purposes of Section 409A and is based on services performed over a period of at least twelve (12) months, then the Election may be made no later than six (6) months prior to the end of such period to the extent permitted by Section 409A, or

(3) if the Election is otherwise permissible at a later date pursuant to Section 409A, the Treasury Regulations thereunder or other applicable guidance.

(c) Elections shall continue in effect until a written election to revoke or change such Election is received by the Company, except that a written election to revoke or change such Election must be made prior to the last day for making an Election determined in accordance with paragraph (b) above or as permitted by Section 11.3, and Section 409A.

11.3 *Subsequent Elections.* Except as otherwise permitted or required by Section 409A, the Treasury Regulations thereunder or other applicable guidance, any Award subject to Section 409A which permits a subsequent Election (“Subsequent Election”) to delay the distribution or change the form of distribution in settlement of such Award shall comply with the following requirements:

- (a) No Subsequent Election may take effect until at least twelve (12) months after the date on which the Subsequent Election is made;
- (b) Each Subsequent Election related to a distribution, payment, or transfer in settlement of an Award not described in Section 11.4(b), 11.4(c) or 11.4(f) must result in a delay of the payment, distribution or transfer for a period of not less than five (5) years from the date such distribution, payment or transfer would otherwise have been made; and
- (c) No Subsequent Election related to a distribution, payment or transfer pursuant to Section 11.4(d) shall be made less than twelve (12) months prior to the date of the first scheduled payment as to such distribution, payment or transfer.

11.4 *Distributions Pursuant to Deferral Elections.* Except as otherwise permitted or required by Section 409A or Treasury Regulations thereunder or other applicable guidance, no distribution, payment or transfer in settlement of an Award subject to Section 409A may commence earlier than:

- (a) Separation from service within the meaning of and as provided for under Section 409A and the Treasury Regulations thereunder (“Separation from Service”);
- (b) The date the Participant becomes Disabled (as defined below);
- (c) Death;
- (d) A Specified Time (or pursuant to a Fixed Schedule) that is either (i) designated by the Committee upon the grant of an Award and set forth in the Award Agreement evidencing such Award or (ii) specified by the Participant in an Election complying with the requirements of Section 11.2 and/or 11.3, as applicable;
- (e) A change in the ownership or control of the Company or in the ownership of a substantial portion of the assets of the Company (within the meaning of and as provided for under Section 409A and the Treasury Regulations thereunder); or
- (f) The occurrence of an Unforeseeable Emergency (as defined below and as provided for under by Treasury Regulations under Section 409A).

For purposes of the foregoing and the Plan, a "Specified Time" means a date or dates at which deferred compensation is payable and that are nondiscretionary and objectively determinable at the time the compensation is deferred, as provided for in Treasury Regulations under Section 409A; and "Fixed Schedule" means the distribution or payment of deferred compensation in a fixed schedule of distributions or payments that are determined and fixed at the

time the deferral of such compensation is first elected or designated pursuant to the Plan and the requirements of Section 409A.

Notwithstanding anything else herein to the contrary, if a Participant becomes entitled to a distribution on account of a Separation from Service and is a "Specified Employee" (within the meaning of and as provided for under Section 409A and the Treasury Regulations thereunder) on the date of the Separation from Service, no distribution pursuant to Section 11.4(a) in settlement of an Award subject to Section 409A may be made before the date (the "Delayed Payment Date") which is six (6) months after such Participant's date of Separation from Service, or, if earlier, the date of the Participant's death. All such amounts that would, but for this paragraph, become payable prior to the Delayed Payment Date shall be accumulated and paid on the Delayed Payment Date.

11.5 *Unforeseeable Emergency.* The Committee shall have the authority to provide in the Award Agreement evidencing any Award subject to Section 409A for distribution in settlement of all or a portion of such Award in the event that a Participant establishes, to the satisfaction of the Committee, the occurrence of an Unforeseeable Emergency. In such event, the amount(s) distributed with respect to such Unforeseeable Emergency cannot exceed the amounts necessary to satisfy such Unforeseeable Emergency plus amounts necessary to pay taxes reasonably anticipated as a result of such distribution(s), after taking into account the extent to which such hardship is or may be relieved through reimbursement or compensation by insurance or otherwise, by liquidation of the Participant's assets (the liquidation of such assets would not itself cause severe financial hardship) or by cessation of deferrals under the Award. All distributions with respect to an Unforeseeable Emergency shall be made in a lump sum as soon as practicable following the Committee's determination that an Unforeseeable Emergency has occurred. For purposes of the foregoing, Unforeseeable Emergency means a severe financial hardship to the Participant resulting from illness or accident of the Participant, the Participant's spouse, or a dependent (as defined in Code Section 152(a)) of the Participant, loss of the Participant's property due to casualty, or other similar extraordinary circumstances arising as a result of events beyond the control of the Participant, including such events and circumstances as and considered to be an Unforeseeable Emergency under Code section 409A and the regulations thereunder. It is intended and directed with respect to any such unforeseeable emergency that any amounts distributed under the Plan by reason thereof shall not exceed the amounts necessary to satisfy such emergency plus amounts necessary to pay taxes reasonably anticipated as a result of the distribution, after taking into account the extent to which such hardship is or may be relieved through reimbursement or compensation by insurance or otherwise or by liquidation of the Participant's assets (to the extent the liquidation of such assets would not itself cause severe financial hardship).

The occurrence of an Unforeseeable Emergency shall be judged and determined by the Committee. The Committee's decision with respect to whether an Unforeseeable Emergency has occurred and the manner in which, if at all, the distribution, payment or transfer in settlement of an Award shall be altered or modified, shall be final, conclusive, and not subject to approval or appeal.

11.6 *Disability.* The Committee shall have the authority to provide in any Award subject to Section 409A for distribution, payment or transfer in settlement of such Award in the event that the Participant becomes Disabled. A Participant shall be considered "Disabled" and that term shall

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

All distributions payable by reason of a Participant becoming Disabled shall be paid in a lump sum or in periodic installments as established by the Participant's Election, commencing as soon as practicable following the date the Participant becomes Disabled. If the Participant has made no Election with respect to distributions upon becoming Disabled, all such distributions shall be paid in a lump sum as soon as practicable following the date the Participant becomes Disabled.

11.7 *Death.* If a Participant dies before complete distribution, payment or transfer of amounts to be distributed, paid or transferred upon settlement of an Award subject to Section 409A, such undistributed amounts shall be distributed, paid or transferred to his or her beneficiary under the distribution and payment method for death established by the Participant's Election as soon as administratively possible following receipt by the Committee of satisfactory notice and confirmation of the Participant's death. If the Participant has made no Election with respect to distribution or payment upon death, distribution and payment shall be paid in a lump sum as soon as practicable following the date of the Participant's death.

11.8 *No Acceleration of Distributions.* Notwithstanding anything to the contrary herein, this Plan does not permit the acceleration of the time or schedule of any distribution, payment or transfer under an Award subject to Section 409A, except as provided by Section 409A and/or the Treasury Regulations thereunder.

11.9 *Additional Distribution Rule.* Notwithstanding anything to the contrary herein, a distribution or payment shall be treated as made upon the date specified under the Plan if the payment is made at such date or a later date within the same taxable year of the Participant or, if later, by the 15th day of the third calendar month following the date specified under the Plan and the Participant is not permitted, directly or indirectly, to designate the taxable year of the payment. Any distribution that complies with this section shall be deemed for all purposes to comply with the Plan requirements regarding the time and form of distribution.

12. Certain Change in Control, Termination of Employment and Disability Provisions

12.1 *Change of Control.* Upon the occurrence of a Change of Control and except with respect to any Awards assumed by the surviving entity or otherwise equitably converted or substituted in connection with a Change of Control in a manner approved by the Board, any Stock Incentive which is outstanding but not yet exercisable, vested or payable at the time of a Change in Control shall become exercisable, vested and payable at that time. With respect to Awards assumed by a surviving entity or otherwise equitably converted or substituted in connection with a Change of Control, if within two years after the effective date of the Change of Control a Participant's employment is terminated without Just Cause or the Participant resigns for Good

Reason, any Stock Incentive which is outstanding but not yet exercisable, vested or payable at the time of a Change of Control shall become exercisable, vested and payable. For purposes of this Subsection 12.1, 'Good Reason' has the meaning, if any, assigned to such term in the Award Agreement.

12.2 *Termination of Employment and Disability.* Subject to the foregoing provisions of this Section 12, the Committee may at any time, and subject to such terms and conditions as it may impose:

i) authorize the holder of an Option to exercise the Option following the termination of the Participant's employment with the Company and its Subsidiaries, or following the Participant's disability, whether or not the Option would otherwise be exercisable following such event, provided that in no event may an Option be exercised after the expiration of its term; and

ii) authorize a Stock Bonus Award, Performance Stock Award, Performance Unit Award, Restricted Stock Award, or Restricted Unit Award to become non-forfeitable, fully earned and payable upon or following (i) the termination of the Participant's employment with the Company and its Subsidiaries, or (ii) the Participant's disability, whether or not the Award would otherwise become non-forfeitable, fully earned and payable upon or following such event.

13. Adjustment Provisions

In the event that any recapitalization, or reclassification, split-up or consolidation of shares of Common Stock shall be effected, or the outstanding shares of Common Stock shall be, in connection with a merger or consolidation of the Company or a sale by the Company of all or a part of its assets, exchanged for a different number or class of shares of stock or other securities or property of the Company or any other entity or person, or a record date for determination of holders of Common Stock entitled to receive a dividend or other distribution payable in Common Stock or other property (other than normal cash dividends) shall occur, or other similar transaction, (i) the number and class of shares or other securities or property that may be issued or transferred pursuant to Stock Incentives thereafter granted or that may be optioned or awarded under the Plan to any Participant, (ii) the number and class of shares or other securities or property that may be issued or transferred under outstanding Stock Incentives, (iii) the purchase price to be paid per share under outstanding and future Stock Incentives, (iv) the terms and conditions of any outstanding Awards (including, without limitation, the performance period or any applicable performance targets or criteria with respect thereto); and (v) the price to be paid per share by the Company or a Subsidiary for shares or other securities or property issued or transferred pursuant to Stock Incentives which are subject to a right of the Company or a Subsidiary to reacquire such shares or other securities or property, shall in each case be equitably adjusted. Any such adjustments shall be done in a manner consistent with Code Sections 409A or 424, to the extent applicable. The determination by the Committee as to the terms of any of the foregoing adjustments shall be conclusive and binding.

14. Administration

14.1 *Committee.* The Plan shall be administered by a committee of the Board of Directors consisting of two or more non-employee directors appointed from time to time by the Board of Directors. A majority of the Committee members shall constitute a quorum. The acts of a majority of the Committee members at a meeting at which a quorum is present or acts approved in writing by a majority of the Committee members shall be deemed acts of the Committee. Each member of the Committee shall satisfy such criteria of independence as the Board of Directors may establish and such regulatory or listing requirements as the Board of Directors may determine to be applicable or appropriate. No person shall be appointed to or shall serve as a member of such Committee unless at the time of such appointment and service he or she shall be a “Non-Employee Director,” as defined in SEC Rule 16b-3.

14.2 *Committee Authority, Rules, Interpretations of Plan.* The Committee may establish such rules and regulations, not inconsistent with the provisions of the Plan, as it may deem necessary for the proper administration of the Plan, and may amend or revoke any rule or regulation so established. The Committee shall, subject to the provisions of the Plan, have full power to interpret, administer and construe the Plan and any instruments issued under the Plan and full authority to make all determinations and decisions thereunder including without limitation the authority to (i) select the Participants in the Plan, (ii) determine when Stock Incentives shall be granted, (iii) determine the number of shares to be made subject to each Stock Incentive, (iv) determine the type of Stock Incentive to grant, (v) determine the terms and conditions of each Stock Incentive, including the exercise price, in the case of an Option, (vi) prescribe the terms and forms of written instruments evidencing Stock Incentives granted pursuant to and in accordance with the Plan and other forms necessary for administration of the Plan, and (vii) approve any transaction involving a Stock Incentive for a Section 16 Person (other than a “Discretionary Transaction” as defined in SEC Rule 16b-3) so as to exempt such transaction under SEC Rule 16b-3; provided, that any transaction under the Plan involving a Section 16 Person also may be approved by the Board of Directors, or may be approved or ratified by the shareholders of the Company, in the manner that exempts such transaction under SEC Rule 16b-3. The Committee may, at its discretion, delegate to the Chief Executive Officer (so long as he is a member of the Board) its authority under this Section 14.2 with respect to Stock Incentive grants to officers appointed by the Chief Executive Officer as provided in the Company’s By-laws and to all other employees so long as such individuals are not a Section 16 Person. The Committee may also delegate authority for day-to-day administration of the Plan to the Company’s Benefits Committee or its authorized representatives pursuant to a duly adopted resolution or a memorandum of action signed by all members of the Committee or approved via electronic transmission. All actions taken by the Company’s Benefits Committee or its authorized representative shall have the same legal effect and shall be entitled to the same deference as if taken by the Committee itself. The interpretation by the Committee of the terms and provisions of the Plan and any instrument or other evidence of a Stock Incentive issued thereunder, and its administration thereof, and all action taken by the Committee, shall be final, binding, and conclusive on the Company, the shareholders of the Company, Subsidiaries, all Participants and employees, and upon their respective Beneficiaries, successors and assigns, and upon all other persons claiming under or through any of them.

14.3 *Section 409A Compliance Authority.* Notwithstanding any other provision of the Plan to the contrary or any Award or Award Agreement, the Committee may, but shall not be required to, in its sole and absolute discretion and without the consent of any Participant, amend the Plan, or any Award Agreement, or other written instrument issued under the Plan, or take such other actions with respect to an Award or Award Agreement, to take effect retroactively or otherwise, as it deems necessary or advisable for the purpose of conforming the Plan, or such Award Agreement or other written instrument to any present or future law, regulation or rule applicable to the Plan or such Award or Award Agreement, including without limitation, Section 409A and Treasury Regulations issued under Section 409A.

The Company intends that the Plan shall be administered and all Awards and Stock Incentives granted thereunder subject to Section 409A shall be administered, interpreted and applied in a manner that complies with Section 409A.

Provided, that the Company and the Committee makes no representations that Stock Incentives and Awards granted under the Plan shall be exempt from or comply with Section 409A of the Code and makes no undertaking to preclude Section 409A of the Code from applying to Stock Incentives and Awards granted under the Plan. The Company, any of its Subsidiaries and the Committee shall not be responsible for any additional tax imposed upon a Participant or other person pursuant to Section 409A, nor shall the Company, any of its Subsidiaries or Committee indemnify or otherwise reimburse a Participant or other person for any liability incurred as a result of Section 409A.

14.4 *Limitation of Liability.* Members of the Board of Directors and members of the Committee acting under this Plan shall be fully protected in relying in good faith upon the advice of counsel and shall incur no liability except for gross or willful misconduct in the performance of their duties.

15. General Provisions

15.1 *Nontransferability.* Any provision of the Plan to the contrary notwithstanding, any Stock Incentive issued under the Plan, including without limitation any Option, shall not be transferable by the Participant other than by will or the laws of descent and distribution or to a Beneficiary designated by the Participant, unless the instrument evidencing the Stock Incentive expressly so provides (or is amended to so provide) and is approved by the Committee; and any purported transfer of an Incentive Stock Option to a Beneficiary, or other transferee, shall be effective only if such transfer is, in the opinion of the General Counsel, permissible under and consistent with SEC Rule 16b-3 or Section 422 of the Code, as the case may be. Notwithstanding the foregoing, a Participant may transfer any Stock Incentive granted under this Plan, other than an Incentive Stock Option, to members of his or her immediate family (defined as his or her children, grandchildren and spouse) or to one or more trusts for the benefit of such immediate family members or partnerships in which such immediate family members are the only partners if (and only if) the instrument evidencing such Stock Incentive expressly so provides (or is amended to so provide) and is approved by the Committee; provided, that under no circumstances shall any transfer of a Stock Incentive be made for value or consideration to the Participant. Any such transferred Stock Incentive shall continue to be subject to the same terms and conditions that were applicable to such Stock Incentive immediately prior to its transfer (except that such transferred

Stock Incentive shall not be further transferable by the transferee *inter vivos*, except for transfer back to the original Participant holder of the Stock Incentive) and provided, further, that the foregoing provisions of this sentence shall apply to Section 16 Persons only if the General Counsel determines that doing so would not jeopardize any exemption from Section 16 of the Exchange Act (including without limitation SEC Rule 16b-3) for which the Company intends Section 16 Persons to qualify. The designation of a Beneficiary by a Participant pursuant to Section 15.15 is not a transfer for purposes of the foregoing provisions of this paragraph.

15.2 *No Employment Contract.* Nothing in this Plan or in any instrument executed pursuant hereto shall confer upon any person any right to continue in the employment of the Company or a Subsidiary, or shall affect the right of the Company or a Subsidiary to terminate the employment of any person at any time with or without cause.

15.3 *Conditions to Issuance of Shares; Securities Laws Compliance.* No shares of Common Stock shall be issued or transferred pursuant to a Stock Incentive unless and until all legal requirements applicable to the issuance or transfer of such shares have, in the opinion of the General Counsel, been satisfied. Any such issuance or transfer shall be contingent upon the person acquiring the shares giving the Company any written assurances the General Counsel may deem necessary or desirable to assure compliance with all applicable legal requirements. The Company shall be under no obligation to any Participant to register for offering or resale or to qualify for exemption under the Securities Act, or to register or qualify under the laws of any state or foreign jurisdiction, any shares of Common Stock, security or interest in a security paid or issued under, or created by, the Plan, or to continue in effect any such registrations or qualifications if made. The inability of the Company to obtain authority from any regulatory body having jurisdiction, which authority is deemed by the General Counsel to be necessary to the lawful issuance and sale of any Shares hereunder, will relieve the Company of any liability in respect of the failure to issue or sell such Shares as to which such requisite authority will not have been obtained.

15.4 *Written Instrument.* A Stock Incentive and Award granted under this Plan shall be evidenced in writing in such manner as the Committee determines, including, without limitation, by written Award Agreement or other physical instrument, by electronic communication, or by book entry. Such written evidence of a Stock Incentive shall contain the terms and conditions thereof, consistent with this Plan, which shall be incorporated in it by reference. In the event of any dispute or discrepancy regarding the terms of a Stock Incentive, the records of the Board of Directors and Committee shall be determinative.

15.5 *Limitation of Interest.* No person (individually or as a member of a group) and no Beneficiary or other person claiming under or through him or her, shall have any right, title or interest in or to any shares of Common Stock (i) issued or transferred to, or acquired by, a trust, (ii) allocated, or (iii) reserved for the purposes of this Plan, or subject to any Stock Incentive except as to such shares of Common Stock, if any, as shall have been issued or transferred to him or her. The Committee may (but need not) provide at any time or from time to time (including without limitation upon or in contemplation of a Change in Control) for a number of shares of Common Stock, equal to the number of such shares subject to Stock Incentives then outstanding, to be issued or transferred to, or acquired by, a trust (including but not limited to a grantor trust) for the purpose of satisfying the Company's obligations under such Stock Incentives, and, unless prohibited by applicable law, such shares held in trust shall be considered authorized and issued shares with full

dividend and voting rights, notwithstanding that the Stock Incentives to which such shares relate shall not have been exercised or may not be exercisable or vested at that time.

15.6 *Withholdings.* The Company and its Subsidiaries may make such provisions as they may deem appropriate for the withholding of any taxes which they determine they are required to withhold in connection with the grant, exercise, vesting, distribution or payment of any Stock Incentive. Without limiting the foregoing, the Committee may, subject to such terms and conditions as it may impose, permit or require a Participant to satisfy all or part of his or her tax withholding obligations by (i) paying cash to the Company, (ii) having the Company withhold an amount from any cash amounts otherwise due or to become due from the Company to the Participant, (iii) having the Company withhold a number of shares of Common Stock that would otherwise be issued to the Participant having a Fair Market Value equal to the aggregate amount of such liabilities based on the applicable statutory withholding rates for federal, state, local and foreign income tax and payroll tax purposes, or (iv) surrendering a number of shares of Common Stock the Participant already owns having a Fair Market Value equal to the applicable statutory withholding rates for federal, state, local and foreign income tax and payroll tax purposes. The fair market value of the Shares to be withheld or delivered will be determined as of the date that the taxes are required to be withheld.

15.7 *Other Plans.* Nothing in this Plan is intended to be a substitute for, or shall preclude or limit the establishment or continuation of, any other plan, practice or arrangement for the payment of compensation or fringe benefits to directors, officers or employees generally, or to any class or group of such persons, which the Company or any Subsidiary now has or may hereafter lawfully put into effect, including, without limitation, any incentive compensation, retirement, pension, group insurance, stock purchase, stock bonus or stock option plan.

15.8 *Section 16 Exemption Requirements.* Any provision of the Plan to the contrary notwithstanding, except to the extent that the Committee determines otherwise, transactions by and with respect to Section 16 Persons under the Plan are intended to qualify for any applicable exemptions provided by SEC Rule 16b-3, and the provisions of the Plan and Stock Incentives granted under the Plan shall be administered, interpreted and construed to carry out such intent and any provision that cannot be so administered, interpreted and construed shall to that extent be disregarded.

15.9 *Performance Stock Incentives.*

(a) Performance Stock Incentives granted to Employees under the Plan shall be paid, vested or otherwise awarded and delivered on account of the attainment of one or more pre-established, objective Performance Goals established by the Committee in writing. A Performance Goal shall generally be pre-established prior to commencement of the Performance Period, and in no event later than the earlier of (i) ninety (90) days after the commencement of the period of service to which a Performance Goal relates, provided, that the outcome is substantially uncertain at the time the Performance Goal is established, and (ii) the lapse of twenty-five percent (25%) of the period of service (as scheduled in good faith at the time the Performance Goal is established), and in any event while the outcome is substantially uncertain. A Performance Goal shall be deemed objective if a third party having knowledge of the relevant facts could determine if it is met. Such a

Performance Goal may be based on one or more business performance criteria that apply to a Participant, one or more business units, Subsidiaries, divisions or sectors of the Company, or the Company as a whole, and if so determined by the Committee, by comparison with a designated peer group of companies or businesses. A Performance Goal may include one or more of the following criteria or standards: (i) increased revenue, (ii) net income measures, including without limitation, income after capital costs, and income before or after taxes, (iii) stock price measures, including without limitation, growth measures and total stockholder return, (iv) market share, (v) earnings per share (actual or targeted growth), (vi) earnings before interest, taxes, depreciation, and amortization, (vii) economic value added, (viii) cash flow measures, including without limitation, net cash flow, and net cash flow before financing activities, (ix) return measures, including without limitation, return on equity, return on average assets, return on capital, risk adjusted return on capital, return on investors' capital and return on average equity, (x) operating measures, including without limitation, operating income, funds from operations, cash from operations, after-tax operating income, sales volumes, production volumes, and production efficiency, (xi) expense measures, including but not limited to, finding and development costs, overhead costs, and general and administrative expense, (xii) margins, (xiii) shareholder value, (xiv) total shareholder return, (xv) reserve addition, (xvi) proceeds from dispositions, (xvii) total market value, and (xviii) corporate value criteria or standards including, without limitation, ethics, environmental and safety compliance.

(b) A Performance Goal need not be based upon an increase or a positive result under a particular business criterion, and may include, the maintaining of the status quo or limiting economic or financial losses measured by reference to specific business criteria. A Performance Goal must include business criteria, and a Performance Goal shall not be established or be considered to exist based on the mere continued employment of an Employee.

(c) Performance Goals may be identical for all Participants, or may be different for one or more Participants, as determined by the Committee in its sole discretion.

(d) Prior to the payment or distribution of any compensation based upon the achievement of Performance Goals for a Performance Stock Incentive, the Committee shall certify in writing that the applicable Performance Goals and any of the material terms thereof were, in fact, satisfied. The approved minutes of a Committee meeting or written memorandum of action of the Committee without a meeting in which the certification is made may be treated as a written certification. Certification by the Committee is not required for compensation that is attributable solely to the increase in the value of the Common Stock.

(e) Subject to the foregoing provisions, the terms, conditions and limitations applicable to any Performance Stock Incentives that are granted pursuant to the Plan shall be determined by the Committee.

15.10 *Plan Acceptance.* By accepting any benefits under the Plan, each Participant, and each person claiming under or through a Participant shall be conclusively deemed to have indicated his or her acceptance and ratification of, and consent to, all provisions of the Plan and any action

or decision under the Plan by the Company, its agents and employees, any of its Subsidiaries and their agents and employees, the Board of Directors and the Committee.

15.11 *Governing Law.* The validity, construction, interpretation and administration of the Plan and of any determinations or decisions made thereunder, and the rights of all persons having or claiming to have any interest therein or thereunder, shall be governed by, and determined exclusively in accordance with, the laws of the State of Oklahoma, but without giving effect to the principles of conflicts of laws thereof. Without limiting the generality of the foregoing, the period within which any action arising under or in connection with the Plan must be commenced, shall be governed by the laws of the State of Oklahoma, without giving effect to the principles of conflicts of laws thereof, irrespective of the place where the act or omission complained of took place and of the residence of any party to such action and irrespective of the place where the action may be brought.

15.12 *No Secured Interest.* A Participant shall have only a right to shares of Common Stock or cash or other amounts, if any, payable in settlement of a Stock Incentive under this Plan, unsecured by any assets of the Corporation or any other entity.

15.13 *Gender and Singular References.* The use of the masculine gender shall also include within its meaning the feminine. The use of the singular shall include within its meaning the plural and vice versa.

15.14 *Death of Participant.* Unless otherwise specified in the Stock Incentive, if the person to whom the Stock Incentive is granted dies, then (1) an Option that is not yet exercisable shall become immediately exercisable in full, (2) any remaining restrictions with respect to the Stock Incentive shall expire, and (3) the Committee may alter or accelerate the settlement schedule, Performance Goals or other performance criteria, or payment or other terms of any Stock Incentive.

15.15 *Beneficiary Designation.* A Participant to whom a Stock Incentive is granted under this Plan may designate a Beneficiary in writing and in accordance with such requirements and procedures as the Committee may establish.

15.16 *Company Policies.* All Awards granted under the Plan shall be subject to any applicable clawback or recoupment policies, share trading policies and other policies that may be implemented by the Board from time to time.

16. Plan Amendment and Termination

The Plan may be amended by the Board of Directors, without shareholder approval, at any time and in any respect, unless approval of the amendment in question by the shareholders of the Company is required under Oklahoma law, the Code (including without limitation Code Section 422), any applicable exemption from Section 16 of the Exchange Act (including without limitation SEC Rule 16b-3) for which the Company intends Section 16 Persons to qualify, any national securities exchange or system on which the Common Stock is then listed or reported, by any regulatory body having jurisdiction with respect to the Plan, or under any other applicable laws, rules or regulations, in which case such amendment shall be effective only if and to the extent it is approved by the shareholders of the Company as so required. The Plan may also be terminated at any time by the Board of Directors. No amendment or termination of this Plan shall adversely

affect any Stock Incentive granted prior to the date of such amendment or termination without written consent of the Participant. Notwithstanding any other provision of the Plan to the contrary, the Committee may, in its sole and absolute discretion and without the consent of any Participant, amend the Plan or any Award Agreement, or any written instrument issued under the Plan, to take effect retroactively or otherwise, as it deems necessary or advisable for the purpose of conforming the Plan or such Award Agreement or instrument to any present or future law, regulation or rule applicable to the Plan, including, without limitation, Section 409A.

In the Matter of the Application of Kansas)
Gas Service, a Division of ONE Gas, Inc.)
for Adjustment of its Natural Gas Rates in) Docket No. 24-KGSG-____ - RTS
the State of Kansas.)

CONFIDENTIAL

Exhibit MZG-6

REDACTED