Kansas Gas Service
A Division of ONE Gas

Judy Y. Jenkins
Managing Attorney
7421 West 129th Street
Overland Park, KS 66213
P: 913-319-8615
E: judy.jenkins@onegas.com

June 29, 2018

Kansas Corporation Commission
Attn: Lynn Retz, Secretary to Commission
1500 SW Arrowhead Road
Topeka, Kansas 66604-4027

Ms. Retz,

Pursuant to the K.A.R. 82-1-231, Kansas Gas Service, a Division of ONE Gas, Inc. ("KGS") hereby transmits via electronic filing to the Commission and its Staff, an Application for an Adjustment of its Natural Gas Rates in the State of Kansas. Additionally, the Company will hand deliver courtesy paper copies of the filing to the Commission, its Staff and CURB.

Respectfully,

KANSAS GAS SERVICES

Judy Y. Jenkins
Managing Attorney

cc: Jeff McClanahan, Director of Rates
Amber Smith, Chief of Litigation
Brian Fedotin, Deputy General Counsel
David Nickel, CURB – Consumer Counsel

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 the State of Kansas	)))	Docket No. 18-KGSG-_____-RTS

APPLICATION

Kansas Gas Service, a Division of ONE Gas, Inc. ("ONE Gas") ("Kansas Gas Service," "Company" or "Applicant"), files this Application to make changes for natural gas service under K.S.A. 66-117, K.S.A. 66-1,200, *et seq*. and K.A.R. 82-1-231. In support of the Application, Kansas Gas Service states:

1. Applicant is a natural gas public utility operating in the state of Kansas pursuant to certificates of convenience and necessity issued by the Commission. Applicant's principal place of business within the state of Kansas is located at: 7421 West 129th Street, Overland Park, Kansas 66213. Applicant is a division of ONE Gas. Kansas Gas Service serves approximately 636,000 customers located in over 360 communities in Kansas.

2. The names, addresses and phone numbers of the persons authorized to receive notices and communications with respect to this Application on behalf of Kansas Gas Service are as follows:

Judy Y. Jenkins
Kansas Gas Service
a Division of ONE Gas, Inc.
7421 West 129th Street
Overland Park, Kansas 66213
(913) 319-8615
judy.jenkins@onegas.com

Janet Buchanan
Kansas Gas Service
a Division of ONE Gas, Inc.
7421 West 129th Street
Overland Park, Kansas 66213
(913) 319-8662
janet.buchanan@onegas.com

James G. Flaherty
ANDERSON & BYRD, LLP
216 S. Hickory, P.O. Box 17
Ottawa, Kansas 66067
(785) 242-1234
jflaherty@andersonbyrd.com

3. Applicant's current base rates were established in Docket No. 16-KGSG-491-RTS ("491 Docket"). The test period for that docket ended December 31, 2015. The test period in this Application is the 12-month period ending December 31, 2017. In the intervening two-year period, Kansas Gas Service has continued to make significant capital expenditure investments totaling approximately $179 million to provide safe, reliable and efficient natural gas service to its customers. The Company has also experienced increases in employee wages and benefits and other operations and maintenance costs. During this same period, the Company has seen a continued decline in per capita residential consumption of natural gas because of more efficient gas usage by customers. Applicant has also accounted for the reduction in federal tax expenses that became effective on January 1, 2018, as result of the passage of The Tax Cut and Jobs Act ("TCJA") in this rate case filing. The cumulative impact of these factors has necessitated the Company's request for an overall revenue increase of $45.6 million. This increase is the product of increasing base rates by $42.7 million and rebasing amounts currently collected through the Gas System Reliability Surcharge ("GSRS") ($2.9 million), plus any amount collected prior to the issuance of the order on this rate case application pursuant to the Company's anticipated 2018 GSRS filing.

4. The testimony of 15 witnesses and the schedules required by K.A.R. 82-1-231 are filed in support of the Application. The witnesses and the subjects they address are identified in the testimony of Company Witness Dennis J. Okenfuss. The testimony and schedules show that as of December 31, 2017, Applicant's adjusted rate base for Kansas operations was $1,016,084,260. The

test year adjusted return on the Company's investment in rate base was 4.41%. The schedules filed with the Application establish a gross revenue deficiency of $45.6 million based upon normalized operating results for the 12 months ended December 31, 2017, adjusted for known and determinable changes in revenue, operating and maintenance expenses, cost of capital and taxes.

5. As part of the Application, the Company is seeking approval to share the savings between customers and shareholders that have resulted from the pension expenses having been prefunded by the Company. The amount of the savings to be shared is approximately $5 million. One-third of the savings ($1.675 million) would be provided to the customers and two-thirds to the shareholders ($3.325 million). The proposed allocation of the savings is appropriate since it was the Company's shareholders who pre-funded these expenses. Company Witness Mark W. Smith in his direct testimony provides the basis for this request.

6. In this matter, Kansas Gas Service commissioned Foster Associates, Inc., ("Foster Associates") to conduct a 2017 Depreciation Rate Study and a 2018 Technical Update for gas plant subject to the jurisdiction of the Commission. These studies have recommended certain changes to the Company's depreciation rates, which are incorporated in this Application. Kansas Gas Service Witness Dr. Ronald E. White sponsors the studies as part of his direct testimony that accompanies the Application.

7. Applicant is also seeking to establish a Revenue Normalization Adjustment ("RNA") mechanism; a Cyber Security O&M Expense Tracker; and a Depreciation Expense Tracker. The RNA mechanism is a decoupling mechanism which severs the link between a utility's revenue and customer usage. Company Witness Janet L. Buchanan's testimony explains how the RNA mechanism will work. The Cyber Security O&M Expense and Depreciation Expense Trackers will allow Kansas Gas Service to track and defer for future recovery its expenses related to cyber security

and depreciation, which are incurred in between rate cases. Company Witness Lorna M. Eaton's testimony explains the cyber security tracker while Kansas Gas Service Witness Dick F. Rohlfs' testimony explains how the depreciation expense tracker will work.

8. With respect to rate design, Applicant is proposing a traditional two-part rate design with an increase in the monthly customer charge. As explained by Kansas Gas Service Witness Paul H. Raab in his testimony, the increase in the monthly customer charge will more appropriately provide for the recovery of fixed utility costs by the utility.

9. The Company is also proposing miscellaneous revisions to certain sections of its General Terms and Conditions, which are sponsored by Company Witness Justin W. Clements in his direct testimony.

10. Finally, pursuant to the Settlement Agreement regarding Kansas Gas Service, which was approved by the Commission in Docket No. 18-GIMX-248-GIV ("248 Docket"), and the provisions in the Commission's Order dated January 18, 2018, in the 248 Docket, Kansas Gas Service is seeking approval to offset the tax savings amount accrued as a regulatory liability with the Company's other components of its cost of service. Company Witness Buchanan provides testimony in support of Applicant's request with respect to this issue.

11. The total adjustment in rates requested in this Application is just and reasonable and in the public interest. The request to change the Company's schedule of charges is proposed to allow Applicant to maintain financial integrity and to continue to make investments in its distribution system and service offerings for the benefit of the public.

12. Applicant has on file with the Commission certain schedules of charges and rates for its natural gas service. The Company desires to withdraw certain of the schedules and file new ones, as reflected in Section 18 filed in support of this Application. The charges reflect the effects of the

requested revenue increase and the proposed changes in rate design and General Terms and Conditions. Applicant proposes that the revised schedules become effective thirty (30) days from the date of this filing, as permitted by law, or at such other date as the Commission may prescribe.

WHEREFORE, Kansas Gas Service, a Division of ONE Gas, Inc., respectfully requests the approval and consent of the Commission to withdraw and cancel the referenced natural gas rate schedules and other provisions of its tariffs and to substitute therefore and place in effect the rate schedules and other provisions contained in Section 18 of the Application, which will provide an overall annual revenue increase of $45.6 million. Kansas Gas Service also seeks approval of its request to offset the tax savings amount accrued as a regulatory liability with the Company's other components of its cost of service in the disposition of the regulatory liability by the Commission and for approval of the RNA, depreciation and cyber security trackers proposed as part of this rate case application.

KANSAS GAS SERVICE, a Division of ONE Gas, Inc.

By: ______________________________

James G. Flaherty, #11177
ANDERSON & BYRD, LLP
216 S. Hickory, P.O. Box 17
Ottawa, Kansas 66067
(785) 242-1234, telephone
(785) 242-1279, facsimile
jflaherty@andersonbyrd.com

Judy Y. Jenkins, #23300
KANSAS GAS SERVICE
7421 West 129th Street
Overland Park, Kansas 66213-2634
(913) 319-8615, telephone

(913) 319-8622, facsimile
judy.jenkins@onegas.com

Attorneys for Kansas Gas Service,
a Division of ONE Gas, Inc.

VERIFICATION

STATE OF OKLAHOMA)
) ss:
COUNTY OF TULSA)

David Scalf, being duly sworn upon his oath deposes and says that he is Vice President, Rates and Regulatory Affairs of ONE Gas, Inc.; that he has read and is familiar with the foregoing Application of Kansas Gas Service, a Division of ONE Gas, Inc. filed herewith, and that the statements made therein are true to the best of his knowledge, information and belief.

David Scalf
____

SUBSCRIBED AND SWORN to before me this 21 day of June, 2018.

Tami Hardway
____
Notary Public

Commission/Appointment Expires: 2.5.20

Notary Public
State of Oklahoma
TAMI HARDWAY
TULSA COUNTY
COMMISSION #18001227

THIS SECTION SHOULD CONTAIN GENERAL INFORMATION ABOUT HOW COMPANY LET THE GENERAL PUBLIC WHICH IS AFFECTED BY THE FILING KNOW ABOUT THE FILING. IT SHALL INCLUDE GENERAL INFORMATION ABOUT THE FILING WHICH WILL BE OF INTEREST TO THE PUBLIC AND SUITABLE FOR PUBLICATION. INFORMATION SHALL INCLUDE:

i)	**ANNUAL REVENUE INCREASE PROPOSED IN THE FILING,**	Schedule 1, Col 6, Row 13
ii)	**AFFECTED COMMUNITIES**	Schedule 2
iii)	**NUMBER AND CLASSES OF CUSTOMERS AFFECTED,**	Schedule 1, Col 1 and Col 2
iv)	**AVERAGE MONTHLY INCREASE PER CUSTOMER,**	Schedule 1, Col 7
v)	**SUMMARY OF THE REASONS FOR THE FILING**	Schedule 3
vi)	**OTHER INFORMATION COMPANY WANTS OR KCC MAY REQUIRE, AND**	None
vii)	**COPIES OF PRESS RELEASES ISSUED PRIOR TO OR AT THE FILING DATE.**	Schedule 4

KANSAS GAS SERVICE, A DIVISION OF ONE GAS, INC.
General Public Notification
Test Year Ended December 31, 2017

Line No.	Col. 1	Annualized Average Number of Customers Col. 2	Proforma MCF Col. 3	Base Revenues Col. 4	Proposed Revenues Col. 5	Proposed Revenue Increase Col. 6	Proposed Average Monthly Base Rate Increase Per Customer Col. 7
1	Residential	583,050	40,611,980	$207,476,388	$249,151,763	$41,675,375	$5.96
2	General Service Sales - Small	36,896	3,528,494	$20,966,173	$20,966,173	$0	$0.00
3	General Service Sales - Large	11,621	5,653,823	$15,089,713	$18,152,961	$3,063,248	$21.97
4	General Service Sales - Transport Eligible	500	1,053,833	$1,971,472	$2,379,095	$407,623	$67.94
5	Small Generator Sales Service	676	12,164	$431,160	$431,160	$0	$0.00
6	Irrigation Sales	214	137,416	$323,524	$390,103	$66,579	$25.93
7	KGSSD	1	20,808	$22,246	$27,089	$4,843	$403.58
8	Sales for Resale	8	56,861	$80,217	$80,217	$0	$0.00
9	Small Transportation	4,686	7,805,291	$15,663,313	$15,663,329	$16	$0.00
10	Compressed Natural Gas Transportation	9	188,197	$214,085	$225,684	$11,599	$107.40
11	Irrigation Transportation	513	847,802	$1,647,416	$1,986,432	$339,016	$55.07
12	Large Volume Transport	533	16,005,754	$18,214,187	$18,214,211	$24	$0.00
13	Wholesale Transport	27	904,340	$1,165,699	$1,165,700	$1	$0.00
14		638,734	76,826,763	$283,265,593	$328,833,917	$45,568,324	$5.95
15	Other Operating Revenue			$16,348,424	$16,348,424		
16				$299,614,017	$345,182,341		

The difference between the $5.96 shown in Col. 7, line 1 in this Schedule as the monthly increase to a typical residential customer and the $5.67 shown in the press release in Section 2 of the Application is due to the fact that the $5.96 amount includes the Gas System Reliability Surcharge of $0.29 that is being placed into base rates and is already being paid for by the residential customer. Since those customers are already paying for that surcharge, they were not included in the annual increase shown in the press release.

KANSAS GAS SERVICE, A DIVISION OF ONE GAS, INC.
Affected Communities
Test Year Ended December 31, 2017

	Community
1	Abilene
2	Alden
3	Alma
4	Alta Vista
5	Ames
6	Andover
7	Arkansas City
8	Arlington
9	Arma
10	Ashland
11	Assaria
12	Atchison
13	Atlanta
14	Atmos Energy
15	Aubry
16	Augusta
17	Aurora
18	Axtell
19	Baileyville
20	Baldwin
21	Barnard
22	Barnes
23	Baxter Springs
24	Beattie
25	Bel Aire
26	Belle Plaine
27	Belleville
28	Beloit
29	Belpre
30	Belvue
31	Bentley
32	Benton
33	Berryton
34	Beverly
35	Bison
36	Black Hills Energy
37	Blaine
38	Bloom
39	Blue Mound
40	Blue Rapids
41	Bronson
42	Bucklin
43	Buhler
44	Burden
45	Burns
46	Burr Oak
47	Bushton
48	Cambridge
49	Canton
50	Capaldo
51	Carbondale
52	Carlyle
53	Carona
54	Cawker City
55	Centralia
56	Chapman
57	Chase
58	Cheney
59	Cherokee
60	Cherryvale
61	Chicopee
62	Circleville
63	Claflin
64	Clay Center
65	Clearwater
66	Clifton
67	Clyde
68	Coldwater
69	Colony
70	Columbus
71	Colwich
72	Concordia
73	Conway Springs
74	Courtland
75	Crestline
76	Cuba
77	Cullison
78	Cunningham
79	Delphos
80	Dennis
81	Derby
82	Detroit
83	Dexter
84	Douglass
85	Downs
86	Dwight
87	Eastborough
88	Easter's Addition
89	Edgerton
90	Effingham
91	El Dorado
92	Elbing
93	Ellinwood
94	Ellsworth
95	Elmont
96	Elwood
97	Emporia
98	Englewood
99	Enterprise
100	Erie
101	Esbon
102	Everest
103	Fairview
104	Fairway
105	Formoso
106	Fort Scott
107	Frankfort
108	Franklin
109	Frederick
110	Frontenac
111	Galena
112	Galva
113	Garden Plain
114	Gardner
115	Garfield
116	Gas City
117	Geneseo
118	Girard
119	Glasco
120	Glen Elder
121	Goddard
122	Goessel
123	Gorham
124	Grandview Plaza
125	Grantville
126	Great Bend
127	Greeley
128	Greenleaf
129	Greensburg
130	Grenola
131	Gypsum
132	Haddam
133	Hamlin
134	Hanover
135	Harper
136	Hartford
137	Haven
138	Haviland
139	Haysville
140	Hiawatha
141	Highland
142	Hoisington
143	Holton
144	Holyrood
145	Home City
146	Hope
147	Horton
148	Hudson
149	Huron
150	Hutchinson
151	Industry
152	Inman
153	Iola Rural
154	Isabel
155	Iuka
156	Jamestown
157	Jewell City
158	Johnson County
159	Junction City
160	Kanopolis
161	Kansas City
162	Kingman
163	Kingman
164	Kingsdown
165	Kinsley
166	Kiowa
167	Kirkwood
168	Kiro
169	Kismet
170	La Harpe
171	LaCrosse
172	Lake Quivira
173	Lake Waltana
174	Lancaster
175	Lane
176	Langdon
177	Langdon Lane
178	Lansing
179	Larned
180	Leavenworth
181	Leawood
182	Lebanon
183	Lecompton
184	Lehigh
185	LeLoup
186	Lenexa
187	Leon
188	Lewis
189	Lincoln Center
190	Lindsborg
191	Linn
192	Longford
193	Loretta
194	Lorraine
195	Louisville
196	Lowell
197	Lucas
198	Luray
199	Lyndon
200	Macksville
201	Madison
202	Mahaska
203	Manhattan
204	Mankato
205	Marquette
206	Marysville
207	McPherson
208	Mecca Acres
209	Medicine Lodge
210	Medora
211	Melvern
212	Mentor
213	Meridan
214	Merriam
215	Michigan Valley
216	Midwest Energy, Inc.
217	Miltonvale
218	Minneapolis
219	Minneola
220	Mission
221	Mission Hills
222	Mission Woods
223	Monticello
224	Montrose
225	Moran
226	Morganville
227	Morrill
228	Morrowville
229	Mount Hope
230	Mount Vernon
231	Mullinville
232	Mulvane
233	Munden
234	Muscotah
235	Narka
236	Nashville
237	Netawaka
238	New Ozawkie
239	New Salem
240	Newton
241	North Newton
242	Nortonville
243	Obeeville
244	Ogden
245	Olmitz
246	Olpe
247	Onaga
248	Osawatomie
249	Osborne
250	Oskaloosa

	Community		Community		Community
251	Oswego	302	Silver Lake	353	Whitewater
252	Otis	303	Smith Center	354	Whiting
253	Ottawa	304	Smolan	355	Wichita
254	Overbrook	305	Solomon	356	Williamsburg
255	Overland Park	306	Somerset	357	Willis
256	Oxford	307	South Hutchinson	358	Willowbrook Addition
257	Ozawkie	308	South Mound	359	Winchester
258	Palmer	309	St. Benedict	360	Zarah
259	Paola	310	St. George		
260	Park City	311	St. John		
261	Parkerfield	312	St. Marys		
262	Parsons	313	St. Paul		
263	Partridge	314	Stafford		
264	Pauline	315	Stanley		
265	Perry	316	Stilwell		
266	Petrolia	317	Sylvan Grove		
267	Pfeiffer	318	Tecumseh		
268	Piqua	319	Tescott		
269	Pittsburg	320	Thayer		
270	Pomona	321	Timkin		
271	Potwin	322	Tonganoxie		
272	Prairie Village	323	Topeka		
273	Pratt	324	Towanda		
274	Preston	325	Town & County Est.		
275	Pretty Prairie	326	Troy		
276	Princeton	327	Turon		
277	Protection	328	Udall		
278	Quenemo	329	Valley Center		
279	Rantoul	330	Valley Falls		
280	Raymond	331	Vermillion		
281	Reserve	332	Vesper		
282	Richmond	333	Victoria		
283	Riverton	334	Vining		
284	Robinson	335	Vliets		
285	Roeland Park	336	Wakefield		
286	Rose Hill	337	Walker		
287	Roseland	338	Walnut		
288	Rossville	339	Wamego		
289	Roxbury	340	Washington		
290	Rozel	341	Waterville		
291	Russell	342	Wathena		
292	Sabetha	343	Waverly		
293	Salina	344	Weir		
294	Scammon	345	Welda		
295	Scandia	346	Wellington		
296	Scipio	347	Wellsville		
297	Scranton	348	West Mineral		
298	Sedgwick	349	Westmoreland		
299	Seneca	350	Westwood		
300	Shawnee	351	Westwood Hills		
301	Shawnee Heights	352	Wheaton		

KANSAS GAS SERVICE, A DIVISION OF ONE GAS, INC.
Summary of Reasons for Filing this Application

Kansas Gas Service, a Division of ONE Gas, Inc., (“Company”) files this rate application to allow the Company an opportunity to earn its authorized rate of return. The Company’s current base rates were last changed in January 2017 and were based upon a twelve-month test year ending on December 31, 2015. This rate application will reset the Gas System Reliability Surcharge to zero and address the reduction in federal tax expense that became effective on January 1, 2018, as result of the passage of The Tax Cut and Jobs Act (“TCJA”).

Since the 2016 rate case filing, the Company has continued to devote capital to its operations resulting in increases in plant in service and depreciation expense. Although the Company has implemented measures to control costs and maximize efficiency in operations, it has experienced increases in labor, benefits and other Operating and Maintenance (“O&M”) costs. During this same period, the Company has seen a decline in per capita residential consumption of natural gas. As a result, the Company does not have an opportunity to earn its authorized rate of return without an increase in its base rates.

Additionally, the Company’s Application seeks permission to implement a Revenue Normalization Adjustment (“RNA”) mechanism; a Cyber Security O&M Expense Tracker; and a Depreciation Expense Tracker. The RNA mechanism is a decoupling mechanism which severs the link between a utility’s revenue and customer usage. The Cyber Security O&M Expense and

Depreciation Expense Trackers will allow Kansas Gas Service to track and defer for future recovery its expenses related to cyber security and depreciation, which are incurred in between rate cases. The Company also proposes to share the savings between customers and shareholders that have resulted from the pension expenses having been prefunded by the Company.

Furthermore, Kansas Gas Service is proposing the implementation of new depreciation rates based on a depreciation study conducted by Dr. Ronald E. White. The new depreciation rates result in increased depreciation expense for the Company.

Kansas Gas Service is also proposing several changes to its tariffs. The Company is putting forth several miscellaneous revisions to certain sections of its General Terms and Conditions. Additionally, the Company proposes increases to three miscellaneous service fees to be more reflective of the cost of providing those services.

News

June 29, 2018

Analyst Contact: Brandon Lohse
918-947-7472
Media Contact: Dawn Tripp
913-319-8642

Kansas Gas Service Requests Recovery of Investments and Costs for Providing Natural Gas Service

OVERLAND PARK, Kan. – June 29, 2018 – ONE Gas, Inc. (NYSE: OGS) announced today that its Kansas Gas Service division filed a request with the Kansas Corporation Commission (KCC) to increase its net base rates by $42.7 million. Since its last adjustment to base rates in January 2017, Kansas Gas Service has invested approximately $179 million in its natural gas distribution system. This system, which stretches approximately 13,000 miles throughout Kansas, serves more than 636,000 customers in 360 communities.

"Delivering safe and reliable natural gas service to the homes and businesses of the customers we serve is our highest priority," said Pierce H. Norton II, ONE Gas president and chief executive officer. "This filing reflects the investments in our infrastructure to upgrade our system and maintain the quality of service our customers have come to expect and deserve."

If approved, this request would increase the typical residential customer's monthly natural gas bill by approximately $5.67 or 10 percent. Kansas Gas Service is already recovering $2.9 million from customers through the Gas System Reliability Surcharge, resulting in a total base rate increase of $45.6 million. Benefits of the corporate income tax cuts associated with the new federal legislation that went into effect earlier this year are also reflected in the company's filing.

The portion of the bill associated with the cost of gas, which represented 42 percent of the average residential bill in 2017, is not impacted by this filing. The cost of gas continues to be passed through directly to the customer with no markup. Kansas Gas Service's filing also includes a Revenue Normalization Adjustment that is designed to ensure that the company collects the amount of revenue set by the KCC from residential, general sales and small transport customers, regardless of customer usage.

"Our employees work hard to manage our expenses to help keep energy costs at reasonable rates," continued Norton. "We also offer programs that help customers manage their monthly bills and provide helpful energy-saving tools."

-more-

Kansas Gas Service Requests Recovery of Investments and Costs for Providing Natural Gas Service

June 29, 2018

In accordance with Kansas law, the KCC has 240 days to consider Kansas Gas Service's filing. Customers will have an opportunity to comment during a public hearing and comment period. The date and location of the public hearing and comment period have not been established but will be published in local newspapers and mailed to customers.

For additional information about the proposal and helpful energy-saving tools, please visit www.kansasgasservice.com.

Kansas Gas Service provides clean, reliable natural gas to more than 636,000 customers in 360 communities in Kansas. It is a division of ONE Gas, Inc. (NYSE: OGS), a natural gas distribution company and the successor to the company founded in 1906 as Oklahoma Natural Gas Company.

ONE Gas provides natural gas distribution services to more than 2 million customers in Oklahoma, Kansas and Texas. ONE Gas is one of the largest publicly traded, 100 percent regulated, natural gas utilities in the United States.

ONE Gas trades on the New York Stock Exchange under the symbol "OGS," and is included in the S&P MidCap 400 Index.

For more information, visit the websites at www.kansasgasservice.com or www.onegas.com.

For the latest news about Kansas Gas Service, follow us on Twitter @KansasGas.

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KANSAS GAS SERVICE, A DIVISION OF ONE GAS, INC.
Summary of Pro Forma Rate Base and Operating Income
Test Year Ended December 31, 2017

Line No.	Description Col. 1	Schedule Reference Col. 2	Pro Forma Adjusted Total Col. 3
	Rate Base		
1	Gas plant in service	3-B	$1,915,215,266
2	Less: Accumulated provision for depreciation and amortization	3-B	618,264,167
3	Net gas plant in service		$1,296,951,099
4	Working capital	3-B	(280,866,840)
5	Rate Base		$1,016,084,260
	Revenues and Expenses		
6	Total revenues	3-B	$299,614,017
7	Total expenses	3-B	254,775,987
8	Operating income		$44,838,030
	Rate of Return		
9	Return on present rates (Line 8 / Line 5)		4.4128%
10	Required return on rate base	7-A	7.7076%
11	Operating income requirement (Line 5 X Line 10)		$78,315,710
	Revenue Requirement to Earn Required Rate of Return		
12	Additional operating income (Line 11 - Line 8)		$33,477,680
13	Associated income taxes		12,088,783
14	Revenue increase required		$45,566,463
	Portion of Base Rate Increase Surcharges		
15	Gas System Reliability Surcharge (1)		$2,873,286
16	Net rate increase required		$42,693,177

(1) As approved in Docket 18-KGSG-093-TAR.

KANSAS GAS SERVICE, A DIVISION OF ONE GAS, INC.
Summary of Pro Forma Rate Base and Operating Income
Test Year Ended December 31, 2017

Line No.	Description	Schedule Reference	Amount Per Books	Pro Forma Adjustments	Pro Forma Adjusted Total
	Col. 1	Col. 2	Col. 3	Col. 4	Col. 5
	Rate Base				
1	Gas plant in service	4-A	$1,834,159,186	$81,056,080	$1,915,215,266
2	Less: Accumulated provision for depreciation and amortization	5-A	609,626,860	8,637,307	618,264,167
3	Net gas plant in service		$1,224,532,326	$72,418,773	$1,296,951,099
4	Working capital	6-A	(345,976,134)	65,109,295	(280,866,840)
5	Rate Base		$878,556,191	$137,528,068	$1,016,084,260
	Revenues and Expenses				
6	Total revenues	9-A	$526,405,417	($226,791,400)	$299,614,017
7	Total expenses	9-A	477,080,260	(222,304,273)	254,775,987
8	Operating income		$49,325,157	($4,487,127)	$44,838,030

KANSAS GAS SERVICE, A DIVISION OF ONE GAS, INC.
Summary of Pro Forma Rate Base and Operating Income
Test Year Ended December 31, 2017

Line No.	Description	Schedule Reference	Amount Per Books	PLT 1 CWIP Adjustment	PLT 2 Asset Retirement Adjustment	PLT 3 Corporate Assets Adjustment
	Col. 1	Col. 2	Col. 3	Col. 4	Col. 5	Col. 6
	Rate Base					
1	Gas plant in service	4-A	$1,834,159,186	$23,917,948	($4,174,188)	$66,310,258
2	Less: Accumulated provision for depreciation and amortization	5-A	609,626,860	0	0	0
3	Net gas plant in service		$1,224,532,326	$23,917,948	($4,174,188)	$66,310,258
4	Working capital	6-A	(345,976,134)	0	0	0
5	Rate Base		$878,556,191	$23,917,948	($4,174,188)	$66,310,258
	Revenues and Expenses					
6	Total revenues	9-A	$526,405,417	$0	$0	$0
7	Total expenses	9-A	477,080,260	0	0	0
8	Operating income		$49,325,157	$0	$0	$0

KANSAS GAS SERVICE, A DIVISION OF ONE GAS, INC.
Summary of Pro Forma Rate Base and Operating Income
Test Year Ended December 31, 2017

Line No.	Description	Schedule Reference	PLT 4 Not Used & Useful Plant Adjustment	PLT 5 CNG Adjustment	ADA-1 Asset Retirement Adjustment	ADA-2 Corporate Assets Adjustment
	Col. 1	Col. 2	Col. 3	Col. 4	Col. 5	Col. 6
	Rate Base					
1	Gas plant in service	4-A	($4,453,250)	($544,688)	$0	$0
2	Less: Accumulated provision for depreciation and amortization	5-A	0	0	(4,174,188)	16,294,218
3	Net gas plant in service		($4,453,250)	($544,688)	$4,174,188	($16,294,218)
4	Working capital	6-A	0	0	0	0
5	Rate Base		($4,453,250)	($544,688)	$4,174,188	($16,294,218)
	Revenues and Expenses					
6	Total revenues	9-A	$0	$0	$0	$0
7	Total expenses	9-A	0	0	0	0
8	Operating income		$0	$0	$0	$0

KANSAS GAS SERVICE, A DIVISION OF ONE GAS, INC.
Summary of Pro Forma Rate Base and Operating Income
Test Year Ended December 31, 2017

Line No.	Description	Schedule Reference	ADA-3 Not Used & Useful Plant Adjustment	ADA-4 CNG Adjustment	WC 1 Prepayments	WC 2 Long-Term Prepayments
	Col. 1	Col. 2	Col. 3	Col. 4	Col. 5	Col. 6
	Rate Base					
1	Gas plant in service	4-A	$0	$0	$0	$0
2	Less: Accumulated provision for depreciation and amortization	5-A	(3,399,381)	(83,342)	0	0
3	Net gas plant in service		$3,399,381	$83,342	$0	$0
4	Working capital	6-A	0	0	4,595,306	522,245
5	Rate Base		$3,399,381	$83,342	$4,595,306	$522,245
	Revenues and Expenses					
6	Total revenues	9-A	$0	$0	$0	$0
7	Total expenses	9-A	0	0	0	0
8	Operating income		$0	$0	$0	$0

KANSAS GAS SERVICE, A DIVISION OF ONE GAS, INC.
Summary of Pro Forma Rate Base and Operating Income
Test Year Ended December 31, 2017

Line No.	Description	Schedule Reference	WC 3 Pension/OPEB Funding ADIT	WC 4 2017 Operations ADIT	WC 5 Pension/OPEB Funding Remeasurement ADIT	WC 6 2017 Operations Remeasurement ADIT
	Col. 1	Col. 2	Col. 3	Col. 4	Col. 5	Col. 6
	Rate Base					
1	Gas plant in service	4-A	$0	$0	$0	$0
2	Less: Accumulated provision for depreciation and amortization	5-A	0	0	0	0
3	Net gas plant in service		$0	$0	$0	$0
4	Working capital	6-A	54,210,792	(15,623,452)	26,604,768	(7,667,446)
5	Rate Base		$54,210,792	($15,623,452)	$26,604,768	($7,667,446)
	Revenues and Expenses					
6	Total revenues	9-A	$0	$0	$0	$0
7	Total expenses	9-A	0	0	0	0
8	Operating income		$0	$0	$0	$0

KANSAS GAS SERVICE, A DIVISION OF ONE GAS, INC.
Summary of Pro Forma Rate Base and Operating Income
Test Year Ended December 31, 2017

Line No.	Description	Schedule Reference	WC 7 COGR ADIT	WC 8 COGR Remeasurement ADIT	WC 9 Corporate ADIT	WC 10 Corporate Remeasurement ADIT
	Col. 1	Col. 2	Col. 3	Col. 4	Col. 5	Col. 6
	Rate Base					
1	Gas plant in service	4-A	$0	$0	$0	$0
2	Less: Accumulated provision for depreciation and amortization	5-A	0	0	0	0
3	Net gas plant in service		$0	$0	$0	$0
4	Working capital	6-A	7,937,388	3,895,394	(6,282,479)	(3,083,221)
5	Rate Base		$7,937,388	$3,895,394	($6,282,479)	($3,083,221)
	Revenues and Expenses					
6	Total revenues	9-A	$0	$0	$0	$0
7	Total expenses	9-A	0	0	0	0
8	Operating income		$0	$0	$0	$0

KANSAS GAS SERVICE, A DIVISION OF ONE GAS, INC.
Summary of Pro Forma Rate Base and Operating Income
Test Year Ended December 31, 2017

Line No.	Description	Schedule Reference	IS 1 Eliminate Accrued and Unbilled Revenues Adjustment	IS 2 Eliminate Deferred WNA Revenues Adjustment	IS 3 Eliminate Cost of Gas Revenue and Expense Adjustment	IS 4 Eliminate Ad-Valorem Surcharge Revenue and Expenses Adjustment
	Col. 1	Col. 2	Col. 3	Col. 4	Col. 5	Col. 6
	Rate Base					
1	Gas plant in service	4-A	$0	$0	$0	$0
2	Less: Accumulated provision for depreciation and amortization	5-A	0	0	0	0
3	Net gas plant in service		$0	$0	$0	$0
4	Working capital	6-A	0	0	0	0
5	Rate Base		$0	$0	$0	$0
	Revenues and Expenses					
6	Total revenues	9-A	$549,941	($19,481,622)	($224,158,304)	$1,572,950
7	Total expenses	9-A	1,766,782	0	(224,158,304)	1,770,395
8	Operating income		($1,216,841)	($19,481,622)	$0	($197,445)

KANSAS GAS SERVICE, A DIVISION OF ONE GAS, INC.
Summary of Pro Forma Rate Base and Operating Income
Test Year Ended December 31, 2017

Line No.	Description	Schedule Reference	IS 5 Eliminate Gas System Reliability Surcharge Revenue Adjustment	IS 6 Test-year Revenue Adjustments (Flex) Adjustment	IS 7 CNG Revenue Adjustment	IS 8 Weather Normalization Adjustment
	Col. 1	Col. 2	Col. 3	Col. 4	Col. 5	Col. 6
	Rate Base					
1	Gas plant in service	4-A	$0	$0	$0	$0
2	Less: Accumulated provision for depreciation and amortization	5-A	0	0	0	0
3	Net gas plant in service		$0	$0	$0	$0
4	Working capital	6-A	0	0	0	0
5	Rate Base		$0	$0	$0	$0
	Revenues and Expenses					
6	Total revenues	9-A	($296,894)	$126,970	($11,467)	$12,664,050
7	Total expenses	9-A	0	0	0	0
8	Operating income		($296,894)	$126,970	($11,467)	$12,664,050

Line No.	Description	Schedule Reference	IS 9 Revenue Annualization Adjustment	IS 10 Miscellaneous Service Revenue Adjustment	IS 11 Reclass Interest on Customer Deposits Adjustment	IS 12 Elimination of Royalty Fee Adjustment
	Col. 1	Col. 2	Col. 3	Col. 4	Col. 5	Col. 6
	Rate Base					
1	Gas plant in service	4-A	$0	$0	$0	$0
2	Less: Accumulated provision for depreciation and amortization	5-A	0	0	0	0
3	Net gas plant in service		$0	$0	$0	$0
4	Working capital	6-A	0	0	0	0
5	Rate Base		$0	$0	$0	$0
	Revenues and Expenses					
6	Total revenues	9-A	$307,009	$998,886	$0	$0
7	Total expenses	9-A	0	0	303,624	(9,086,138)
8	Operating income		$307,009	$998,886	($303,624)	$9,086,138

Line No.	Description	Schedule Reference	IS 13 GTI Expense Adjustment	IS 14 Annualized Depreciation on Pro Forma Plant Adjustment	IS 15 Annualized Depreciation at Proposed Rates Adjustment	IS 16 Clearing Accounts Adjustment
	Col. 1	Col. 2	Col. 3	Col. 4	Col. 5	Col. 6
	Rate Base					
1	Gas plant in service	4-A	$0	$0	$0	$0
2	Less: Accumulated provision for depreciation and amortization	5-A	0	0	0	0
3	Net gas plant in service		$0	$0	$0	$0
4	Working capital	6-A	0	0	0	0
5	Rate Base		$0	$0	$0	$0
	Revenues and Expenses					
6	Total revenues	9-A	$0	$0	$0	$0
7	Total expenses	9-A	316,479	1,280,020	12,570,240	95,479
8	Operating income		($316,479)	($1,280,020)	($12,570,240)	($95,479)

KANSAS GAS SERVICE, A DIVISION OF ONE GAS, INC.
Summary of Pro Forma Rate Base and Operating Income
Test Year Ended December 31, 2017

Line No.	Description	Schedule Reference	IS 17 Remove Certain O&M Expenses Related to Unused Plant Adjustment	IS 18 Insurance Adjustment	IS 19 Workers Compensation Adjustment	IS 20 Payroll Adjustment
	Col. 1	Col. 2	Col. 3	Col. 4	Col. 5	Col. 6
	Rate Base					
1	Gas plant in service	4-A	$0	$0	$0	$0
2	Less: Accumulated provision for depreciation and amortization	5-A	0	0	0	0
3	Net gas plant in service		$0	$0	$0	$0
4	Working capital	6-A	0	0	0	0
5	Rate Base		$0	$0	$0	$0
	Revenues and Expenses					
6	Total revenues	9-A	$0	$0	$0	$0
7	Total expenses	9-A	(41,480)	1,306,512	(127,624)	1,944,926
8	Operating income		$41,480	($1,306,512)	$127,624	($1,944,926)

KANSAS GAS SERVICE, A DIVISION OF ONE GAS, INC.
Summary of Pro Forma Rate Base and Operating Income
Test Year Ended December 31, 2017

Line No.	Description	Schedule Reference	IS 21 Adjustment to Employee Medical Reserve Adjustment	IS 22 Charitable Contributions and Excluded Costs Adjustment	IS 23 Misc. Out of Period Adjustment	IS 24 MGP Amortization Adjustment
	Col. 1	Col. 2	Col. 3	Col. 4	Col. 5	Col. 6
	Rate Base					
1	Gas plant in service	4-A	$0	$0	$0	$0
2	Less: Accumulated provision for depreciation and amortization	5-A	0	0	0	0
3	Net gas plant in service		$0	$0	$0	$0
4	Working capital	6-A	0	0	0	0
5	Rate Base		$0	$0	$0	$0
	Revenues and Expenses					
6	Total revenues	9-A	$0	$0	$0	$0
7	Total expenses	9-A	328,366	28,431	(323,582)	6,013,536
8	Operating income		($328,366)	($28,431)	$323,582	($6,013,536)

KANSAS GAS SERVICE, A DIVISION OF ONE GAS, INC.
Summary of Pro Forma Rate Base and Operating Income
Test Year Ended December 31, 2017

Line No.	Description	Schedule Reference	IS 25 Brehm Storage Costs to COGR Adjustment	IS 26 Pension/OPEB Cost Adjustment	IS 27 Pension/OPEB Amortization Adjustment	IS 28 Pension/OPEB Savings Sharing Adjustment
	Col. 1	Col. 2	Col. 3	Col. 4	Col. 5	Col. 6
	Rate Base					
1	Gas plant in service	4-A	$0	$0	$0	$0
2	Less: Accumulated provision for depreciation and amortization	5-A	0	0	0	0
3	Net gas plant in service		$0	$0	$0	$0
4	Working capital	6-A	0	0	0	0
5	Rate Base		$0	$0	$0	$0
	Revenues and Expenses					
6	Total revenues	9-A	$0	$0	$0	$0
7	Total expenses	9-A	(1,248,371)	(1,328,672)	(108,302)	3,325,367
8	Operating income		$1,248,371	$1,328,672	$108,302	($3,325,367)

KANSAS GAS SERVICE, A DIVISION OF ONE GAS, INC.
Summary of Pro Forma Rate Base and Operating Income
Test Year Ended December 31, 2017

Line No.	Description	Schedule Reference	IS 29 Annualized Corporate Depreciation Adjustment	IS 30 Misc. Corporate Adjustment	IS 31 Distrigas % Adjustment	IS 32 Normalized Compensation Adjustment
	Col. 1	Col. 2	Col. 3	Col. 4	Col. 5	Col. 6
	Rate Base					
1	Gas plant in service	4-A	$0	$0	$0	$0
2	Less: Accumulated provision for depreciation and amortization	5-A	0	0	0	0
3	Net gas plant in service		$0	$0	$0	$0
4	Working capital	6-A	0	0	0	0
5	Rate Base		$0	$0	$0	$0
	Revenues and Expenses					
6	Total revenues	9-A	$0	$0	$0	$0
7	Total expenses	9-A	(11,595)	(1,620,449)	1,601,057	(1,614,721)
8	Operating income		$11,595	$1,620,449	($1,601,057)	$1,614,721

KANSAS GAS SERVICE, A DIVISION OF ONE GAS, INC.
Summary of Pro Forma Rate Base and Operating Income
Test Year Ended December 31, 2017

Line No.	Description	Schedule Reference	IS 33 Corporate OPEB, Pension and Medical Benefits Adjustment	IS 34 Rate Case Cost Amortization Adjustment	IS 35 Bad Debt Adjustment	IS 36 Income Tax Adjustment
	Col. 1	Col. 2	Col. 3	Col. 4	Col. 5	Col. 6
	Rate Base					
1	Gas plant in service	4-A	$0	$0	$0	$0
2	Less: Accumulated provision for depreciation and amortization	5-A	0	0	0	0
3	Net gas plant in service		$0	$0	$0	$0
4	Working capital	6-A	0	0	0	0
5	Rate Base		$0	$0	$0	$0
	Revenues and Expenses					
6	Total revenues	9-A	$0	$0	$0	$0
7	Total expenses	9-A	776,225	171,889	(591,037)	(15,643,327)
8	Operating income		($776,225)	($171,889)	$591,037	$15,643,327

KANSAS GAS SERVICE, A DIVISION OF ONE GAS, INC.
Summary of Pro Forma Rate Base and Operating Income
Test Year Ended December 31, 2017

Line No.	Description	Schedule Reference	IS 37 Test Year Revenue Adjustment	Pro Forma Adjusted Total
	Col. 1	Col. 2	Col. 3	Col. 4
	Rate Base			
1	Gas plant in service	4-A	$0	$81,056,080
2	Less: Accumulated provision for depreciation and amortization	5-A	0	8,637,307
3	Net gas plant in service		$0	$72,418,773
4	Working capital	6-A	0	65,109,295
5	Rate Base		$0	$137,528,068
	Revenues and Expenses			
6	Total revenues	9-A	$937,081	($226,791,400)
7	Total expenses	9-A	0	(222,304,273)
8	Operating income		$937,081	($4,487,127)

KANSAS GAS SERVICE, A DIVISION OF ONE GAS, INC.
Summary - Functional Classification of Plant in Service
Test Year Ended December 31, 2017

Line No.	Description	Reference	Amount Per Books	Pro Forma Adjustments	Pro Forma Adjusted Total
	Col. 1	Col. 2	Col. 3	Col. 4	Col. 5
1	Intangible plant	4-B	$6,045	$0	$6,045
2	Production plant	4-B	852,915	0	852,915
3	Storage plant	4-B	0	0	0
4	Transmission plant	4-B	276,258,424	(2,690,926)	273,567,498
5	Distribution plant	4-B	1,444,284,489	16,643,593	1,460,928,082
6	General plant	4-B	112,757,313	793,155	113,550,468
7	Corporate allocated plant	4-B	0	66,310,258	66,310,258
8	Total plant in service (1)		$1,834,159,186	$81,056,080	$1,915,215,266

(1) Total plant in service does not tie to the balance sheet due to direct charges to 101 and 106 accounts corrected in Feb 2018.

Detail - Functional Classification of Plant in Service
Test Year Ended December 31, 2017

Line No.	Account Number	Description	Amount Per Books (Schedule 4-F)	Pro Forma Adjustments (Schedule 4-D)	Pro Forma Adjusted Total
		Col. 1	Col. 2	Col. 3	Col. 4
		Intangible Plant			
1	302	Franchises and consents	$6,045	$0	$6,045
2	303	Intangible-miscellaneous	0	0	0
3		Total intangible plant	$6,045	$0	$6,045
		Natural Gas Production and Gathering Plant			
4	325.4	Rights-of-way	$232,567	$0	$232,567
5	327	Field compressor station structures	3,053	0	3,053
6	328	Field meas. and reg. station structures	44,026	0	44,026
7	332	Field lines	45,302	0	45,302
8	333	Field compressor station equipment	12,877	0	12,877
9	334	Field meas. and reg. station equipment	515,090	0	515,090
10		Total production and gathering plant	$852,915	$0	$852,915
		Underground Storage Plant			
11	350.1	Land & Land rights	$0	$0	$0
12	351.1	Structures and improvements	0	0	0
13	351.2	Structures and improvements	0	0	0
14	351.3	Structures and improvements	0	0	0
15	352	Wells	0	0	0
16	352.1	Storage Lease and Rights	0	0	0
17	352.2	Reservoirs	0	0	0
18	352.3	Non-Recoverable Natural Gas	0	0	0
19	353	Storage Lines	0	0	0
20	354	Compressor station equipment	0	0	0
21	355	Measuring and regulating station equipment	0	0	0
22	356	Purification equipment	0	0	0
23	357	Other equipment	0	0	0
24		Total Storage plant	$0	$0	$0

KANSAS GAS SERVICE, A DIVISION OF ONE GAS, INC.
Detail - Functional Classification of Plant in Service
Test Year Ended December 31, 2017

Line No.	Account Number	Description	Amount Per Books (Schedule 4-F)	Pro Forma Adjustments (Schedule 4-D)	Pro Forma Adjusted Total
		Col. 1	Col. 2	Col. 3	Col. 4
		Transmission Plant			
1	365.1	Land and land rights	$826,609	$0	$826,609
2	365.2	Rights-of-way	12,010,820	(102,896)	11,907,924
3	366.1	Structures and imp. - compressor stations	4,751,256	65,887	4,817,143
4	366.2	Structures and imp. - meas. & reg. stations	1,394,765	0	1,394,765
5	367	Mains	217,770,392	1,656,422	219,426,814
6	368	Compressor station equipment	18,455,930	(4,060,975)	14,394,955
7	369	Measuring and regulating station equip.	21,040,060	(237,815)	20,802,245
8	371	Other Equipment	8,592	(11,549)	(2,957)
9		Total transmission plant	$276,258,424	($2,690,926)	$273,567,498
		Distribution Plant			
10	374.1	Land and land rights	$135,408	$15,883	$151,291
11	374.2	Rights-of-way	2,218,336	0	2,218,336
12	375.1	Structures and improvements	890,100	4,930	895,030
13	376	Mains	338,177,359	4,628,405	342,805,764
14	376.5	Mains - Metallic	288,773,290	0	288,773,290
15	376.9	Mains - Cathodic Protection	30,194,961	0	30,194,961
16	378	Meas. and reg. sta. equip. - general	24,435,280	79,704	24,514,984
17	379	Meas. and reg. sta. equip. - city gate	8,600,726	159,646	8,760,372
18	380	Services - Plastic	456,338,245	5,783,881	462,122,126
19	380.5	Services - Metallic	31,583,063	0	31,583,063
20	381	Meters	122,855,513	1,903,850	124,759,363
21	381.5	Meters - AMR	23,735,493	3,547,826	27,283,319
22	382	Meter installations	92,316,838	249,145	92,565,983
23	383	House regulators	23,805,752	272,773	24,078,525
24	386	Other Property on Customer Premises	224,125	0	224,125
25	387	Other Equipment	0	(2,450)	(2,450)
26		Total distribution plant	$1,444,284,489	$16,643,593	$1,460,928,082

Line No.	Account Number	Description	Amount Per Books (Schedule 4-F)	Pro Forma Adjustments (Schedule 4-D)	Pro Forma Adjusted Total
		Col. 1	Col. 2	Col. 3	Col. 4
		General Plant			
1	389.1	Land and land rights	$1,436,165	$0	$1,436,165
2	390.1	Structures and improvements - owned	36,120,293	171,759	36,292,052
3	390.2	Structures and improvements - leasehold	3,184,705	0	3,184,705
4	391.1	Office furniture and equipment - computers	5,429,966	50,722	5,480,688
5	391.9	Computers and other electronic equipment	6,369,882	0	6,369,882
6	392	Transportation equipment	30,565,567	703,043	31,268,610
7	393	Stores equipment	179,300	0	179,300
8	394	Tool, shop and garage equipment	10,670,287	(341,074)	10,329,213
9	395	Laboratory equipment	185,795	0	185,795
10	396	Power operated equipment	12,905,335	170,988	13,076,323
11	397	Communication equipment	5,354,142	38,596	5,392,738
12	398	Miscellaneous equipment	355,876	(879)	354,997
13		Total general plant	$112,757,313	$793,155	$113,550,468
14		Corporate allocated plant	$0	$66,310,258	$66,310,258
15		Total gas plant in service	$1,834,159,186	$81,056,080	$1,915,215,266

KANSAS GAS SERVICE, A DIVISION OF ONE GAS, INC.
Summary of Pro Forma Adjustments to Plant in Service (a)
Test Year Ended December 31, 2017

Line No.	Description	PLT 1 Pro Forma Adjustment CWIP	PLT 2 Pro Forma Adjustment Asset Retirement	PLT 3 Pro Forma Adjustment Corporate Assets	PLT 4 Pro Forma Adjustment Not Used & Useful Plant	Subtotal Pro Forma Adjustments
	Col. 1	Col. 2	Col. 3	Col. 4	Col. 5	Col. 6
1	Intangible plant	$0	$0	$0	$0	$0
2	Production and gathering plant	0	0	0	0	$0
3	Storage Plant	0	0	0	0	$0
4	Transmission plant	2,216,529	(454,205)	0	(4,453,250)	($2,690,926)
5	Distribution plant	20,018,775	(3,375,182)	0	0	$16,643,593
6	General plant	1,682,644	(344,801)	0	0	$1,337,843
7	Corporate Allocated Plant	0	0	66,310,258	0	$66,310,258
8	Total gas plant in service	$23,917,948	($4,174,188)	$66,310,258	($4,453,250)	$81,600,768

Note:
(a) See Schedule 4-E for explanation of pro forma adjustments.

KANSAS GAS SERVICE, A DIVISION OF ONE GAS, INC.
Summary of Pro Forma Adjustments to Plant in Service (a)
Test Year Ended December 31, 2017

Line No.	Description	PLT 5 Pro Forma Adjustment CNG	Total Pro Forma Adjustments
	Col. 1	Col. 2	Col. 3
1	Intangible plant	$0	$0
2	Production and gathering plant	0	0
3	Storage Plant	0	0
4	Transmission plant	0	(2,690,926)
5	Distribution plant	0	16,643,593
6	General plant	(544,688)	793,155
7	Corporate Allocated Plant	0	66,310,258
8		($544,688)	$81,056,080

Note:
(a) See Schedule 4-E for explanation of pro forma adjustments.

KANSAS GAS SERVICE, A DIVISION OF ONE GAS, INC.
Pro Forma Adjustments to Plant In Service
Test Year Ended December 31, 2017

Line No.	Account Number	Description	PLT 1 Pro Forma Adjustment CWIP	PLT 2 Pro Forma Adjustment Asset Retirement	PLT 3 Pro Forma Adjustment Corporate Assets	PLT 4 Pro Forma Adjustment Not Used & Useful Plant	Sub-Total Pro Forma Adjustments
		Col. 1	Col. 2	Col. 3	Col. 4	Col. 5	Col. 6
		Intangible Plant					
1	302	Franchises and consents	$0	$0	$0	$0	$0
2	303	Intangible-miscellaneous	0	0	0	0	0
3		Total intangible plant	$0	$0	$0	$0	$0
		Natural Gas Production and Gathering Plant					
4	325.4	Rights-of-way	$0	$0	$0	$0	$0
5	327	Field compressor station structures	0	0	0	0	0
6	328	Field meas. and reg. station structures	0	0	0	0	0
7	332	Field lines	0	0	0	0	0
8	333	Field compressor station equipment	0	0	0	0	0
9	334	Field meas. and reg. station equipment	0	0	0	0	0
10		Total production and gathering plant	$0	$0	$0	$0	$0
		Underground Storage Plant					
11	350.1	Land and Land Rights	$0	$0	$0	$0	$0
12	351.1	Structures and improvements	0	0	0	0	0
13	351.2	Structures and improvements	0	0	0	0	0
14	351.3	Structures and improvements	0	0	0	0	0
15	352	Wells	0	0	0	0	0
16	352.1	Storage Lease and Rights	0	0	0	0	0
17	352.2	Reservoirs	0	0	0	0	0
18	352.3	Non-Recoverable Natural Gas	0	0	0	0	0
19	353	Storage Lines	0	0	0	0	0
20	354	Compressor station equipment	0	0	0	0	0
21	355	Measuring and regulating station equipment	0	0	0	0	0
22	356	Purification equipment	0	0	0	0	0
23	357	Other equipment	0	0	0	0	0
24		Total Storage plant	$0	$0	$0	$0	$0

KANSAS GAS SERVICE, A DIVISION OF ONE GAS, INC.
Pro Forma Adjustments to Plant In Service
Test Year Ended December 31, 2017

Line No.	Account Number	Description	PLT 1 Pro Forma Adjustment CWIP	PLT 2 Pro Forma Adjustment Asset Retirement	PLT 3 Pro Forma Adjustment Corporate Assets	PLT 4 Pro Forma Adjustment Not Used & Useful Plant	Sub-Total Pro Forma Adjustments
		Col. 1	Col. 2	Col. 3	Col. 4	Col. 5	Col. 6
		Transmission Plant					
1	365.1	Land and land rights	$0	$0	$0	$0	$0
2	365.2	Rights-of-way	(129,415)	26,519	0	0	(102,896)
3	366.1	Structures and imp. - compressor stations	85,902	(17,603)	0	(2,412)	65,887
4	366.2	Structures and imp. - meas. & reg. stations	0	0	0	0	0
5	367	Mains	2,111,662	(432,716)	0	(22,524)	1,656,422
6	368	Compressor station equipment	(11,434)	2,343	0	(4,051,884)	(4,060,975)
7	369	Measuring and regulating station equip.	174,340	(35,725)	0	(376,430)	(237,815)
8	371	Other Equipment	(14,526)	2,977	0	0	(11,549)
9		Total transmission plant	$2,216,529	($454,205)	$0	($4,453,250)	($2,690,926)
		Distribution Plant					
10	374.1	Land and land rights	$19,977	($4,094)	$0	$0	$15,883
11	374.2	Rights-of-way	0	0	0	0	0
12	375.1	Structures and improvements	6,201	(1,271)	0	0	4,930
13	376	Mains	5,821,287	(1,192,882)	0	0	4,628,405
14	376.5	Mains - Metallic	0	0	0	0	0
15	376.9	Mains - Cathodic Protection	0	0	0	0	0
16	378	Meas. and reg. sta. equip. - general	100,246	(20,542)	0	0	79,704
17	379	Meas. and reg. sta. equip. - city gate	200,792	(41,146)	0	0	159,646
18	380	Services - Plastic	7,274,564	(1,490,683)	0	0	5,783,881
19	380.5	Services - Metallic	0	0	0	0	0
20	381	Meters	2,394,531	(490,681)	0	0	1,903,850
21	381.5	Meters - AMR	3,547,826	0	0	0	3,547,826
22	382	Meter installations	313,358	(64,213)	0	0	249,145
23	383	House regulators	343,075	(70,302)	0	0	272,773
24	386	Other Property on Customer Premises	0	0	0	0	0
25	387	Other Equipment	(3,082)	632	0	0	(2,450)
26		Total distribution plant	$20,018,775	($3,375,182)	$0	$0	$16,643,593

Line No.	Account Number	Description	PLT 1 Pro Forma Adjustment CWIP	PLT 2 Pro Forma Adjustment Asset Retirement	PLT 3 Pro Forma Adjustment Corporate Assets	PLT 4 Pro Forma Adjustment Not Used & Useful Plant	Sub-Total Pro Forma Adjustments
		Col. 1	Col. 2	Col. 3	Col. 4	Col. 5	Col. 6
		General Plant					
1	389.1	Land and land rights	$0	$0	$0	$0	$0
2	390.1	Structures and improvements - owned	216,026	(44,267)	0	0	171,759
3	390.2	Structures and improvements - leasehold	0	0	0	0	0
4	391.1	Office furniture and equipment	63,794	(13,072)	0	0	50,722
5	391.9	Computers and other electronic equipment	0	0	0	0	0
6	392	Transportation equipment	884,238	(181,195)	0	0	703,043
7	393	Stores equipment	0	0	0	0	0
8	394	Tool, shop and garage equipment	256,091	(52,477)	0	0	203,614
9	395	Laboratory equipment	0	0	0	0	0
10	396	Power operated equipment	215,057	(44,069)	0	0	170,988
11	397	Communication equipment	48,544	(9,948)	0	0	38,596
12	398	Miscellaneous equipment	(1,106)	227	0	0	(879)
13		Total general plant	$1,682,644	($344,801)	$0	$0	$1,337,843
14		Corporate Allocated Plant	$0	$0	$66,310,258	$0	$66,310,258
15		Total gas plant in service	$23,917,948	($4,174,188)	$66,310,258	($4,453,250)	$81,600,768

KANSAS GAS SERVICE, A DIVISION OF ONE GAS, INC.
Pro Forma Adjustments to Plant In Service
Test Year Ended December 31, 2017

Line No.	Account Number	Description	PLT 5 Pro Forma Adjustment CNG	Total Pro Forma Adjustments
		Col. 1	Col. 2	Col. 3
		Intangible Plant		
1	302	Franchises and consents	$0	$0
2	303	Intangible-miscellaneous	0	0
3		Total intangible plant	$0	$0
		Natural Gas Production and Gathering Plant		
4	325.4	Rights-of-way	$0	$0
5	327	Field compressor station structures	0	0
6	328	Field meas. and reg. station structures	0	0
7	332	Field lines	0	0
8	333	Field compressor station equipment	0	0
9	334	Field meas. and reg. station equipment	0	0
10		Total production and gathering plant	$0	$0
		Underground Storage Plant		
11	350.1	Land & Land rights	0	0
12	351.1	Structures and improvements	0	0
13	351.2	Structures and improvements	0	0
14	351.3	Structures and improvements	0	0
15	352	Wells	0	0
16	352.1	Storage Lease and Rights	0	0
17	352.2	Reservoirs	0	0
18	352.3	Non-Recoverable Natural Gas	0	0
19	353	Storage Lines	0	0
20	354	Compressor station equipment	0	0
21	355	Measuring and regulating station equipment	0	0
22	356	Purification equipment	0	0
23	357	Other equipment	0	0
24		Total Storage plant	$0	$0

Line No.	Account Number	Description Col. 1	PLT 5 Pro Forma Adjustment CNG Col. 2	Total Pro Forma Adjustments Col. 3
		Transmission Plant		
1	365.1	Land and land rights	$0	$0
2	365.2	Rights-of-way	0	(102,896)
3	366.1	Structures and imp. - compressor stations	0	65,887
4	366.2	Structures and imp. - meas. & reg. stations	0	0
5	367	Mains	0	1,656,422
6	368	Compressor station equipment	0	(4,060,975)
7	369	Measuring and regulating station equip.	0	(237,815)
8	371	Other Equipment	0	(11,549)
9		Total transmission plant	$0	($2,690,926)
		Distribution Plant		
10	374.1	Land and land rights	$0	$15,883
11	374.2	Rights-of-way	0	0
12	375.1	Structures and improvements	0	4,930
13	376	Mains	0	4,628,405
14	376.5	Mains - Metallic	0	0
15	376.9	Mains - Cathodic Protection	0	0
16	378	Meas. and reg. sta. equip. - general	0	79,704
17	379	Meas. and reg. sta. equip. - city gate	0	159,646
18	380	Services - Plastic	0	5,783,881
19	380.5	Services - Metallic	0	0
20	381	Meters	0	1,903,850
21	381.5	Meters - AMR	0	3,547,826
22	382	Meter installations	0	249,145
23	383	House regulators	0	272,773
24	386	Other Property on Customer Premises	0	0
25	387	Other Equipment	0	(2,450)
26		Total distribution plant	$0	$16,643,593

KANSAS GAS SERVICE, A DIVISION OF ONE GAS, INC.
Pro Forma Adjustments to Plant In Service
Test Year Ended December 31, 2017

Line No.	Account Number	Description	PLT 5 Pro Forma Adjustment CNG	Total Pro Forma Adjustments
		Col. 1	Col. 2	Col. 3
		General Plant		
1	389.1	Land and land rights	$0	$0
2	390.1	Structures and improvements - owned	0	171,759
3	390.2	Structures and improvements - leasehold	0	0
4	391.1	Office furniture and equipment - computers	0	50,722
5	391.9	Computers and other electronic equipment	0	0
6	392	Transportation equipment	0	703,043
7	393	Stores equipment	0	0
8	394	Tool, shop and garage equipment	(544,688)	(341,074)
9	395	Laboratory equipment	0	0
10	396	Power operated equipment	0	170,988
11	397	Communication equipment	0	38,596
12	398	Miscellaneous equipment	0	(879)
13		Total general plant	($544,688)	$793,155
14		Corporate allocated plant	$0	$66,310,258
15		Total Plant in Service	($544,688)	$81,056,080

KANSAS GAS SERVICE, A DIVISION OF ONE GAS, INC.
Explanation of Pro Forma Adjustments to Plant In Service
Test Year Ended December 31, 2017

Line No.	Description Col. 1	Increase Col. 2	Decrease Col. 3
	Adjustment PLT 1		
	CWIP		
1	Intangible plant	0	0
2	Production and gathering plant	0	0
3	Storage Plant	0	0
4	Transmission Plant	2,216,529	0
5	Distribution plant	20,018,775	0
6	General plant	1,682,644	0
7	Corporate Allocated Plant	0	0
8	Total	23,917,948	0

To include capital expenditures for projects underway at December 31, 2017 that will be completed within one year after the end of the test year.

Line No.	Description	Increase	Decrease
	Adjustment PLT 2		
	Asset Retirement		
9	Intangible plant	0	0
10	Production and gathering plant	0	0
11	Storage Plant	0	0
12	Transmission Plant	0	454,205
13	Distribution plant	0	3,375,182
14	General plant	0	344,801
15	Corporate Allocated Plant	0	0
16	Total	0	4,174,188

To remove plant retirements in CWIP that will retire subsequent to the test year.

KANSAS GAS SERVICE, A DIVISION OF ONE GAS, INC.
Explanation of Pro Forma Adjustments to Plant In Service
Test Year Ended December 31, 2017

Line No.	Description Col. 1	Increase Col. 2	Decrease Col. 3
	Adjustment PLT 3		
	Corporate Assets		
1	Intangible plant	0	0
2	Production and gathering plant	0	0
3	Storage Plant	0	0
4	Transmission Plant	0	0
5	Distribution plant	0	0
6	General plant	0	0
7	Corporate Allocated Plant	66,310,258	0
8	Total	66,310,258	0

To include Corporate assets providing service to Kansas Gas Service.

Line No.	Description	Increase	Decrease
	Adjustment PLT 4		
	Not Used & Useful Plant		
9	Intangible plant	0	0
10	Production and gathering plant	0	0
11	Storage plant	0	0
12	Transmission plant	0	4,453,250
13	Distribution plant	0	0
14	General plant	0	0
15	Corporate Allocated Plant	0	0
16	Total	0	4,453,250

To remove the plant assets that are currently not used and useful.

KANSAS GAS SERVICE, A DIVISION OF ONE GAS, INC.
Explanation of Pro Forma Adjustments to Plant In Service
Test Year Ended December 31, 2017

Line No.	Description Col. 1	Increase Col. 2	Decrease Col. 3
	Adjustment PLT 5		
	CNG		
1	Intangible plant	0	0
2	Production and gathering plant	0	0
3	Storage Plant	0	0
4	Transmission Plant	0	0
5	Distribution plant	0	0
6	General plant	0	544,688
7	Corporate Allocated Plant	0	0
8	Total	0	544,688

To remove certain CNG assets used to provide CNG at public stations.

KANSAS GAS SERVICE, A DIVISION OF ONE GAS, INC.
Plant in Service by Primary Account
Test Year Ended December 31, 2017
Balance as of

Line No.	Account Number	Description	December 31, 2014	December 31, 2015	December 31, 2016	December 31, 2017
		Col. 1	Col. 2	Col. 3	Col. 4	Col. 5
		Intangible Plant				
1	302	Franchises and consents	$6,045	$6,045	$6,045	$6,045
2	303	Intangible-miscellaneous	52,535	52,535	28,028	0
3		Total intangible plant	$58,580	$58,580	$34,073	$6,045
		Natural Gas Production and Gathering Plant				
4	325.4	Rights-of-way	$232,567	$232,567	$232,567	$232,567
5	327	Field compressor station structures	3,053	3,053	3,053	3,053
6	328	Field meas. and reg. station structures	44,026	44,026	44,026	44,026
7	332	Field lines	45,302	45,302	45,302	45,302
8	333	Field compressor station equipment	12,877	12,877	12,877	12,877
9	334	Field meas. and reg. station equipment	515,090	515,090	515,090	515,090
10		Total production and gathering plant	$852,915	$852,915	$852,915	$852,915
		Underground Storage Plant				
11	350.1	Land & Land rights	$0	$0	$0	$0
12	351.1	Structures and improvements	0	0	0	0
13	351.2	Structures and improvements	0	0	0	0
14	351.3	Structures and improvements	0	0	0	0
15	352	Wells	0	0	0	0
16	352.1	Storage Lease and Rights	0	0	0	0
17	352.2	Reservoirs	0	0	0	0
18	352.3	Non-Recoverable Natural Gas	0	0	0	0
19	353	Storage Lines	0	0	0	0
20	354	Compressor station equipment	0	0	0	0
21	355	Measuring and regulating station equipment	0	0	0	0
22	356	Purification equipment	0	0	0	0
23	357	Other equipment	0	0	0	0
24		Total Storage plant	$0	$0	$0	$0

KANSAS GAS SERVICE, A DIVISION OF ONE GAS, INC.
Plant in Service by Primary Account
Test Year Ended December 31, 2017
Balance as of

Line No.	Account Number	Description Col. 1	December 31, 2014 Col. 2	December 31, 2015 Col. 3	December 31, 2016 Col. 4	December 31, 2017 Col. 5
		Transmission Plant				
1	365.1	Land and land rights	$826,609	$826,609	$826,609	$826,609
2	365.2	Rights-of-way	11,771,290	12,240,603	12,558,479	12,010,820
3	366.1	Compressor Station Structure	4,562,600	4,615,635	4,413,832	4,751,256
4	366.2	Measuring Station Structure	1,177,780	1,208,818	1,366,328	1,394,765
5	367	Mains	201,828,595	205,309,358	209,979,289	217,770,392
6	368	Compressor station equipment	21,453,153	21,838,537	19,255,918	18,455,930
7	369	Measuring and regulating station equip.	18,174,489	20,241,077	20,740,212	21,040,060
8	371	Other Equipment	152,314	52,371	84,270	8,592
9		Total transmission plant	$259,946,830	$266,333,008	$269,224,937	$276,258,424
		Distribution Plant				
10	374.1	Land and land rights	$139,168	$135,408	$135,408	$135,408
11	374.2	Rights-of-way	2,091,719	2,212,566	$2,133,799	2,218,336
12	375.1	Structures and improvements	860,118	856,201	$877,742	890,100
13	376	Mains	298,705,463	310,854,048	323,594,323	338,177,359
14	376.5	Mains - Metallic	265,626,033	267,473,174	282,639,319	288,773,290
15	376.9	Mains - Cathodic Protection	36,110,955	39,858,984	$28,983,425	30,194,961
16	378	Meas. and reg. sta. equip. - general	22,968,382	23,511,576	$24,083,281	24,435,280
17	379	Meas. and reg. sta. equip. - city gate	7,254,590	7,461,972	$7,712,777	8,600,726
18	380	Services - Plastic	387,326,062	399,549,568	$426,582,559	456,338,245
19	380.5	Services - Metallic	31,832,216	31,989,411	$32,820,942	31,583,063
20	381	Meters	100,824,725	108,714,149	$115,124,295	122,855,513
21	381.5	Meters - AMR	18,694,746	20,289,237	$21,523,385	23,735,493
22	382	Meter installations	92,383,341	94,402,391	$93,833,144	92,316,838
23	383	House regulators	15,447,408	19,972,565	22,359,773	23,805,752
24	386	Other Property on Customers Premises	224,125	224,125	$224,125	224,125
25	387	Other Equipment	0	0	$13,044	0
26		Total distribution plant	$1,280,489,051	$1,327,505,375	$1,382,641,341	$1,444,284,489

KANSAS GAS SERVICE, A DIVISION OF ONE GAS, INC.
Plant in Service by Primary Account
Test Year Ended December 31, 2017
Balance as of

Line No.	Account Number	Description Col. 1	December 31, 2014 Col. 2	December 31, 2015 Col. 3	December 31, 2016 Col. 4	December 31, 2017 Col. 5
		General Plant				
1	389.1	Land and land rights	$1,471,358	$1,471,358	$1,471,358	$1,436,165
2	390.1	Structures and improvements - owned	35,150,006	35,359,439	35,897,090	36,120,293
3	390.2	Structures and improvements - leasehold	2,679,957	2,694,235	2,730,364	3,184,705
4	391.1	Office furniture and equipment	5,153,986	4,949,181	4,950,351	5,429,966
5	391.9	Computers and other electronic equipment	9,221,315	9,571,166	7,696,075	6,369,882
6	392	Transportation equipment	25,411,736	26,644,792	28,320,007	30,565,567
7	393	Stores equipment	169,524	113,367	179,300	179,300
8	394	Tool, shop and garage equipment	9,771,922	8,974,944	9,361,882	10,670,287
9	395	Laboratory equipment	72,377	72,377	185,795	185,795
10	396	Power operated equipment	11,410,302	11,738,504	12,415,573	12,905,335
11	397	Communication equipment	6,403,333	5,340,533	5,551,944	5,354,142
12	398	Miscellaneous equipment	360,829	360,557	360,556	355,876
13		Total general plant	$107,276,645	$107,290,453	$109,120,295	$112,757,313
14		Total gas plant in service	$1,648,624,021	$1,702,040,331	$1,761,873,561	$1,834,159,186

KANSAS GAS SERVICE, A DIVISION OF ONE GAS, INC.
Summary - Functional Classification of Accumulated Provision for Depreciation and Amortization
Test Year Ended December 31, 2017

Line No.	Description Col. 1	Reference Col. 2	Amount Per Books Col. 3	Pro Forma Adjustments Col. 4	Pro Forma Adjusted Total Col. 5
	Accumulated Provision For Depreciation				
1	Production and gathering plant	5-B	$649,667	$0	$649,667
2	Storage plant	5-B	0	0	0
3	Transmission plant	5-B	88,454,172	(3,853,586)	84,600,586
4	Distribution plant	5-B	473,618,221	(3,375,182)	470,243,039
5	General plant	5-B	43,663,099	(428,143)	43,234,956
6	Corporate allocated accumulated depreciation	5-B	0	16,294,218	16,294,218
7	Total accumulated provision for depreciation		$606,385,159	$8,637,307	$615,022,466
	Accumulated Provision For Amortization				
8	Total accumulated provision for amortization	5-B	3,241,701	0	3,241,701
9	Total accumulated provision for depreciation and amortization		$609,626,860	$8,637,307	$618,264,168

KANSAS GAS SERVICE, A DIVISION OF ONE GAS, INC.
Detail - Functional Classification of Accumulated Provision for Depreciation and Amortization
Test Year Ended December 31, 2017

Line No.	Account Number	Description Col. 1	Amount Per Books Col. 2	Pro Forma Adjustments Col. 3	Pro Forma Adjusted Total Col. 4
		ACCUMULATED PROVISION FOR DEPRECIATION			
		Natural Gas Production and Gathering Plant			
1	325.4	Rights-of-way	$110,560	$0	$110,560
2	327	Field Compressor Station Structure	2,561	0	2,561
3	328	Field meas. and reg. station structures	55,464	0	55,464
4	332	Field lines	45,302	0	45,302
5	333	Field Compressor Station Equipment	12,877	0	12,877
6	334	Field meas. and reg. station equipment	422,903	0	422,903
7		Total production and gathering plant	$649,667	$0	$649,667
		Underground Storage Plant			
8	350.1	Land & Land rights	$0	$0	$0
9	350.2	Rights of way	0	0	0
10	351.1	Structures and improvements	0	0	0
11	351.2	Structures and improvements	0	0	0
12	351.3	Structures and improvements	0	0	0
13	352	Wells	0	0	0
14	352.1	Storage Lease and Rights	0	0	0
15	352.2	Reservoirs	0	0	0
16	352.3	Non-Recoverable Natural Gas	0	0	0
17	353	Storage Lines	0	0	0
18	354	Compressor station equipment	0	0	0
19	355	Measuring and regulating station equipment	0	0	0
20	356	Purification equipment	0	0	0
21	357	Other equipment	0	0	0
22		Total Underground storage plant	$0	$0	$0

KANSAS GAS SERVICE, A DIVISION OF ONE GAS, INC.
Detail - Functional Classification of Accumulated Provision for Depreciation and Amortization
Test Year Ended December 31, 2017

Line No.	Account Number	Description Col. 1	Amount Per Books Col. 2	Pro Forma Adjustments Col. 3	Pro Forma Adjusted Total Col. 4
		Transmission Plant			
1	365.2	Rights-of-way	$3,640,910	$26,519	$3,667,429
2	366.1	Structures and imp. - compressor stations	3,857,485	(19,085)	3,838,400
3	366.2	Structures and imp. - meas. & reg. stations	1,045,698	0	1,045,698
4	367	Mains	59,503,541	(435,163)	59,068,378
5	368	Compressor station equipment	14,317,535	(3,263,280)	11,054,255
6	369	Measuring and regulating station equipment	6,089,003	(165,554)	5,923,449
7	371	Other Equipment	0	2,977	2,977
8		Total transmission plant	$88,454,172	($3,853,586)	$84,600,586
		Distribution Plant			
9	374.2	Rights-of-way	$541,925	($4,094)	$537,831
10	375.1	Structures and improvements	452,650	(1,271)	451,379
11	376	Mains	116,894,251	(1,192,882)	115,701,369
12	376.5	Mains - Metallic	87,437,067	0	87,437,067
13	376.9	Mains - Cathodic Protection	942,889	0	942,889
14	378	Meas. and reg. sta. equip. - general	11,254,403	(20,542)	11,233,861
15	379	Meas. and reg. sta. equip. - city gate	4,178,623	(41,146)	4,137,477
16	380	Services - Plastic	180,194,381	(1,490,683)	178,703,698
17	380.5	Services - Metallic	(2,288,145)	0	(2,288,145)
18	381	Meters	28,917,471	(490,681)	28,426,790
19	381.5	Meters - AMR	6,756,167	0	6,756,167
20	382	Meter installations	30,492,908	(64,213)	30,428,695
21	383	House regulators	7,624,927	(70,302)	7,554,625
22	386	Other Property Customer Premise	221,350	0	221,350
23	387	Other Equipment	(2,646)	632	(2,014)
24		Total distribution plant	$473,618,221	($3,375,182)	$470,243,039

KANSAS GAS SERVICE, A DIVISION OF ONE GAS, INC.
Detail - Functional Classification of Accumulated Provision for Depreciation and Amortization
Test Year Ended December 31, 2017

Line No.	Account Number	Description Col. 1	Amount Per Books Col. 2	Pro Forma Adjustments Col. 3	Pro Forma Adjusted Total Col. 4
		General Plant			
1	389.1	Land	($21,240)	$0	($21,240)
2	390.1	Structures and improvements - owned	12,336,049	(44,267)	12,291,782
3	391.1	Office furniture and equipment	2,667,077	(13,072)	2,654,005
4	391.9	Computers and other electronic equipment	5,527,516	0	5,527,516
5	392	Transportation equipment	11,967,723	(181,195)	11,786,528
6	393	Stores equipment	(75,712)	0	(75,712)
7	394	Tools Shop and Garage Equipment	1,704,296	(135,819)	1,568,477
8	395	Laboratory equipment	(222,523)	0	(222,523)
9	396	Power operated equipment	7,317,522	(44,069)	7,273,453
10	397	Communication equipment	2,330,843	(9,948)	2,320,895
11	398	Miscellaneous equipment	131,548	227	131,775
12		Total general plant	$43,663,099	($428,143)	$43,234,956
13		Corporate Allocated	$0	$16,294,218	$16,294,218
14		Total accumulated provision for depreciation	$606,385,159	$8,637,307	$615,022,466
		ACCUMULATED PROVISION FOR AMORTIZATION			
15	302	Franchises and Consents	$0	$0	$0
16	303	Miscellaneous Intangible Plant	(329)	0	(329)
17	390.2	Structures and improvements - leasehold	3,242,030	0	3,242,030
18		Total accumulated provision for amortization	$3,241,701	$0	$3,241,701
19		Total accumulated provision for depreciation and amortization	$609,626,860	$8,637,307	$618,264,168

KANSAS GAS SERVICE, A DIVISION OF ONE GAS, INC.
Summary of Pro Forma Adjustments to Accumulated Provision for Depreciation and Amortization (a)
Test Year Ended December 31, 2017

Line No.	Description	ADA 1 Pro Forma Adjustment Asset Retirement	ADA 2 Pro Forma Adjustment Corporate Assets	ADA 3 Pro Forma Adjustment Not Used & Useful Plant	Subtotal Pro Forma Adjustments
	Col. 1	Col. 2	Col. 3	Col. 4	Col. 5
	Accumulated Provision for Depreciation				
1	Production and gathering plant	$0	$0	$0	$0
2	Underground storage plant	0	0	0	0
3	Transmission plant	(454,205)	0	(3,399,381)	(3,853,586)
4	Distribution plant	(3,375,182)	0	0	(3,375,182)
5	General plant	(344,801)	0	0	(344,801)
6	Corporate Allocated	0	16,294,218	0	16,294,218
7	Total accumulated provision for depreciation Pro forma	($4,174,188)	$16,294,218	($3,399,381)	$8,720,649
	Accumulated Provision for Amortization				
8	Total accumulated provision for amortization	0	0	0	0
9	Total accumulated provision for depreciation and amortization	($4,174,188)	$16,294,218	($3,399,381)	$8,720,649

Note:
(a) See Schedule 5-E for explanation of pro forma adjustments.

KANSAS GAS SERVICE, A DIVISION OF ONE GAS, INC.
Summary of Pro Forma Adjustments to Accumulated Provision for Depreciation and Amortization (a)
Test Year Ended December 31, 2017

Line No.	Description	ADA 4 Pro Forma Adjustment CNG	Total Pro Forma Adjustments
	Col. 1	Col. 2	Col. 3
	Accumulated Provision for Depreciation		
1	Production and gathering plant	$0	$0
2	Underground storage plant	0	0
3	Transmission plant	0	(3,853,586)
4	Distribution plant	0	(3,375,182)
5	General plant	(83,342)	(428,143)
6	Corporate Allocated	0	16,294,218
7	Total accumulated provision for depreciation Pro forma	($83,342)	$8,637,307
	Accumulated Provision for Amortization		
8	Total accumulated provision for amortization	0	0
9	Total accumulated provision for depreciation and amortization	($83,342)	$8,637,307

Note:
(a) See Schedule 5-E for explanation of pro forma adjustments.

Line No.	Account Number	Description	ADA 1 Pro Forma Adjustment CWIP	ADA 2 Pro Forma Adjustment Corporate Assets	ADA 3 Pro Forma Adjustment Not Used & Useful Plant	Subtotal Pro Forma Adjustments
		Col. 1	Col. 2	Col. 3	Col. 4	Col. 5
		ACCUMULATED PROVISION FOR DEPRECIATION				
		Natural Gas Production and Gathering Plant				
1	325.4	Rights-of-way	$0	$0	$0	$0
2	327	Field Compressor Station Structure	0	0	0	0
3	328	Field meas. and reg. station structures	0	0	0	0
4	332	Field lines	0	0	0	0
5	333	Field Compressor Station Equipment	0	0	0	0
6	334	Field meas. and reg. station equipment	0	0	0	0
7		Total production and gathering plant	$0	$0	$0	$0
		Underground Storage Plant				
8	350.1	Land & Land rights	$0	$0	$0	$0
9	350.2	Rights of way	0	0	0	0
10	351.1	Structures and improvements	0	0	0	0
11	351.2	Structures and improvements	0	0	0	0
12	351.3	Structures and improvements	0	0	0	0
13	352	Wells	0	0	0	0
14	352.1	Storage Lease and Rights	0	0	0	0
15	352.2	Reservoirs	0	0	0	0
16	352.3	Non-Recoverable Natural Gas	0	0	0	0
17	353	Storage Lines	0	0	0	0
18	354	Compressor station equipment	0	0	0	0
19	355	Measuring and regulating station equipment	0	0	0	0
20	356	Purification equipment	0	0	0	0
21	357	Other equipment	0	0	0	0
22		Total Underground storage plant	$0	$0	$0	$0

KANSAS GAS SERVICE, A DIVISION OF ONE GAS, INC.
Detail - Functional Classification of Adjustments to Accumulated Provision for Depreciation and Amortization
Test Year Ended December 31, 2017

Line No.	Account Number	Description	ADA 1 Pro Forma Adjustment Asset Retirement	ADA 2 Pro Forma Adjustment Corporate Assets	ADA-3 Pro Forma Adjustment Not Used & Useful Plant	Subtotal Pro Forma Adjustments
		Col. 1	Col. 2	Col. 3	Col. 4	Col. 5
		Transmission Plant				
1	365.2	Rights-of-way	$26,519	$0	$0	$26,519
2	366.1	Structures and imp. - compressor stations	(17,603)	0	(1,482)	(19,085)
3	366.2	Structures and imp. - meas. & reg. stations	0	0	0	0
4	367	Mains	(432,716)	0	(2,447)	(435,163)
5	368	Compressor station equipment	2,343	0	(3,265,623)	(3,263,280)
6	369	Measuring and regulating station equipment	(35,725)	0	(129,829)	(165,554)
7	371	Other Equipment	2,977	0	0	2,977
8		Total transmission plant	($454,205)	$0	($3,399,381)	($3,853,586)
		Distribution Plant				
9	374.2	Rights-of-way	($4,094)	$0	$0	($4,094)
10	375.1	Structures and improvements	(1,271)	0	0	(1,271)
11	376	Mains	(1,192,882)	0	0	(1,192,882)
12	376.5	Mains - Metallic	0	0	0	0
13	376.9	Mains - Cathodic Protection	0	0	0	0
14	378	Meas. and reg. sta. equip. - general	(20,542)	0	0	(20,542)
15	379	Meas. and reg. sta. equip. - city gate	(41,146)	0	0	(41,146)
16	380	Services - Plastic	(1,490,683)	0	0	(1,490,683)
17	380.5	Services - Metallic	0	0	0	0
18	381	Meters	(490,681)	0	0	(490,681)
19	381.5	Meters - AMR	0	0	0	0
20	382	Meter installations	(64,213)	0	0	(64,213)
21	383	House regulators	(70,302)	0	0	(70,302)
22	386	Other Property Customer Premise	0	0	0	0
23	387	Other Equipment	632	0	0	632
24		Total distribution plant	($3,375,182)	$0	$0	($3,375,182)

KANSAS GAS SERVICE, A DIVISION OF ONE GAS, INC.
Detail - Functional Classification of Adjustments to Accumulated Provision for Depreciation and Amortization
Test Year Ended December 31, 2017

Line No.	Account Number	Description	ADA 1 Pro Forma Adjustment Asset Retirement	ADA 2 Pro Forma Adjustment Corporate Assets	ADA-3 Pro Forma Adjustment Not Used & Useful Plant	Subtotal Pro Forma Adjustments
		Col. 1	Col. 2	Col. 3	Col. 4	Col. 5
		General Plant				
1	389.1	Land	$0	$0	$0	$0
2	390.1	Structures and improvements - owned	(44,267)	0	0	(44,267)
3	391.1	Office furniture and equipment - computers	(13,072)	0	0	(13,072)
4	391.9	Computers and other electronic equipment	0	0	0	0
5	392	Transportation equipment	(181,195)	0	0	(181,195)
6	393	Stores equipment	0	0	0	0
7	394	Tool, shop and garage equipment	(52,477)	0	0	(52,477)
8	395	Laboratory equipment	0	0	0	0
9	396	Power operated equipment	(44,069)	0	0	(44,069)
10	397	Communication equipment	(9,948)	0	0	(9,948)
11	398	Miscellaneous equipment	227	0	0	227
12		Total general plant	($344,801)	$0	$0	($344,801)
13		Corporate Allocated	$0	$16,294,218	$0	$16,294,218
14		Total accumulated provision for depreciation	($4,174,188)	$16,294,218	($3,399,381)	$8,720,649
		ACCUMULATED PROVISION FOR AMORTIZATION				
15	302	Franchises and Consents	$0	$0	$0	$0
16	303	Miscellaneous Intangible Plant	0	0	0	0
17	390.2	Structures and improvements - leasehold	0	0	0	0
18		Total accumulated provision for amortization	$0	$0	$0	$0
19		Total accumulated provision for depreciation & Amortization	($4,174,188)	$16,294,218	($3,399,381)	$8,720,649

KANSAS GAS SERVICE, A DIVISION OF ONE GAS, INC.
Detail - Functional Classification of Adjustments to Accumulated Provision for Depreciation and Amortization
Test Year Ended December 31, 2017

Line No.	Account Number	Description	ADA 4 Pro Forma Adjustment CNG	Total Pro Forma Adjustments
		Col. 1	Col. 2	Col. 3
		ACCUMULATED PROVISION FOR DEPRECIATION		
		Natural Gas Production and Gathering Plant		
1	325.4	Rights-of-way	$0	$0
2	327	Field Compressor Station Structure	0	0
3	328	Field meas. and reg. station structures	0	0
4	332	Field lines	0	0
5	333	Field Compressor Station Equipment	0	0
6	334	Field meas. and reg. station equipment	0	0
7		Total production and gathering plant	$0	$0
		Underground Storage Plant		
8	350.1	Land & Land rights	$0	$0
9	350.2	Rights of way	0	0
10	351.1	Structures and improvements	0	0
11	351.2	Structures and improvements	0	0
12	351.3	Structures and improvements	0	0
13	352	Wells	0	0
14	352.1	Storage Lease and Rights	0	0
15	352.2	Reservoirs	0	0
16	352.3	Non-Recoverable Natural Gas	0	0
17	353	Storage Lines	0	0
18	354	Compressor station equipment	0	0
19	355	Measuring and regulating station equipment	0	0
20	356	Purification equipment	0	0
21	357	Other equipment	0	0
22		Total Underground storage plant	$0	$0

KANSAS GAS SERVICE, A DIVISION OF ONE GAS, INC.
Detail - Functional Classification of Adjustments to Accumulated Provision for Depreciation and Amortization
Test Year Ended December 31, 2017

Line No.	Account Number	Description	ADA 4 Pro Forma Adjustment CNG	Total Pro Forma Adjustments
		Col. 1	Col. 2	Col. 3
		Transmission Plant		
1	365.2	Rights-of-way	$0	$26,519
2	366.1	Structures and imp. - compressor stations	0	(19,085)
3	366.2	Structures and imp. - meas. & reg. stations	0	0
4	367	Mains	0	(435,163)
5	368	Compressor station equipment	0	(3,263,280)
6	369	Measuring and regulating station equipment	0	(165,554)
7	371	Other Equipment	0	2,977
8		Total transmission plant	$0	($3,853,586)
		Distribution Plant		
9	374.2	Rights-of-way	$0	($4,094)
10	375.1	Structures and improvements	0	(1,271)
11	376	Mains	0	(1,192,882)
12	376.5	Mains - Metallic	0	0
13	376.9	Mains - Cathodic Protection	0	0
14	378	Meas. and reg. sta. equip. - general	0	(20,542)
15	379	Meas. and reg. sta. equip. - city gate	0	(41,146)
16	380	Services - Plastic	0	(1,490,683)
17	380.5	Services - Metallic	0	0
18	381	Meters	0	(490,681)
19	381.5	Meters - AMR	0	0
20	382	Meter installations	0	(64,213)
21	383	House regulators	0	(70,302)
22	386	Other Property Customer Premise	0	0
23	387	Other Equipment	0	632
24		Total distribution plant	$0	($3,375,182)

KANSAS GAS SERVICE, A DIVISION OF ONE GAS, INC.
Detail - Functional Classification of Adjustments to Accumulated Provision for Depreciation and Amortization
Test Year Ended December 31, 2017

Line No.	Account Number	Description Col. 1	ADA 4 Pro Forma Adjustment CNG Col. 2	Total Pro Forma Adjustments Col. 3
		General Plant		
1	389.1	Land	$0	$0
2	390.1	Structures and improvements - owned	0	(44,267)
3	391.1	Office furniture and equipment - computers	0	(13,072)
4	391.9	Computers and other electronic equipment	0	0
5	392	Transportation equipment	0	(181,195)
6	393	Stores equipment	0	0
7	394	Tool, shop and garage equipment	(83,342)	(135,819)
8	395	Laboratory equipment	0	0
9	396	Power operated equipment	0	(44,069)
10	397	Communication equipment	0	(9,948)
11	398	Miscellaneous equipment	0	227
12		Total general plant	($83,342)	($428,143)
13		Corporate Allocated		$16,294,218
14		Total accumulated provision for depreciation	($83,342)	$8,637,307
		ACCUMULATED PROVISION FOR AMORTIZATION		
15	302	Franchises and Consents	$0	$0
16	303	Miscellaneous Intangible Plant	0	0
17	390.2	Structures and improvements - leasehold	0	0
18		Total accumulated provision for amortization	$0	$0
19		Total accumulated provision for depreciation & Amortization	($83,342)	$8,637,307

Line No.	Description Col. 1	Increase Col. 2	Decrease Col. 3
	Adjustment ADA 1		
	Asset Retirement		
1	Production and gathering plant	0	0
2	Underground storage plant	0	0
3	Transmission Plant	0	454,205
4	Distribution plant	0	3,375,182
5	General plant	0	344,801
6	Corporate Plant	0	0
7	Total	0	4,174,188

To remove accumulated depreciation related to plant retirements in CWIP that will retire subsequent to the test year.

Line No.	Description	Increase	Decrease
	Adjustment ADA 2		
	Corporate Assets		
8	Production and gathering plant	0	0
9	Underground storage plant	0	0
10	Transmission Plant	0	0
11	Distribution plant	0	0
12	General plant	0	0
13	Corporate Allocated Plant	16,294,218	0
14	Total	16,294,218	0

To include the accumulated depreciation reserve associated with Corporate assets providing service to Kansas Gas Service.

Line No.	Description Col. 1	Increase Col. 2	Decrease Col. 3
	Adjustment ADA 3		
	Not Used & Useful Plant		
15	Production and gathering plant	0	0
16	Underground storage plant	0	0
17	Transmission Plant	0	3,399,381
18	Distribution plant	0	0
19	General plant	0	0
20	Corporate Allocated Plant	0	0
21	Total	0	3,399,381

To remove the accumulated depreciation associated with assets that are currently not used and useful.

Line No.	Description Col. 1	Increase Col. 2	Decrease Col. 3
	Adjustment ADA 4		
	CNG		
1	Production and gathering plant	0	0
2	Underground storage plant	0	0
3	Transmission Plant	0	0
4	Distribution plant	0	0
5	General plant	0	83,342
6	Corporate Allocated Plant	0	0
7	Total	0	83,342

To remove the accumulated depreciation associated with CNG assets used to provide CNG at public stations.

KANSAS GAS SERVICE, A DIVISION OF ONE GAS, INC.
Accumulated Provision for Depreciation and Amortization by Primary Account
Test Year Ended December 31, 2017
Balance as of

Line No.	Account Number	Description	December 31, 2014	December 31, 2015	December 31, 2016	December 31, 2017
		Col. 1	Col. 2	Col. 3	Col. 4	Col. 5
		ACCUMULATED PROVISION FOR DEPRECIATION				
		Natural Gas Production and Gathering Plant				
1	325.4	Rights-of-way	$101,839	$104,746	$107,653	$110,560
2	327	Field Compressor Station Structure	2,296	2,385	2,473	2,561
3	328	Field meas. and reg. station structures	55,464	55,464	55,464	55,464
4	332	Field lines	45,302	45,302	45,302	45,302
5	333	Field Compressor Station Equipment	12,877	12,877	12,877	12,877
6	334	Field meas. and reg. station equipment	400,188	407,760	415,332	422,903
7		Total production and gathering plant	$617,966	$628,534	$639,101	$649,667
		Underground Storage Plant				
8	350.1	Land & Land Rights	$0	$0	$0	$0
9	350.2	Rights of way	0	0	0	0
10	351.1	Structures and Improvements	0	0	0	0
11	351.2	Structures and Improvements	0	0	0	0
12	351.3	Structures and Improvements	0	0	0	0
13	352	Wells	0	0	0	0
14	352.1	Storage Leaseholds and Rights	0	0	0	0
15	352.2	Reservoirs	0	0	0	0
16	352.3	Nonrecoverable Natural Gas	0	0	0	0
17	353	Storage Lines	0	0	0	0
18	354	Compressor Station Equipment	0	0	0	0
19	355	Measuring and Regulating Equipment	0	0	0	0
20	356	Purification Equipment	0	0	0	0
21	357	Other Equipment	0	0	0	0
22		Total Storage Facilities	$0	$0	$0	$0

KANSAS GAS SERVICE, A DIVISION OF ONE GAS, INC.
Accumulated Provision for Depreciation and Amortization by Primary Account
Test Year Ended December 31, 2017
Balance as of

Line No.	Account Number	Description	December 31, 2014	December 31, 2015	December 31, 2016	December 31, 2017
		Col. 1	Col. 2	Col. 3	Col. 4	Col. 5
		Transmission Plant				
1	365.2	Rights-of-way	$3,134,017	$3,309,275	$3,471,046	$3,640,910
2	366.1	Structures and imp. - compressor stations	3,805,602	3,945,752	3,730,559	3,857,485
3	366.2	Structures and imp. - meas. & reg. stations	971,695	996,712	1,016,430	1,045,698
4	367	Mains	51,491,481	53,354,941	56,760,828	59,503,541
5	368	Compressor station equipment	16,158,409	16,944,243	14,383,180	14,317,535
6	369	Measuring and regulating station equipment	5,093,447	5,634,119	5,645,442	6,089,003
7	371	Other Equipment	0	0	0	0
8		Total transmission plant	$80,654,651	$84,185,042	$85,007,485	$88,454,172
		Distribution Plant				
9	374.2	Rights-of-way	$455,083	$476,867	$512,500	$541,925
10	375.1	Structures and improvements	364,681	389,678	426,339	452,650
11	376	Mains	99,414,111	103,385,243	110,347,823	116,894,251
12	376.5	Mains - Metallic	89,657,870	89,335,827	89,794,474	87,437,067
13	376.9	Mains - Cathodic Protection	4,610,847	5,092,547	916,401	942,889
14	378	Meas. and reg. sta. equip. - general	9,971,353	10,286,200	10,795,213	11,254,403
15	379	Meas. and reg. sta. equip. - city gate	3,882,025	3,948,922	4,125,654	4,178,623
16	380	Services - Plastic	174,116,116	172,364,955	173,875,037	180,194,381
17	380.5	Services - Metallic	15,765,928	12,910,589	3,036,536	(2,288,145)
18	381	Meters	22,036,814	24,211,866	26,179,423	28,917,471
19	381.5	Meters - AMR	2,744,319	3,912,736	5,278,063	6,756,167
20	382	Meter installations	26,212,112	28,352,353	30,942,843	30,492,908
21	383	House regulators	6,840,756	7,021,101	7,204,203	7,624,927
22	386	Other Property Customer Premise	222,410	218,684	221,434	221,350
23	387	Other Equipment	(2,658)	(2,614)	(2,647)	(2,646)
24		Total distribution plant	$456,291,767	$461,904,954	$463,653,296	$473,618,221

KANSAS GAS SERVICE, A DIVISION OF ONE GAS, INC.
Accumulated Provision for Depreciation and Amortization by Primary Account
Test Year Ended December 31, 2017
Balance as of

Line No.	Account Number	Description Col. 1	December 31, 2014 Col. 2	December 31, 2015 Col. 3	December 31, 2016 Col. 4	December 31, 2017 Col. 5
		General Plant				
1	389.1	Land and land rights	($14,378)	($14,378)	($14,378)	($21,240)
2	390.1	Structures and improvements - owned	11,122,364	11,694,086	12,270,595	12,336,049
3	391.1	Office furniture and equipment - computers	2,032,336	2,113,219	2,351,659	2,667,077
4	391.9	Computers and other electronic equipment	6,172,759	7,451,704	6,645,876	5,527,516
5	392	Transportation equipment	10,228,708	11,829,729	11,576,120	11,967,723
6	393	Stores equipment	(44,027)	(93,230)	(84,677)	(75,712)
7	394	Tool, shop and garage equipment	1,671,672	1,009,157	1,318,192	1,704,296
8	395	Laboratory equipment	(249,916)	(245,091)	(234,910)	(222,523)
9	396	Power operated equipment	5,472,715	6,192,016	6,958,215	7,317,522
10	397	Communication equipment	3,408,087	2,186,609	2,370,461	2,330,843
11	398	Miscellaneous equipment	77,935	95,697	113,725	131,548
12	399	Other Tangible Property	0	0	0	0
13		Total general plant	$39,878,255	$42,219,518	$43,270,878	$43,663,099
14		Total accumulated provision for depreciation	$577,442,634	$588,938,048	$592,570,758	$606,385,159
		ACCUMULATED PROVISION FOR AMORTIZATION				
15	302	Franchises and Consents	$0	$0	$0	$0
16	303	Miscellaneous Intangible Plant	35,196	41,434	22,601	(329)
17	390.2	Structures and improvements - leasehold	2,735,877	2,752,808	2,791,059	3,242,030
18		Total accumulated provision for amortization	$2,771,073	$2,794,242	$2,813,660	$3,241,701
19		Total accumulated provision for depreciation and amortization	$580,213,707	$591,732,290	$595,384,418	$609,626,860

KANSAS GAS SERVICE, A DIVISION OF ONE GAS, INC.
Summary of Working Capital and Rate Base Offsets
Test Year Ended December 31, 2017

Line No.	Description	Schedule Reference	13 Month Avg. or Test Year End	Adjustment Reference	13 Month Average or TYE Per Books	Pro Forma Adjustments	Pro Forma Adjusted Average
	Col. 1	Col. 2	Col. 3	Col. 4	Col. 5	Col. 6	Col. 7
1	Materials and supplies (154 - 163)	6-B	Avg.		$8,809,676	$0	$8,809,676
2	Gas storage inventory (164.1)	6-B	Avg.		27,375,068	0	27,375,068
3	Prepayments (165)	6-C	Avg.	WC 1	820,292	4,595,306	5,415,598
4	Long Term Prepayments (186)	6-C	Avg.	WC 2	0	522,245	522,245
5	Accumulated Deferred Inc. Tax Liability	6-D	Year End	WC 3, 4, & 7	(249,175,348)	46,524,728	(202,650,620)
6	ADIT Liability Remeasurement	6-D	Year End	WC 5, 6, & 8	(104,527,616)	22,832,716	(81,694,900)
7	Accumulated Deferred Inc. Tax Liab.- Corporate	6-D	Year End	WC 9	0	(6,282,479)	(6,282,479)
8	ADIT Liab.- Corporate Excess	6-D	Year End	WC 10	0	(3,083,221)	(3,083,221)
9	Customer Deposits (235)		Year End		(18,742,198)	0	(18,742,198)
10	Customer Advances (252)		Year End		(10,536,008)	0	(10,536,008)
11	Total Working Capital				($345,976,134)	$65,109,295	($280,866,840)

KANSAS GAS SERVICE, A DIVISION OF ONE GAS, INC.
Working Capital
Gas Storage Inventory and Materials & Supplies
Test Year Ended December 31, 2017

		Gas Storage Inventory	Materials &Supplies		
Line No.	Month	Amount Per Book Account 164.1	Amount Per Book Account 154	Amount Per Book Account 163	Per Book Total
	Col. 1	Col. 2	Col. 2	Col. 3	Col. 4
1	December	$29,220,824	$9,362,920	($97,677)	$9,265,243
2	January	21,727,066	9,297,916	(152,139)	9,145,777
3	February	20,416,738	9,055,621	(215,761)	8,839,860
4	March	17,848,617	9,301,706	(249,366)	9,052,340
5	April	16,093,968	9,328,045	(193,465)	9,134,580
6	May	17,751,623	9,085,997	(491,058)	8,594,939
7	June	22,216,338	8,866,896	(395,944)	8,470,952
8	July	28,986,105	8,800,777	(367,334)	8,433,443
9	August	33,966,228	8,991,372	(372,990)	8,618,382
10	September	38,749,082	8,561,470	(280,214)	8,281,256
11	October	40,658,949	8,950,410	(215,953)	8,734,457
12	November	39,117,681	9,159,758	(215,922)	8,943,836
13	December	29,122,664	9,101,002	(90,278)	9,010,724
14	Total	$355,875,884	$117,863,890	($3,338,101)	$114,525,789
15	13 month average	$27,375,068	$9,066,453	($256,777)	$8,809,676

KANSAS GAS SERVICE, A DIVISION OF ONE GAS, INC.
Working Capital
Long Term Prepayments
Test Year Ended December 31, 2017

Line No.	Month	Corporate: Total Corporate Prepayments	Corporate: Kansas Gas Service Allocated @ 33.04%	Account 165 Amount Per Book Direct 165	Per Book Average
	Col. 1	Col. 4 (Col 2 + Col. 3)	Col. 5	Col. 6	Col 7 (Col. 5 + Col. 6)
1	December	13,688,374	$4,522,598	$636,509	$5,159,107
2	January	16,324,883	5,393,692	658,682	6,052,374
3	February	17,172,590	5,673,772	613,963	6,287,735
4	March	15,318,784	5,061,280	551,825	5,613,105
5	April	14,748,624	4,872,901	552,638	5,425,539
6	May	16,467,637	5,440,858	515,009	5,955,867
7	June	16,208,115	5,355,113	553,036	5,908,149
8	July	14,598,621	4,823,340	548,766	5,372,106
9	August	12,865,382	4,250,684	530,193	4,780,876
10	September	10,976,113	3,626,475	520,347	4,146,822
11	October	9,842,077	3,251,793	950,984	4,202,776
12	November	11,062,042	3,654,865	2,086,300	5,741,166
13	December	11,536,434	3,811,603	1,945,540	5,757,143
14	Total	$180,809,675	$59,738,974	$10,663,790	$70,402,764
15	13 month average	$13,908,437	$4,595,306	$820,292	$5,415,598
16	Distrigas %	33.04%			
17	Kansas Gas Service Allocated Portion **(WC 1)**	$4,595,306			

KANSAS GAS SERVICE, A DIVISION OF ONE GAS, INC.
Working Capital
Long Term Prepayments
Test Year Ended December 31, 2017

		Corporate			
Line No.	Month	Total Corporate Prepayments	Kansas Gas Service Allocated @ 33.04%	Account 186 Amount Per Book Direct 186	Per Book Average
	Col. 1	Col. 4 (Col 2 + Col. 3)	Col. 5	Col. 6	Col 7 (Col. 5 + Col. 6)
1	December	1,740,796	$575,154	$0	$575,154
2	January	1,651,859	545,769	0	545,769
3	February	1,578,276	521,458	0	521,458
4	March	1,417,076	468,198	0	468,198
5	April	1,476,527	487,840	0	487,840
6	May	1,264,682	417,847	0	417,847
7	June	1,148,853	379,578	0	379,578
8	July	1,056,597	349,096	0	349,096
9	August	949,294	313,644	0	313,644
10	September	866,597	286,321	0	286,321
11	October	2,459,395	812,577	0	812,577
12	November	2,419,792	799,492	0	799,492
13	December	2,518,822	832,211	0	832,211
14	Total	$20,548,566	$6,789,185	$0	$6,789,185
15	13 month average	$1,580,659	$522,245	$0	$522,245
16	Distrigas %	33.04%			
17	Kansas Gas Service Allocated Portion **(WC 2)**	$522,245			

KANSAS GAS SERVICE, A DIVISION OF ONE GAS, INC.
Working Capital
Deferred Taxes
Test Year Ended December 31, 2017

Line No.		Description	12/31/2017 Balance	Pro Forma Adjustments	Pro Forma Balance
		Col. 1	Col. 2	Col. 3	Col. 4
	Kansas Gas Service				
1	283.0	Accumulated Deferred Taxes Current	$0		$0
2	283.0	Accumulated Deferred Federal/State Income Tax	(305,256,476)		(305,256,476)
3	254.0	Accumulated Deferred Federal/State Income Tax Excess	(149,785,740)		(149,785,740)
4	283.0	Accumulated Deferred Federal/State ODC NOL	55,746,694		55,746,694
5	254.0	Accumulated Deferred Federal/State ODC NOL Excess	45,258,124		45,258,124
6	182.3	Regulatory Asset - Flow Through	334,433		334,433
7		ADIT associated with Pension/OPEB Funding @.2653 **(WC 3)**		54,210,792	54,210,792
8		ADIT associated with Pension/OPEB Funding @.3955 **(WC 5)**		26,604,768	26,604,768
9		Reduction to NOL @.2653 **(WC 4)**		(15,623,452)	(15,623,452)
10		Reduction to NOL @.3955 **(WC 6)**		(7,667,446)	(7,667,446)
11		ADIT associated with COGR Over/Under @.2653 **(WC 7)**		7,937,388	7,937,388
12		ADIT associated with COGR Over/Under@.3955 **(WC 8)**		3,895,394	3,895,394
13		Total Accumulated Deferred Income Taxes	($353,702,964)	$69,357,444	($284,345,520)
	ONE Gas				
14		Accumulated Deferred Income Taxes **(WC 9)**	$0	Assignment	$ (6,282,479)
15		Accumulated Deferred Income Taxes Excess **(WC 10)**	0	Assignment	$ (3,083,221)
					$ (9,365,700)

KANSAS GAS SERVICE, A DIVISION OF ONE GAS, INC.
Test Year Ended December 31, 2017
ONE Gas Capital Structure

Consolidated Capital Structure

Line No.	Description	Schedule Reference	ONE Gas December 31, 2017 Balance	Capitalization Ratios	Related Costs	Cost of Capital
	Col. 1	Col. 2	Col. 3	Col. 4	Col. 5	Col. 6
1	Long term debt	7-B	$1,191,967,349	37.81%	3.9377%	1.4890%
2	Common equity	7-C	1,960,208,877	62.19%	10.0000%	6.2186%
	Total Capitalization		$3,152,176,226	100%		7.7076%

KANSAS GAS SERVICE, A DIVISION OF ONE GAS, INC.
Test Year Ended December 31, 2017
ONE Gas, Inc. Cost of Debt

Line No.	Issue Date	Series	Gross Amount	Original Issuance Cost	Loss on Reacquired	Net Proceeds	Coupon Rate
		Col. 1	Col. 2	Col. 3	Col. 4	Col. 5	Col. 6
						(Col. 2 + Col. 3)	
		Long-term Notes Payable					
1	27-Jan-14	2.07% 2019 $300MM	$300,000,000	($2,321,704)	$0	$297,678,296	2.0700%
2	27-Jan-14	3.61% 2024 $300MM	300,000,000	(2,471,704)	0	297,528,296	3.6100%
3	27-Jan-14	4.658% 2044 $600MM	600,000,000	(6,293,408)	0	593,706,592	4.6580%
4		Loss on Reacquired Debt			(8,109,697)		
5		Total debt capital	$1,200,000,000	($11,086,815)	($8,109,697)	$1,188,913,185	

Line No.	Issue Date	Series	Annual Interest	Unamortized Discount	Current Book Amount	Net Debt for Calculation	Effective Cost	Annual Cost
			Col. 7	Col. 8	Col. 9	Col. 10	Col. 11	Col. 12
			(Col. 5 x Col. 6)		(Col. 2 + Col. 8)	(Col. 4 + Col. 9)	(Col. 12 / Col. 10)	
		Long-term Notes Payable						
6	27-Jan-14	2.07% 2019 $300MM	$6,210,000	($529,757)	$299,470,243	$299,470,243	2.2318%	($6,683,666)
7	27-Jan-14	3.61% 2024 $300MM	10,830,000	(1,614,279)	298,385,721	298,385,721	3.7072%	(11,061,853)
8	27-Jan-14	4.658% 2044 $600MM	27,948,000	(5,888,615)	594,111,385	594,111,385	4.7231%	(28,060,703)
9		Loss on Reacquired Debt	0	(8,109,697)		(8,109,697)		(810,712)
10		Total debt capital	$44,988,000	($16,142,347)	$1,191,967,349	$1,183,857,653		($46,616,934)
					Weighed Average Cost of Debt		**3.9377%**	

KANSAS GAS SERVICE, A DIVISION OF ONE GAS, INC.
Historical Interest Coverage
12 Months Ending

Line No.	Description	2014	2015	2016	2017
	Col. 1	Col. 2	Col. 3	Col. 4	Col. 5
	Revenues				
1	Operating revenues	$596,699,653	$483,532,625	$434,335,475	$476,172,795
2	Non-operating revenues	53,856,995	49,916,719	49,123,322	50,232,622
3	Total	$650,556,648	$533,449,344	$483,458,797	$526,405,417
	Expenses				
4	Operating expenses	$607,747,440	$490,167,830	$447,169,442	$477,080,260
5	Miscellaneous deductions	(35,818)	363,574	(409,388)	(1,325,694)
6	Total	$607,711,622	$490,531,404	$446,760,054	$475,754,566
7	Net revenues	$42,845,026	$42,917,940	$36,698,743	$50,650,851
8	Income taxes included in line 4 above	15,869,473	16,336,241	16,020,348	27,799,486
9	Net earnings available for interest	$58,714,499	$59,254,181	$52,719,091	$78,450,337
10	Annual interest on bonds outstanding	$18,987,743	$18,553,001	$16,014,989	$16,174,128
11	Interest coverage (Line 9 / Line 10)	3.09	3.19	3.29	4.85

KANSAS GAS SERVICE, A DIVISION OF ONE GAS, INC.
Balance Sheet
Balance as of

Line No.	Account Number	Description	December 31, 2014	December 31, 2015	December 31, 2016	December 31, 2017
		Col. 1	Col. 2	Col. 3	Col. 4	Col. 5
		ASSETS AND OTHER DEBITS				
		Utility Plant				
1	101-106	Utility plant	1,648,624,020	1,702,040,330	1,761,873,561	1,834,159,288
2	107	Construction work in progress	5,772,346	13,048,927	13,862,515	23,917,948
3	108,111	Less: Accumulated depreciation	(580,213,707)	(591,732,290)	(595,384,418)	(609,626,860)
			1,074,182,659	1,123,356,967	1,180,351,658	1,248,450,376
4	114	Acquisition Adjustment	51,209,236	51,209,236	51,209,236	51,209,236
5	115	Accumulated Amortization of Acquisition	(1,270,429)	(1,270,429)	(1,270,429)	(1,270,429)
6		Net utility plant	$1,124,121,466	$1,173,295,774	$1,230,290,465	$1,298,389,183
7	117	Gas stored underground - noncurrent	$0	$0	$0	$0
8	121,122,123.1,124	Other Property and Investments	$0	$0	$0	$0
		Current and Accrued Assets				
11	131	Cash	$88,591,538	($44,625,469)	($55,864,780)	($43,921,433)
12	134	Special deposits	0	0	0	0
13	135	Working funds	0	0	0	0
14	136	Temporary cash investments	0	0	0	0
15	141-146	Receivables (Less: Provision for uncollectible accounts)	124,452,514	98,758,012	116,399,693	131,597,452
16	154	Plant material and operating supplies	8,239,373	8,846,862	9,362,920	9,101,002
17	156	Other materials and supplies	0	0	0	0
18	163	Stores expense undistributed	202,912	(53,824)	(97,677)	(90,278)
19	164.1	Gas stored underground - current	47,778,181	33,796,837	29,220,824	29,122,664
20	165	Prepayments	551,254	671,676	636,509	1,945,540
21	174	Miscellaneous current and accrued assets	17,920,153	1,772,582	17,746,729	5,098,942
22		Total current and accrued assets	$287,735,925	$99,166,676	$117,404,218	$132,853,889

Line No.	Account Number	Description	December 31, 2014	December 31, 2015	December 31, 2016	December 31, 2017
		Col. 1	Col. 2	Col. 3	Col. 4	Col. 5
		ASSETS AND OTHER DEBITS (cont.)				
		Deferred Debits				
1	181	Unamortized debt discount and expense	$0	$0	$0	$0
2	182.1	Extraordinary property losses	0	0	0	0
3	182.3	Other regulatory assets	62,687,892	72,755,210	82,408,796	84,926,037
4	184	Clearing accounts	1,111,836	1,062,042	857,607	2,022,390
5	186	Miscellaneous deferred debits	1,363,182	1,430,998	2,228,803	80,148,445
6	189	Unamortized loss on reacquired debt	0	0	0	0
7	190	Accumulated deferred income taxes	0	0	0	0
8	191	Unrecovered purchased gas cost	22,056,392	13,336,409	26,378,396	30,330,341
9		Total deferred debits	$87,219,302	$88,584,659	$111,873,602	$197,427,213
10		Total assets and other debits	$1,499,076,693	$1,361,047,109	$1,459,568,284	$1,628,670,285
		LIABILITIES AND OTHER CREDITS				
		Proprietary Capital				
11	201	Common stock issued	$0	$0	$0	$0
12	204	Preferred stock issued	0	0	0	0
13	207	Premium on capital stock	0	0	0	0
14		Gain/(Loss) on reacquired stock	0	0	0	0
15	211	Other paid-in-capital	621,887,277	577,387,277	607,637,277	599,637,277
16	216	Retained earnings	11,998,635	3,363,574	24,047,328	17,524,051
17	217	Reacquired capital stock	0	0	0	0
18		Total proprietary capital	$633,885,912	$580,750,851	$631,684,605	$617,161,328
		Other Noncurrent Liabilities				
19	227	Obligations under capital leases	$0	$0	$0	$0
20		Total other noncurrent liabilities	$0	$0	$0	$0

Line No.	Account Number	Description	December 31, 2014	December 31, 2015	December 31, 2016	December 31, 2017
		Col. 1	Col. 2	Col. 3	Col. 4	Col. 5
		LIABILITIES AND OTHER CREDITS (cont.)				
		Current and Accrued Liabilities				
1	231	Notes payable	$0	$0	$0	$0
2	232	Accounts payable	41,398,028	27,378,480	40,232,007	34,448,027
3	233	Long Term Debt	429,000,000	375,000,000	387,000,000	357,000,000
4	234	Accounts payable to associated companies	45,428,326	35,331,762	32,446,747	213,505,778
5	235	Customer deposits	19,919,337	20,122,287	19,367,469	18,742,198
6	236	Taxes accrued	10,245,354	1,118,207	10,800,648	10,816,454
7	237	Interest accrued	(1,960)	(1,938)	1,387	15,261
8	238	Dividends declared	0	0	0	0
9	239	Matured long-term debt	0	0	0	0
10	241	Tax collections payable	6,466,469	3,443,632	5,675,249	5,339,854
11	242	Miscellaneous current and accrued liabilities	5,544,232	4,809,437	5,489,030	6,331,040
12	243	Obligations under capital leases - current	0	0	0	0
13		Total current and accrued liabilities	$557,999,786	$467,201,867	$501,012,537	$646,198,612
		Deferred Credits				
14	252	Customer advances for construction	$5,686,065	$7,390,439	$9,697,240	$10,536,008
15	253	Other deferred credits	18,648,141	70,842	457,719	520,207
16	254	Other Regulatory Liabilities	0	0	0	104,527,616
17	255	Accumulated deferred investment tax credits	696,085	494,701	345,529	216,733
18		Total deferred credits	$25,030,291	$7,955,982	$10,500,488	$115,800,564
		Accumulated Deferred Income Taxes				
19	283	Other	$282,160,704	$305,138,409	$316,370,654	$249,509,781
20		Total accumulated deferred income taxes	$282,160,704	$305,138,409	$316,370,654	$249,509,781
21		Total liabilities and other credits	$1,499,076,693	$1,361,047,109	$1,459,568,284	$1,628,670,285

KANSAS GAS SERVICE, A DIVISION OF ONE GAS, INC.
Comparative Income Statement
Balance as of
12 Months Ending

Line No.	Account Number	Description Col. 1	December 31, 2014 Col. 2	December 31, 2015 Col. 3	December 31, 2016 Col. 4	December 31, 2017 Col. 5
1	400	Operating Revenues	$650,556,648	$533,449,344	$483,458,797	$526,405,417
		Operating Expenses				
2	401	Operation expense	$499,755,785	$382,219,316	$334,024,332	$358,055,345
3	402	Maintenance expense	22,242,770	21,204,989	21,676,744	17,445,232
4	403	Depreciation	40,847,878	44,355,253	47,077,498	49,847,736
5	404-405	Amortization and depletion	60,561	23,498	43,924	20,885
6	406	Amortization of utility plant acquisition. adj.	0	0	0	0
7	407	Other amortization	0	0	0	0
8	407.3	Regulatory debit	2,807,063	(114,456)	1,197,619	(2,141,531)
9	407.4	Regulatory credit	0	0	0	0
10	408.1	Taxes other than income taxes	26,430,442	26,344,373	27,278,149	26,181,903
11	409.1	Income taxes	6,330,303	(1,148,546)	(22,195,741)	12,183,314
12	410.1	Deferred income taxes (Dr.)	9,539,170	17,484,787	38,216,089	15,616,172
13	411.4	Investment tax credits, net	(266,532)	(201,384)	(149,172)	(128,796)
14		Total utility operating expenses	$607,747,440	$490,167,830	$447,169,442	$477,080,260
15		Net utility operating income	$42,809,208	$43,281,514	$36,289,355	$49,325,157
		Other Income and Deductions				
16	415	Revenues from merch., jobbing & contract	($47,232)	($4,552)	$258	$17,406
17	416	(Less)Costs & expense of merch, job. & cont.	0	0	0	0
18	417 - 417.6	Revenues from non-utility operations - net	601,488	484,926	521,373	558,168
19	418	Non operating rental income	0	0	0	0
20	418.1	Equity in earnings of subsidiary companies	0	0	0	0
21	419	Interest & dividend income	14	0	0	(141,690)
22	419.1	AFUDC	0	0	0	0
23	421	Misc non-operating income	273,387	4,877	444,644	1,316,637
24	421.1	Gain on disposition of property	0	0	0	0
25		Total other income before tax	$827,657	$485,251	$966,275	$1,750,521
26	421.2	Loss on disposition of property	$0	$0	$0	$0
27	425	Miscellaneous amortization	0	0	0	0
28	426	Misc Income deductions	791,839	848,825	556,887	424,827
29		Total other income deductions before tax	$791,839	$848,825	$556,887	$424,827

KANSAS GAS SERVICE, A DIVISION OF ONE GAS, INC.
Comparative Income Statement
Balance as of
12 Months Ending

Line No.	Account Number	Description Col. 1	December 31, 2014 Col. 2	December 31, 2015 Col. 3	December 31, 2016 Col. 4	December 31, 2017 Col. 5
1	409.2	Income taxes	0	0	0	0
2	410.2	Deferred taxes	0	0	0	0
3	411.2	Provision for deferred taxes - credit	0	0	0	0
4	411.4	ITC	0	0	0	0
5	420	Less: ITC credits	0	0	0	0
6		Total taxes on other inc & deductions	$0	$0	$0	$0
7		Total other income and deductions	$35,818	($363,574)	$409,388	$1,325,694
8		Income before interest charges	$42,845,026	$42,917,940	$36,698,743	$50,650,851
		Interest Charges				
9	427	Interest on long-term debt	$0	$0	$0	$0
10	428	Amortization of debt discount and expense	30,906	0	368,819	368,819
11	429	Amortization of premium on debt (Cr.)	0	0	0	0
12	430	Interest on debt to assoc. companies	18,995,373	18,707,717	15,543,625	15,724,717
13	431	Other interest expense	149,855	28,787	340,416	488,746
14	432	Allowance for borrowed funds used during construction (Cr.)	(188,391)	(183,503)	(237,871)	(408,154)
15		Total interest charges	$18,987,743	$18,553,001	$16,014,989	$16,174,128
		Extraordinary Items				
16	434 - 435	Extraordinary income - net	$0	$0	$0	$0
17	409.3	Income taxes	0	0	0	0
18		Extraordinary Items after taxes	$0	$0	$0	$0
19		Net income	$23,857,283	$24,364,939	$20,683,754	$34,476,723

KANSAS GAS SERVICE, A DIVISION OF ONE GAS, INC.
Statement of Retained Earnings
Balance as of
12 Months Ending

Line No.	Account Number	Description	December 31, 2014	December 31, 2015	December 31, 2016	December 31, 2017
		Col. 1	Col. 2	Col. 3	Col. 4	Col. 5
		RETAINED EARNINGS				
1	216	Retained earnings, beginning balance	$123,621,435	$11,998,635	$3,363,574	$24,047,328
		Additions:				
2	433	Net income	$23,857,283	$24,364,939	$20,683,754	$34,476,723
		Less:				
3	439	Adjustments to retained earnings	($135,480,083)	($33,000,000)	$0	($41,000,000)
4	437	Dividends declared -preferred stock	0	0	0	0
4	438	Dividends declared - common stock	0	0	0	0
5	131	Dividends to parent	0	0	0	0
6		Total adjustment and dividends declared	($135,480,083)	($33,000,000)	$0	($41,000,000)
7	216	Retained earnings, ending balance	$11,998,635	$3,363,574	$24,047,328	$17,524,051

KANSAS GAS SERVICE, A DIVISION OF ONE GAS, INC.
Operating Revenues by Primary Account
Balance as of
12 Months Ending

Line No.	Account Number	Description Col. 1	December 31, 2014 Col. 2	December 31, 2015 Col. 3	December 31, 2016 Col. 4	December 31, 2017 Col. 5
		OPERATING REVENUE				
		Gas Service Revenue				
1	480	Residential sales	$480,567,666	$391,147,936	$353,804,962	$389,793,857
2	481	Non-Residential sales	115,362,663	91,975,454	80,277,591	86,061,751
3		Total sales to ultimate customers	$595,930,329	$483,123,390	$434,082,553	$475,855,608
4	483	Sales for resale	$769,324	$409,235	$252,922	$317,187
5		Total gas service revenue	$596,699,653	$483,532,625	$434,335,475	$476,172,795
		Other Operating Revenue				
6	487	Forfeited discounts	$2,181,039	$1,711,257	$1,345,014	$1,693,791
7	488	Miscellaneous service revenues	1,650,559	1,545,271	1,430,542	1,489,960
8	489	Revenue from transmission of gas of others	49,549,125	46,452,424	46,173,612	46,904,314
9	491	Revenue from natural gas processed by others	398,481	133,766	109,851	120,371
10	493	Rent from gas property	37,395	43,812	36,358	4,095
11	495	Other gas revenue (inc. acct 412&414)	40,396	30,189	27,945	20,091
12		Total other operating revenue	$53,856,995	$49,916,719	$49,123,322	$50,232,622
13		Total gas operating revenue	$650,556,648	$533,449,344	$483,458,797	$526,405,417

KANSAS GAS SERVICE, A DIVISION OF ONE GAS, INC.
Operating Expenses by Primary Account
Balance as of
12 Months Ending

Line No.	Account Number	Description	December 31, 2014	December 31, 2015	December 31, 2016	December 31, 2017
		Col. 1	Col. 2	Col. 3	Col. 4	Col. 5
		OPERATIONS AND MAINTENANCE EXPENSES				
		Natural Gas Production and Gathering				
		Operation				
1	750	Operation supervision and engineering	$0	$0	$0	$0
2	751	Production maps and records	0	0	0	0
3	753	Field lines expense	0	0	0	0
4	754	Field compressor station expenses	0	0	0	0
5	755	Field compressor station fuel and power	0	0	0	0
6	756	Field measuring and regulating station expenses	0	0	0	0
7	757	Purification expenses	0	0	0	0
8	759	Other expenses	0	0	0	0
9	760	Rents	0	0	0	0
10		Total operation	$0	$0	$0	$0
		Maintenance				
11	761	Maintenance supervision and engineering	$0	$0	$0	$0
12	762	Maintenance of structures and improvements	0	0	0	0
13	764	Maintenance of field lines	0	0	0	0
14	765	Maintenance of field compressor station equip.	0	0	0	0
15	766	Maintenance of field meas. and reg. sta. equip.	0	0	0	0
16	767	Maintenance of purification equipment	0	0	0	0
17	769	Maintenance of other equipment	0	0	0	0
18		Total maintenance	$0	$0	$0	$0
19		Total natural gas production and gathering	$0	$0	$0	$0

KANSAS GAS SERVICE, A DIVISION OF ONE GAS, INC.
Operating Expenses by Primary Account
Balance as of
12 Months Ending

Line No.	Account Number	Description Col. 1	December 31, 2014 Col. 2	December 31, 2015 Col. 3	December 31, 2016 Col. 4	December 31, 2017 Col. 5
		Products Extraction				
		Operation				
1	776	Operations and Supplies expense	$0	$0	$0	$0
2	777	Gas processed by others	347,505	181,122	142,171	142,453
3		Total products extraction	$347,505	$181,122	$142,171	$142,453
		Other Gas Supply Expenses				
		Operation				
4	805	Other gas purchases	$358,059,977	$245,331,368	$193,639,085	$222,391,522
5		Total purchased gas	$358,059,977	$245,331,368	$193,639,085	$222,391,522
		Purchased Gas Expenses				
6	807.1	Well expenses- purchased gas	$0	$0	$0	$0
7	807.2	Operation of purchased gas measuring stations	0	0	0	0
8	807.3	Maintenance of purchased gas measuring stations	0	0	0	0
9	807.4	Purchased gas calculations expenses	18,060	0	0	0
10	807.5	Other purchased gas expenses	1,397,016	1,260,012	1,255,021	1,247,891
11		Total purchased gas expenses	$1,415,076	$1,260,012	$1,255,021	$1,247,891
		Gas Used in Utility Operations				
12	810	Gas used for compressor station fuel	($571,095)	($248,553)	($114,005)	($103,399)
13	811	Gas used for products extraction	(347,505)	(181,122)	(142,171)	(142,453)
14	812	Gas used for other utility operations	(19,083)	(10,195)	(15,459)	(37,772)
15		Total gas used in utility operations	($937,683)	($439,870)	($271,635)	($283,624)
16	813	Other gas supply expenses	$1,137,965	$1,224,483	$1,114,515	$1,041,219
17		Total other gas supply expenses	$359,675,335	$247,375,993	$195,736,986	$224,397,008
18		Total production expenses	$360,022,840	$247,557,115	$195,879,157	$224,539,461

KANSAS GAS SERVICE, A DIVISION OF ONE GAS, INC.
Operating Expenses by Primary Account
Balance as of
12 Months Ending

Line No.	Account Number	Description	December 31, 2014	December 31, 2015	December 31, 2016	December 31, 2017
		Col. 1	Col. 2	Col. 3	Col. 4	Col. 5
		Underground Storage Expenses				
		Operation				
1	814	Operation, supervision and engineering	$0	$0	$0	$0
2	815	Maps and records	0	0	0	163
3	816	Wells expenses	0	0	0	0
4	817	Lines expenses	0	0	0	0
5	818	Compressor station expenses	0	0	0	0
6	819	Compressor station fuel and power	141,492	85,509	72,636	62,600
7	820	Measuring and regulating station expenses	(11,336)	0	0	0
8	821	Purification expenses	373	0	0	69
9	822	Exploration and development	0	0	0	0
10	823	Gas losses	0	0	0	0
11	824	Other expenses	0	242	0	0
12	825	Storage well royalties	0	0	0	0
13	826	Rents	0	0	0	0
14		Total operation	$130,529	$85,751	$72,636	$62,832
		Maintenance				
15	830	Maintenance, supervision and engineering	$0	$0	$0	$0
16	831	Maintenance of structures and improvements	0	0	0	0
17	832	Maintenance of reservoirs and wells	0	0	0	0
18	833	Maintenance of lines	0	0	0	0
19	834	Maintenance of compressor station equipment	0	0	0	0
20	835	Maintenance of measuring & reg. station equipment	0	0	0	0
21	836	Maintenance of purification equipment	0	0	0	0
22	837	Maintenance of other equipment	0	0	0	0
23		Total maintenance	$0	$0	$0	$0
24		Total underground storage expenses	$130,529	$85,751	$72,636	$62,832

KANSAS GAS SERVICE, A DIVISION OF ONE GAS, INC.
Operating Expenses by Primary Account
Balance as of
12 Months Ending

Line No.	Account Number	Description	December 31, 2014	December 31, 2015	December 31, 2016	December 31, 2017
		Col. 1	Col. 2	Col. 3	Col. 4	Col. 5
		Transmission Expenses				
		Operation				
1	850	Operation supervision and engineering	$226,947	$269,399	$288,522	$192,178
2	851	System control and load dispatching	1,778,977	1,764,618	1,055,234	648,003
3	852	Communication system expense	122	0	24	399
4	853	Compressor station labor and expense	849,339	717,563	678,747	622,547
5	854	Gas for compressor station fuel	429,603	163,044	41,369	40,872
6	855	Other fuel and power for compressor stations	9,121	11,549	10,793	12,232
7	856	Mains expenses	3,694,997	3,690,705	4,396,408	3,997,217
8	857	Measuring and regulating station expenses	664,045	723,084	891,811	766,486
9	858	Transmission and compression of gas by others	0	0	0	0
10	859	Other expenses	135,356	129,060	105,561	12,586
11	860	Rents	1,023	2,078	2,016	2,072
12		Total operation	$7,789,530	$7,471,100	$7,470,485	$6,294,592
		Maintenance				
13	861	Maintenance supervision and engineering	$98,678	$124,406	$142,313	$92,506
14	862	Maintenance of structures and improvements	19,832	12,869	24,587	14,645
15	863	Maintenance of mains	558,856	579,764	483,743	479,207
16	864	Maintenance of compressor station equipment	355,580	395,081	354,847	288,624
17	865	Maintenance of meas. & regulating station equip.	456,098	459,813	563,748	661,148
18	866	Maintenance of communication equipment	0	0	0	0
19	867	Maintenance of other equipment	0	0	0	159
20		Total maintenance	$1,489,044	$1,571,933	$1,569,238	$1,536,289
21		Total transmission expenses	$9,278,574	$9,043,033	$9,039,723	$7,830,881

Line No.	Account Number	Description	December 31, 2014	December 31, 2015	December 31, 2016	December 31, 2017
		Col. 1	Col. 2	Col. 3	Col. 4	Col. 5
		Distribution Expenses				
		Operation				
1	870	Operation supervision and engineering	$2,045,230	$2,459,638	$2,501,061	$1,468,380
2	871	Distribution load dispatching	57,753	76,425	808,487	614,201
3	874	Mains and services expense	12,723,918	13,364,339	12,880,889	10,792,634
4	875	Meas. and reg. sta. expenses - general	1,915,551	2,090,987	2,129,379	1,582,228
5	876	Meas. and reg. sta. expenses - industrial	438,854	538,153	582,666	548,623
6	877	Meas. and reg. sta. expenses - city gate	502,181	483,887	297,560	229,190
7	878	Meter and house regulator expenses	10,134,350	10,448,467	9,826,383	7,613,816
8	879	Customer installations expenses	7,604,483	7,937,785	7,518,893	5,076,472
9	880	Other expenses	4,647,398	4,314,200	8,850,358	3,957,695
10	881	Rents	586,054	617,379	453,102	1,982
11		Total operation	$40,655,772	$42,331,260	$45,848,778	$31,885,221
		Maintenance				
12	885	Maintenance, supervision and engineering	$522,843	$488,432	$478,728	$319,791
13	886	Maintenance of structures and improvements	347,077	349,221	553,903	499,864
14	887	Maintenance of mains	12,029,025	11,214,352	11,919,536	9,288,318
15	889	Maint. of meas. and reg. sta. equip. - general	911,831	870,328	886,039	667,527
16	890	Maint. of meas. and reg. sta. equip. - industrial	274,161	283,012	285,330	247,628
17	891	Maint. of meas. and reg. sta. equip. - city gate	473,291	384,509	567,895	649,864
18	892	Maintenance of services	3,211,134	2,818,682	2,534,329	1,947,072
19	893	Maintenance of meters and house regulators	2,286,409	2,509,887	2,375,373	1,818,409
20	894	Maintenance of other equipment	3,123	3,092	0	1,162
21		Total Distribution	$20,058,894	$18,921,515	$19,601,133	$15,439,635
22	932	Maintenance of General Plant	694,832	711,541	506,373	469,308
23		Total maintenance	$20,753,726	$19,633,056	$20,107,506	$15,908,943
24		Total distribution expenses	$61,409,498	$61,964,316	$65,956,284	$47,794,164

KANSAS GAS SERVICE, A DIVISION OF ONE GAS, INC.
Operating Expenses by Primary Account
Balance as of
12 Months Ending

Line No.	Account Number	Description Col. 1	December 31, 2014 Col. 2	December 31, 2015 Col. 3	December 31, 2016 Col. 4	December 31, 2017 Col. 5
		Customer Accounts Expense				
1	901	Supervision	$757,158	$617,758	$710,818	$438,616
2	902	Meter reading expenses	4,966,571	5,294,848	4,843,342	3,828,517
3	903	Customer records and collection expense	16,021,917	15,853,191	14,015,894	10,689,733
4	904	Uncollectible accounts	4,065,000	2,225,000	1,948,000	3,357,204
5	905	Miscellaneous customer accounts expense	1,234,095	1,392,656	1,135,816	894,311
6		Total customer accounts expenses	$27,044,741	$25,383,453	$22,653,870	$19,208,381
		Customer Service and Informational Expenses				
7	907	Supervision	$0	$284	$888	$0
8	908	Customer assistance expenses	139,574	257,059	306,268	212,088
9	909	Informational and instructional expenses	0	0	0	0
10	910	Misc. customer service & informational expenses	0	0	0	0
11		Total customer. service and informational expenses	$139,574	$257,343	$307,156	$212,088
		Sales Expense				
12	911	Supervision	$208,512	$0	$0	$0
13	912	Demonstrating and selling expenses	891,007	941,457	790,978	616,871
14	913	Advertising expenses	693	0	0	0
15	916	Miscellaneous sales expenses	0	0	0	0
16		Total sales expenses	$1,100,212	$941,457	$790,978	$616,871

KANSAS GAS SERVICE, A DIVISION OF ONE GAS, INC.
Operating Expenses by Primary Account
Balance as of
12 Months Ending

Line No.	Account Number	Description	December 31, 2014	December 31, 2015	December 31, 2016	December 31, 2017
		Col. 1	Col. 2	Col. 3	Col. 4	Col. 5
		Administrative and General Expenses				
		Operation				
1	920	Administrative and general salaries	17,536,907	17,114,528	15,830,457	12,260,418
2	921	Office supplies and expenses	4,305,545	3,991,055	4,143,980	3,779,450
3	922	Administrative expenses transferred	(2,004,685)	(2,162,213)	(2,126,193)	(2,576,070)
4	923	Outside services employed	1,164,551	792,982	528,996	(4,989,371)
5	924	Property insurance	791,139	646,379	535,142	512,749
6	925	Injuries and damages	1,915,480	(117,566)	399,715	757,064
7	926	Employee pensions and benefits	26,399,115	24,743,279	25,075,867	23,740,133
8	927	Franchise requirements	257	5,429	4,826	18,607
9	928	Regulatory commission expense	699,831	754,080	686,186	644,725
10	929	Duplicate expenses	(29,281,735)	(28,953,698)	(24,853,997)	(1,419,587)
11	930.1	General advertising expense	53,222	58,202	53,674	45,293
12	930.2	Miscellaneous general expenses	40,290,723	40,328,340	39,724,000	40,929,480
13	931	Rents	1,002,237	991,040	998,619	1,533,008
14		Total operation	$62,872,587	$58,191,837	$61,001,272	$75,235,899
15		Total administrative and general expenses	$62,872,587	$58,191,837	$61,001,272	$75,235,899
16		Total operation and maintenance expenses	$521,998,555	$403,424,305	$355,701,076	$375,500,577

KANSAS GAS SERVICE, A DIVISION OF ONE GAS, INC.
Sales Usage, Revenues, and Customer Data
Year Ending December 2014

Line No.	Description	MCF Sales	Revenue	Average Number of Customers	MCF Sales per Customer	Revenue per MCF Sold ($)
	Col. 1	Col. 2	Col. 3	Col. 4	Col. 5	Col. 6
	Residential					
1	RS - Residential Sales Service	48,032,704	$498,710,460	578,298	83	$10.3827
2	Revenue Accrual		(18,142,794)		N.A.	N.A.
3	Total Residential	48,032,704	$480,567,666	578,298	83	$10.0050
	Non-Residential					
4	GSS - General Sales Service Small	4,264,375	$47,560,270	36,948	115	$11.1529
5	GSL - General Sales Service Large	6,948,864	58,685,206	11,817	588	8.4453
6	GSTE - General Sales Service Transport Eligible	1,527,698	11,863,199	541	2,824	7.7654
7	GIS - Gas Irrigation Sales Service	161,477	1,374,085	235	687	8.5095
8	KGSSD - Kansas Gas Supply Sales Service D	54,421	365,789	1	54,421	6.7215
9	SGS-Small Generator Sales Service	11,365	463,653	618	18	40.7966
10	Revenue Accrual		(4,949,539)		N.A.	N.A.
11	Total Non-Residential	12,968,200	$115,362,663	50,160	259	$8.8958
	Sales for Resale					
12	Sales Service For Resale	104,671	$769,324	16	6,542	$7.3499
13	AAGS - As Available Gas Sales Service				N.A.	N.A.
14	Revenue Accrual				N.A.	N.A.
15	Total Sales for Resale	104,671	$769,324	16	6,542	$7.3499
16	Total Sales of Gas	61,105,575	$596,699,653	628,474	97	$9.7651

Line No.	Description	MCF Sales	Revenue	Average Number of Customers	MCF Sales per Customer	Revenue per MCF Sold ($)
	Col. 1	Col. 2	Col. 3	Col. 4	Col. 5	Col. 6
	Residential					
1	RS - Residential Sales Service	39,112,226	$386,090,494	579,151	68	$9.8714
2	Revenue Accrual		5,057,442		N.A.	N.A.
3	Total Residential	39,112,226	$391,147,936	579,151	68	$10.0007
	Non-Residential					
4	GSS - General Sales Service Small	3,326,454	$36,992,453	36,857	90	$11.1207
5	GSL - General Sales Service Large	5,787,404	43,478,330	11,886	487	7.5126
6	GSTE - General Sales Service Transport Eligible	1,317,803	8,676,799	564	2,338	6.5843
7	GIS - Gas Irrigation Sales Service	147,868	1,026,683	228	650	6.9432
8	KGSSD - Kansas Gas Supply Sales Service D	30,247	198,134	1	30,247	6.5505
9	SGS-Small Generator Sales Service	9,720	464,578	640	15	47.7958
10	Revenue Accrual		1,138,477		N.A.	N.A.
11	Total Non-Residential	10,619,497	$91,975,454	50,175	212	$8.6610
	Sales for Resale					
12	Sales Service For Resale	61,532	$409,235	16	3,846	$6.6507
13	AAGS - As Available Gas Sales Service				0	N.A.
14	Revenue Accrual				N.A.	N.A.
15	Total Sales for Resale	61,532	$409,235	16	3,846	$6.6507
16	Total Sales of Gas	49,793,255	$483,532,625	629,342	79	$9.7108

Line No.	Description	MCF Sales	Revenue	Average Number of Customers	MCF Sales per Customer	Revenue per MCF Sold ($)
	Col. 1	Col. 2	Col. 3	Col. 4	Col. 5	Col. 6
	Residential					
1	RS - Residential Sales Service	35,350,612	$334,040,512	580,866	61	$9.4494
2	Revenue Accrual		19,764,450		N.A.	N.A.
3	Total Residential	35,350,612	$353,804,962	580,866	61	$10.0085
	Non-Residential					
4	GSS - General Sales Service Small	3,000,777	$31,873,532	36,877	81	$10.6218
5	GSL - General Sales Service Large	5,152,428	35,616,720	11,814	436	6.9126
6	GSTE - General Sales Service Transport Eligible	1,062,837	6,467,247	531	2,002	6.0849
7	GIS - Gas Irrigation Sales Service	115,053	774,454	218	528	6.7313
8	KGSSD - Kansas Gas Supply Sales Service D	16,889	86,523	1	16,889	5.1230
9	SGS-Small Generator Sales Service	9,474	465,922	654	14	49.1790
10	Revenue Accrual		4,993,193		N.A.	N.A.
11	Total Non-Residential	9,357,458	80,277,591	50,095	186	$8.5790
	Sales for Resale					
12	Sales Service For Resale	50,991	$252,922	17	2,999	$4.9601
13	AAGS - As Available Gas Sales Service				0	N.A.
14	Revenue Accrual				N.A.	N.A.
15	Total Sales for Resale	50,991	$252,922	17	2,999	$4.9601
16	Total Sales of Gas	44,759,061	434,335,475	630,978	71	$9.7039

KANSAS GAS SERVICE, A DIVISION OF ONE GAS, INC.
Sales Usage, Revenues, and Customer Data
Year Ending December 2017

Line No.	Description	MCF Sales	Revenue	Average Number of Customers	MCF Sales per Customer	Revenue per MCF Sold ($)
	Col. 1	Col. 2	Col. 3	Col. 4	Col. 5	Col. 6
	Residential					
1	RS - Residential Sales Service	36,505,605	$390,138,209	582,341	63	$10.6871
2	Revenue Accrual		(344,352)		N.A.	N.A.
3	Total Residential	36,505,605	$389,793,857	582,341	63	$10.6776
	Non-Residential					
4	GSS - General Sales Service Small	3,140,666	$36,384,134	36,889	85	$11.5848
5	GSL - General Sales Service Large	5,150,651	41,501,482	11,670	441	8.0575
6	GSTE - General Sales Service Transport Eligible	987,621	7,201,392	512	1,929	7.2917
7	GIS - Gas Irrigation Sales Service	135,363	976,200	216	627	7.2117
8	KGSSD - Kansas Gas Supply Sales Service D	17,787	103,941	1	17,787	5.8436
9	SGS-Small Generator Sales Service	11,010	480,168	669	16	43.6120
10	Revenue Accrual		(585,566)		N.A.	N.A.
11	Total Non-Residential	9,443,098	$86,061,751	49,957	189	$9.1137
	Sales for Resale					
12	Sales Service For Resale	50,764	$317,187	17	2,986	$6.2483
13	AAGS - As Available Gas Sales Service	0	0	0	0	N.A.
14	Revenue Accrual		0		N.A.	N.A.
15	Total Sales for Resale	50,764	$317,187	17	2,986	$6.2483
16	Total Sales of Gas	45,999,467	$476,172,795	632,315	73	$10.3517

KANSAS GAS SERVICE, A DIVISION OF ONE GAS, INC.
Transport Usage, Revenues, and Customer Data
Year Ending December 2014

Line No.	Description	MCF Sales	Revenue	Average Number of Customers	MCF Sales per Customer	Revenue per MCF Sold ($)
	Col. 1	Col. 2	Col. 3	Col. 4	Col. 5	Col. 6
	Transmission					
1	ITt - Interruptible Gas Transportation Service	7,246,038	$1,050,757	18	402,558	$0.1450
2	Revenue Accrual		(5,309)		N.A.	N.A.
3	Total Transmission	7,246,038	$1,045,448	18	402,558	$0.1443
	Distribution - Retail					
4	STk - Small Transportation Service	6,340,384	$11,897,605	3,389	1,871	$1.8765
5	STt - Small Transportation Service	1,975,546	4,653,381	1,101	1,794	2.3555
6	CNGk - Compressed Natural Gas General Transp. Service	73,811	62,453	3	24,604	0.8461
7	GITt - Gas Irrigation Transportation Service	965,299	1,856,415	506	1,908	1.9232
8	LVTk - Large Volume Transportation Service Tier 1	1,144,957	1,838,397	198	5,783	1.6056
9	LVTk - Large Volume Transportation Service Tier 2	1,668,299	1,844,499	110	15,166	1.1056
10	LVTk - Large Volume Transportation Service Tier 3	1,985,307	1,955,942	67	29,631	0.9852
11	LVTk - Large Volume Transportation Service Tier 4	13,587,048	7,825,316	88	154,398	0.5759
12	LVTt - Large Volume Transportation Service Tier 1	2,306,254	1,075,448	35	65,893	0.4663
13	LVTt - Large Volume Transportation Service Tier 2	642,217	1,003,843	34	18,889	1.5631
14	LVTt - Large Volume Transportation Service Tier 3	943,399	1,254,045	22	42,882	1.3293
15	LVTt - Large Volume Transportation Service Tier 4	24,088,056	11,761,668	53	454,492	0.4883
16	Revenue Accrual		(285,273)		N.A.	N.A.
17	Total Distribution - Retail	55,720,577	$46,743,739	5,606	9,939	$0.8389
	Distribution - Sales for Resale					
18	WTt - Wholesale Transportation Service	3,004,426	$1,800,024	28	107,301	$0.5991
19	Revenue Accrual		(40,085)		N.A.	N.A.
20	Total Distribution - Sales for Resale	3,004,426	$1,759,939	28	107,301	$0.5858
21	Total Gas Transport	65,971,041	$49,549,125	5,652	11,672	$0.7511

KANSAS GAS SERVICE, A DIVISION OF ONE GAS, INC.
Transport Usage, Revenues, and Customer Data
Year Ending December 2015

Line No.	Description	MCF Sales	Revenue	Average Number of Customers	MCF Sales per Customer	Revenue per MCF Sold ($)
	Col. 1	Col. 2	Col. 3	Col. 4	Col. 5	Col. 6
	Transmission					
1	ITt - Interruptible Gas Transportation Service	5,968,385	$1,045,071	20	303,477	$0.1751
2	Revenue Accrual		(12,551)		N.A.	N.A.
3	Total Transmission	5,968,385	$1,032,520	20	303,477	$0.1730
	Distribution - Retail					
4	STk - Small Transportation Service	5,401,229	$10,362,679	3,351	1,612	$1.9186
5	STt - Small Transportation Service	1,589,849	3,891,123	1,110	1,432	2.4475
6	CNGk - Compressed Natural Gas General Transp. Service	131,290	106,105	3	42,581	0.8082
7	GITt - Gas Irrigation Transportation Service	839,690	1,645,891	513	1,636	1.9601
8	LVTk - Large Volume Transportation Service Tier 1	881,574	1,676,784	207	4,259	1.9020
9	LVTk - Large Volume Transportation Service Tier 2	1,530,768	1,680,292	108	14,174	1.0977
10	LVTk - Large Volume Transportation Service Tier 3	2,023,956	1,854,332	67	30,208	0.9162
11	LVTk - Large Volume Transportation Service Tier 4	13,794,672	7,653,055	82	168,228	0.5548
12	LVTt - Large Volume Transportation Service Tier 1	196,799	397,321	38	5,179	2.0189
13	LVTt - Large Volume Transportation Service Tier 2	499,036	824,490	35	14,258	1.6522
14	LVTt - Large Volume Transportation Service Tier 3	832,068	1,207,252	23	36,177	1.4509
15	LVTt - Large Volume Transportation Service Tier 4	24,512,499	12,642,269	50	490,250	0.5157
16	Revenue Accrual		49,183		N.A.	N.A.
17	Total Distribution - Retail	52,233,431	$43,990,775	5,587	9,348	$0.8422
	Distribution - Sales for Resale					
18	WTt - Wholesale Transportation Service	2,796,872	$1,458,532	28	99,888	$0.5215
	Revenue Accrual		(29,402)		N.A.	N.A.
19	Total Distribution - Sales for Resale	2,796,872	1,429,130	28	99,888	$0.5110
20	Total Gas Transport	60,998,688	$46,452,424	5,635	10,825	$0.7615

Line No.	Description	MCF Sales	Revenue	Average Number of Customers	MCF Sales per Customer	Revenue per MCF Sold ($)
	Col. 1	Col. 2	Col. 3	Col. 4	Col. 5	Col. 6
	Transmission					
1	ITt - Interruptible Gas Transportation Service	5,226,075	$870,518	23	227,221	$0.1666
2	Revenue Accrual		7,070		N.A.	N.A.
3	Total Transmission	5,226,075	$877,588	23	227,221	$0.1679
	Distribution - Retail					
4	STk - Small Transportation Service	4,893,189	$9,725,061	3,327	1,471	$1.9875
5	STt - Small Transportation Service	1,453,525	3,710,254	1,145	1,269	2.5526
6	CNGk - Compressed Natural Gas General Transp. Service	175,534	146,991	6	29,256	0.8374
7	GITt - Gas Irrigation Transportation Service	793,756	1,602,965	512	1,550	2.0195
8	LVTk - Large Volume Transportation Service Tier 1	1,059,137	1,392,463	227	4,666	1.3147
9	LVTk - Large Volume Transportation Service Tier 2	1,408,164	1,567,004	101	13,942	1.1128
10	LVTk - Large Volume Transportation Service Tier 3	1,621,103	1,597,900	57	28,440	0.9857
11	LVTk - Large Volume Transportation Service Tier 4	13,703,135	7,884,738	81	169,175	0.5754
12	LVTt - Large Volume Transportation Service Tier 1	476,728	475,004	44	10,835	0.9964
13	LVTt - Large Volume Transportation Service Tier 2	421,644	717,878	31	13,601	1.7026
14	LVTt - Large Volume Transportation Service Tier 3	530,978	824,672	19	27,946	1.5531
15	LVTt - Large Volume Transportation Service Tier 4	27,134,630	13,720,414	47	577,333	0.5056
16	Revenue Accrual		468,525		N.A.	N.A.
17	Total Distribution - Retail	53,671,523	$43,833,867	5,597	9,589	$0.8167
	Distribution - Sales for Resale					
18	WTt - Wholesale Transportation Service	2,690,349	$1,391,756	28	96,084	$0.5173
19	Revenue Accrual		70,401		N.A.	N.A.
20	Total Distribution - Sales for Resale	2,690,349	$1,462,157	28	96,084	$0.5435
21	Total Gas Transport	61,587,947	$46,173,612	5,648	10,904	$0.7497

Line No.	Description	MCF Sales	Revenue	Average Number of Customers	MCF Sales per Customer	Revenue per MCF Sold ($)
	Col. 1	Col. 2	Col. 3	Col. 4	Col. 5	Col. 6
	Transmission					
1	ITt - Interruptible Gas Transportation Service	3,560,469	$797,620	25	142,419	$0.2240
2	Revenue Accrual		(26,509)		N.A.	N.A.
3	Total Transmission	3,560,469	$771,111	25	142,419	$0.2166
	Distribution - Retail					
4	STk - Small Transportation Service	5,465,040	$10,410,532	3,454	1,582	$1.9049
5	STt - Small Transportation Service	1,639,760	3,984,521	1,185	1,384	2.4299
6	CNGk - Compressed Natural Gas General Transp. Service	180,360	151,438	8	22,545	0.8396
7	CNGt - Compressed Natural Gas General Transp. Service	50,612	42,190	2	25,306	0.8336
8	GITt - Gas Irrigation Transportation Service	828,932	1,602,286	513	1,616	1.9330
9	LVTk - Large Volume Transportation Service Tier 1	1,097,090	1,701,643	221	4,964	1.5511
10	LVTk - Large Volume Transportation Service Tier 2	1,444,519	1,548,034	98	14,740	1.0717
11	LVTk - Large Volume Transportation Service Tier 3	1,540,008	1,466,126	52	29,616	0.9520
12	LVTk - Large Volume Transportation Service Tier 4	14,127,707	8,207,642	81	174,416	0.5810
13	LVTt - Large Volume Transportation Service Tier 1	714,448	600,041	44	16,237	0.8399
14	LVTt - Large Volume Transportation Service Tier 2	432,428	705,974	31	13,949	1.6326
15	LVTt - Large Volume Transportation Service Tier 3	464,723	676,584	16	29,045	1.4559
16	LVTt - Large Volume Transportation Service Tier 4	27,327,634	13,508,005	47	581,439	0.4943
17	Revenue Accrual		252,657		N.A.	N.A.
18	Total Distribution - Retail	55,313,261	$44,857,672	5,752	9,616	$0.8110
	Distribution - Sales for Resale					
19	WTt - Wholesale Transportation Service	2,410,366	$1,320,988	28	86,085	$0.5480
20	Revenue Accrual		(45,457)		N.A.	N.A.
21	Total Distribution - Sales for Resale	2,410,366	$1,275,531	28	86,085	$0.5292
22	Total Gas Transport	61,284,096	$46,904,314	5,804	10,559	$0.7654

Line No.	Account Number	Description Col. 1	December 31, 2014 Col. 2	December 31, 2015 Col. 3	December 31, 2016 Col. 4	December 31, 2017 Col. 5
		Utility Plant Related Payroll				
1	106-107	Construction work in progress	$5,512,655	$6,204,471	$6,682,775	$7,656,016
2	108	Plant removal	2,025,136	2,348,574	2,232,208	2,112,144
3	154	Materials	11,161	0	0	0
4	163	Stores Expense	1,246,496	1,287,429	1,298,775	1,467,852
5	184	Clearing Accounts	11,214,517	12,634,378	14,203,296	13,706,607
6		Other	32,251	25,056	(1,415)	1,393
7		Total utility plant related payroll	$20,042,216	$22,499,908	$24,415,639	$24,944,012
		Operation and Maintenance Related Payroll Expenses				
		Natural Gas Production and Gathering				
		Operation				
8	750	Operation, supervision and engineering	$0	$0	$0	$0
9	751	Maps and records	0	0	0	0
10	753	Field lines expense	0	0	0	0
11	754	Field compressor station expenses	0	0	0	0
12	755	Field compressor station expenses	0	0	0	0
13	756	Field measuring and regulating station expenses	0	0	0	0
14	757	Purification expense	0	0	0	0
15	759	Other expenses	0	0	0	0
16	760	Rents	0	0	0	0
17		Total operation	$0	$0	$0	$0

Line No.	Account Number	Description Col. 1	December 31, 2014 Col. 2	December 31, 2015 Col. 3	December 31, 2016 Col. 4	December 31, 2017 Col. 5
		Natural Gas Production and Gathering (cont.)				
		Maintenance				
1	761	Maintenance, supervision and engineering	$0	$0	$0	$0
2	762	Maintenance of structures and improvements	0	0	0	0
3	764	Maintenance of field lines	0	0	0	0
4	765	Maintenance of field compressor station equipment	0	0	0	0
5	766	Maintenance of field measuring and regulating station equipment	0	0	0	0
6	767	Maintenance of purification equipment	0	0	0	0
7	769	Maintenance of other equipment	0	0	0	0
8		Total maintenance	$0	$0	$0	$0
9		Total natural gas production and gathering	$0	$0	$0	$0
		Other Gas Supply Expenses				
10	805.1	Other gas purchases-special contracts	$0	$0	$0	$0
11	807.1	Well expenses- purchased gas	0	0	0	0
12	807.2	Operation of purchased gas measuring stations	0	0	0	0
13	807.3	Maintenance of purchased gas measuring stations	0	0	0	0
14	807.4	Purchased gas calculations expenses	11,125	0	0	0
15	807.5	Other purchased gas expenses	0	0	0	0
16	810	Gas used for compressor station fuel- credit	0	0	0	0
17	813	Other gas supply expense	698,987	755,113	727,690	678,194
18		Total other gas supply expenses	$710,112	$755,113	$727,690	$678,194
19		Total production expenses	$710,112	$755,113	$727,690	$678,194

Line No.	Account Number	Description	December 31, 2014	December 31, 2015	December 31, 2016	December 31, 2017
		Col. 1	Col. 2	Col. 3	Col. 4	Col. 5
		Underground Storage Expenses				
		Operation				
1	814	Operation, supervision and engineering	$0	$0	$0	$0
2	815	Maps and records	0	0	0	145
3	816	Wells expenses	0	0	0	0
4	817	Lines expenses	0	0	0	0
5	818	Compressor station expenses	0	0	0	0
6	819	Compressor station fuel and power	0	0	0	0
7	820	Measuring and regulating station expenses	0	0	0	0
8	821	Purification expenses	0	0	0	0
9	822	Exploration and Development	0	0	0	0
10	823	Gas losses	0	0	0	0
11	824	Other expenses	0	147	0	0
12		Total operation	$0	$147	$0	$145
		Maintenance				
13	830	Maintenance, supervision and engineering	$0	$0	$0	$0
14	831	Maintenance of structures and improvements	0	0	0	0
15	832	Maintenance of reservoirs and wells	0	0	0	0
16	833	Maintenance of lines	0	0	0	0
17	834	Maintenance of compressor station equipment	0	0	0	0
18	835	Maintenance of measuring and regulating station equipment	0	0	0	0
19	836	Maintenance of purification equipment	0	0	0	0
20	837	Maintenance of other equipment	0	0	0	0
21		Total maintenance	$0	$0	$0	$0
22		Total underground storage expenses	$0	$147	$0	$145

Line No.	Account Number	Description	December 31, 2014	December 31, 2015	December 31, 2016	December 31, 2017
		Col. 1	Col. 2	Col. 3	Col. 4	Col. 5
		Transmission Expenses				
		Operation				
1	850	Operation, supervision and engineering	$129,655	$152,285	$176,569	$169,500
2	851	System control and load dispatching	1,086,715	1,079,729	677,526	601,369
3	852	Communication system expense	0	0	0	399
4	853	Compressor station labor and expense	335,334	308,577	273,731	306,243
5	854	Gas for Compressor Station Fuel	0	0	0	0
6	855	Other fuel and power for compressor stations	0	0	0	0
7	856	Mains expenses	1,422,521	1,380,191	1,520,917	1,607,983
8	857	Measuring and regulating station expenses	302,049	355,266	372,960	413,903
9	859	Other expenses	31,140	46,859	40,282	31,118
10	860	Rents	0	0	0	0
11		Total operation	$3,307,414	$3,322,906	$3,061,985	$3,130,515
		Maintenance				
12	861	Maintenance, supervision and engineering	$59,684	$76,645	$91,515	$88,511
13	862	Maintenance of structures and improvements	6,856	4,663	7,455	7,262
14	863	Maintenance of mains	253,978	245,112	229,002	258,644
15	864	Maintenance of compressor station equipment	152,221	187,912	166,561	167,035
16	865	Maintenance of measuring and regulating station equipment	190,766	201,750	255,729	271,690
17	866	Maintenance of communication equipment	0	0	0	0
18	867	Maintenance of other equipment	0	0	0	133
19		Total maintenance	$663,505	$716,082	$750,262	$793,275
20		Total transmission expenses	$3,970,919	$4,038,988	$3,812,247	$3,923,790

Line No.	Account Number	Description Col. 1	December 31, 2014 Col. 2	December 31, 2015 Col. 3	December 31, 2016 Col. 4	December 31, 2017 Col. 5
		Distribution Expenses				
		Operation				
1	870	Operation, supervision and engineering	$1,242,615	$1,507,539	$1,635,243	$1,423,914
2	871	Distribution load dispatching	853	26,380	518,848	601,377
3	874	Mains and services expense	3,823,509	4,030,287	3,881,149	3,972,231
4	875	Measuring and regulating station expenses - general	856,295	965,964	994,991	973,788
5	876	Measuring and regulating station expenses - industrial	225,283	283,069	324,757	419,852
6	877	Measuring and regulating station expenses - city gate check station	249,638	236,973	172,091	96,518
7	878	Meter and house regulator expenses	5,007,154	5,268,599	5,342,616	5,888,685
8	879	Customer installations expenses	4,275,847	4,502,163	4,545,419	4,557,493
9	880	Other expenses	1,024,991	1,051,787	1,190,895	1,386,506
10	881	Rents	0	0	0	0
11		Total operation	$16,706,187	$17,872,760	$18,606,009	$19,320,364
		Maintenance				
12	885	Maintenance, supervision and engineering	$322,121	$305,346	$314,084	$310,358
13	886	Maintenance of structures and improvements	29,614	39,322	21,167	19,849
14	887	Maintenance of mains	5,185,359	4,829,432	5,057,457	5,281,679
15	889	Maintenance of measuring and regulating station expenses - general	375,196	412,800	442,448	505,233
16	890	Maintenance of measuring and regulating station expenses - industrial	119,847	126,000	128,939	178,587
17	891	Maintenance of measuring and regulating station expenses-city gate check	214,681	198,665	327,430	477,253
18	892	Maintenance of services	1,689,447	1,458,949	1,352,154	1,271,508
19	893	Maintenance of meters and house regulators	1,235,037	1,351,625	1,309,912	1,452,655
20	894	Maintenance of other equipment	0	0	0	444
21		Total maintenance	$9,171,303	$8,722,138	$8,953,591	$9,497,566
22		Total distribution expenses	$25,877,490	$26,594,898	$27,559,600	$28,817,930

Line No.	Account Number	Description	December 31, 2014	December 31, 2015	December 31, 2016	December 31, 2017
		Col. 1	Col. 2	Col. 3	Col. 4	Col. 5
		Customer Accounts Expense				
1	901	Supervision	$461,907	$376,708	$454,093	$422,282
2	902	Meter reading expenses	1,401,663	1,372,829	1,244,227	1,225,265
3	903	Customer records and collection expense	6,112,794	6,213,560	5,849,212	5,550,909
4	905	Miscellaneous customer accounts expense	666,092	650,796	661,500	758,895
5		Total customer accounts expenses	$8,642,456	$8,613,892	$8,209,032	$7,957,351
		Customer Service and Informational Expenses				
6	907	Supervision	$0	$0	$242	$0
7	908	Customer assistance expenses	73,010	140,440	159,520	147,604
8	909	Informational and instructional expenses	0	0	0	0
9	910	Miscellaneous customer service and informational expenses	0	0	0	0
10		Total customer service and informational expenses	$73,010	$140,440	$159,762	$147,604
		Sales Expense				
11	911	Supervision	$128,138	$0	$0	$0
12	912	Demonstrating and selling expenses	477,234	469,188	419,918	467,837
13	913	Advertising expenses	0	0	0	0
14	916	Miscellaneous sales expenses	0	0	0	0
15		Total sales expenses	$605,372	$469,188	$419,918	$467,837

Line No.	Account Number	Description	December 31, 2014	December 31, 2015	December 31, 2016	December 31, 2017
		Col. 1	Col. 2	Col. 3	Col. 4	Col. 5
		Administrative and General Expenses				
		Operation				
1	920	Administrative and general salaries	$8,708,688	$8,988,880	$9,077,431	$8,501,596
2	921	Office supplies and expenses	0	0	0	0
3	922	Administrative Expenses Transferred - Credit	0	0	0	0
4	923	Outside services employed	0	0	0	0
5	925	Injuries and damages	0	0	0	0
6	926	Employee pensions and benefits	0	0	0	0
7	927	Franchise requirements	0	0	0	0
8	930	Miscellaneous general expenses	0	0	0	0
9	931	Rents	0	0	0	0
10		Total operation	$8,708,688	$8,988,880	$9,077,431	$8,501,596
		Maintenance				
11	935	Maintenance of general plant	$0	$0	$0	$0
12		Total administrative and general expenses	$8,708,688	$8,988,880	$9,077,431	$8,501,596
13		Total O & M payroll expenses	$48,588,047	$49,601,546	$49,965,680	$50,494,447
14	417	Miscellaneous Non-Operating Income	$8,782	$7,125	$9,073	$11,671
15	426	Miscellaneous Income Deduction	$113,664	$116,863	$132,976	$107,530
16		Kansas gas operations payroll	$68,752,709	$72,225,443	$74,523,368	$75,557,660

KANSAS GAS SERVICE, A DIVISION OF ONE GAS, INC.
Pro Forma Operating Income Statement
Test Year Ended December 31, 2017

Line No.	Description	Schedule Reference	Amount Per Books	Pro Forma Adjustments	Pro Forma Adjusted
	Col. 1	Col. 2	Col. 3	Col. 4	Col. 5
	Operating Revenue				
1	Gas revenue	8-D, 9-B	$476,172,795	($229,811,902)	$246,360,893
2	Service and other	8-D, 9-B	50,232,622	3,020,502	53,253,124
3	Total revenue		$526,405,417	($226,791,400)	$299,614,017
	Operating Expenses				
4	Production	8-E, 9-B	$224,539,461	($223,775,488)	$763,973
5	Underground storage	8-E, 9-B	62,832	4	62,836
6	Transmission	8-E, 9-B	7,830,881	45,402	7,876,283
7	Distribution	8-E, 9-B	47,324,856	2,445,445	49,770,301
8	Customer accounts	8-E, 9-B	19,208,381	(560,559)	18,647,822
9	Customer service and information	8-E, 9-B	212,088	9,049	221,137
10	Sales	8-E, 9-B	616,871	13,393	630,264
11	Administrative and general	8-E, 9-B	75,705,207	(716,965)	74,988,242
12	Total operating expenses	8-E, 9-B	$375,500,577	($222,539,719)	$152,960,858
13	Depreciation and amortization	8-B, 9-B	$47,727,090	$15,579,735	$63,306,825
14	Taxes other than income taxes	8-B, 9-B	26,181,903	299,038	26,480,940
15	Income taxes-current	8-B, 9-B	12,183,314	(10,417,761)	1,765,553
16	Income taxes-deferred	8-B, 9-B	15,616,172	(5,225,567)	10,390,605
17	Investment Tax Credits	8-B, 9-B	(128,796)	0	(128,796)
18	Total expenses	8-B, 9-B	$477,080,260	($222,304,273)	$254,775,986
19	Operating Income		$49,325,157	($4,487,127)	$44,838,030

KANSAS GAS SERVICE, A DIVISION OF ONE GAS, INC.
Summary of Pro Forma Adjustments to Operating Revenues and Expenses
Test Year Ended December 31, 2017

Line No.	Description	IS 1 Eliminate Accrued and Unbilled Revenues	IS 2 Eliminate Deferred WNA Revenues	IS 3 Eliminate Cost of Gas Revenue and Expense	IS 4 Eliminate Ad-Valorem Surcharge Revenue and Expenses
	Col. 1	Col. 3	Col. 4	Col. 5	Col. 2
	Operating Revenue				
1	Gas revenue	$730,632	($19,481,622)	($224,015,726)	$1,020,775
2	Service and other	(180,691)	0	(142,578)	552,175
3	Total revenue	$549,941	($19,481,622)	($224,158,304)	$1,572,950
	Operating Expenses				
4	Production	$1,766,782	$0	($224,158,304)	$0
5	Underground storage	0	0	0	0
6	Transmission	0	0	0	0
7	Distribution	0	0	0	0
8	Customer accounts	0	0	0	0
9	Customer service and information	0	0	0	0
10	Sales	0	0	0	0
11	Administrative and general	0	0	0	0
12	Total operating expenses	$1,766,782	$0	($224,158,304)	$0
13	Depreciation and amortization	$0	$0	$0	$1,579,775
14	Taxes other than income taxes	0	0	0	190,620
15	Income taxes-current	0	0	0	0
16	Income taxes-deferred	0	0	0	0
17	Investment Tax Credits	0	0	0	0
18	Total expenses	$1,766,782	$0	($224,158,304)	$1,770,395
19	Operating Income	($1,216,841)	($19,481,622)	$0	($197,445)

KANSAS GAS SERVICE, A DIVISION OF ONE GAS, INC.
Summary of Pro Forma Adjustments to Operating Revenues and Expenses
Test Year Ended December 31, 2017

Line No.	Description	IS 5 Eliminate Gas System Reliability Surcharge Revenue	IS 6 Test-year Revenue Adjustments (Flex)	IS 7 CNG Revenue	IS 8 Weather Normalization
	Col. 1	Col. 3	Col. 3	Col. 4	Col. 5
	Operating Revenue				
1	Gas revenue	($202,210)	$0	$0	$11,029,772
2	Service and other	(94,684)	126,970	(11,467)	1,634,278
3	Total revenue	($296,894)	$126,970	($11,467)	$12,664,050
	Operating Expenses				
4	Production	$0	$0	$0	$0
5	Underground storage	0	0	0	0
6	Transmission	0	0	0	0
7	Distribution	0	0	0	0
8	Customer accounts	0	0	0	0
9	Customer service and information	0	0	0	0
10	Sales	0	0	0	0
11	Administrative and general	0	0	0	0
12	Total operating expenses	$0	$0	$0	$0
13	Depreciation and amortization	$0	$0	$0	$0
14	Taxes other than income taxes	0	0	0	0
15	Income taxes-current	0	0	0	0
16	Income taxes-deferred	0	0	0	0
17	Investment Tax Credits	0	0	0	0
18	Total expenses	$0	$0	$0	$0
19	Operating Income	($296,894)	$126,970	($11,467)	$12,664,050

Line No.	Description	IS 9 Revenue Annualization	IS 10 Miscellaneous Service Revenue	IS 11 Reclass Interest on Customer Deposits	IS 12 Elimination of Royalty Fee
	Col. 1	Col. 2	Col. 3	Col. 3	Col. 4
	Operating Revenue				
1	Gas revenue	$176,869	$0	$0	$0
2	Service and other	130,140	998,886	0	0
3	Total revenue	$307,009	$998,886	$0	$0
	Operating Expenses				
4	Production	$0	$0	$0	$0
5	Underground storage	0	0	0	0
6	Transmission	0	0	0	0
7	Distribution	0	0	0	0
8	Customer accounts	0	0	0	0
9	Customer service and information	0	0	0	0
10	Sales	0	0	0	0
11	Administrative and general	0	0	303,624	(9,086,138)
12	Total operating expenses	$0	$0	$303,624	($9,086,138)
13	Depreciation and amortization	$0	$0	$0	$0
14	Taxes other than income taxes	0	0	0	0
15	Income taxes-current	0	0	0	0
16	Income taxes-deferred	0	0	0	0
17	Investment Tax Credits	0	0	0	0
18	Total expenses	$0	$0	$303,624	($9,086,138)
19	Operating Income	$307,009	$998,886	($303,624)	$9,086,138

KANSAS GAS SERVICE, A DIVISION OF ONE GAS, INC.
Summary of Pro Forma Adjustments to Operating Revenues and Expenses
Test Year Ended December 31, 2017

Line No.	Description	IS 13 GTI Expense	IS 14 Annualized Depreciation on Pro Forma Plant	IS 15 Annualized Depreciation at Proposed Rates	IS 16 Clearing Accounts
	Col. 1	Col. 5	Col. 2	Col. 3	Col. 4
	Operating Revenue				
1	Gas revenue	$0	$0	$0	$0
2	Service and other	$0	0	0	0
3	Total revenue	$0	$0	$0	$0
	Operating Expenses				
4	Production	$0	$0	$0	$0
5	Underground storage	0	0	0	0
6	Transmission	0	0	0	4,688
7	Distribution	316,479	0	0	90,791
8	Customer accounts	0	0	0	0
9	Customer service and information	0	0	0	0
10	Sales	0	0	0	0
11	Administrative and general	0	0	0	0
12	Total operating expenses	$316,479	$0	$0	$95,479
13	Depreciation and amortization	$0	$1,280,020	$12,570,240	$0
14	Taxes other than income taxes	0	0	0	0
15	Income taxes-current	0	0	0	0
16	Income taxes-deferred	0	0	0	0
17	Investment Tax Credits	0	0	0	0
18	Total expenses	$316,479	$1,280,020	$12,570,240	$95,479
19	Operating Income	($316,479)	($1,280,020)	($12,570,240)	($95,479)

KANSAS GAS SERVICE, A DIVISION OF ONE GAS, INC.
Summary of Pro Forma Adjustments to Operating Revenues and Expenses
Test Year Ended December 31, 2017

Line No.	Description	IS 17 Remove Certain O&M Expenses Related to Unused Plant	IS 18 Insurance	IS 19 Workers Compensation	IS 20 Payroll
	Col. 1	Col. 5	Col. 2	Col. 4	Col. 5
	Operating Revenue				
1	Gas revenue	$0	$0	$0	$0
2	Service and other	0	0	0	0
3	Total revenue	$0	$0	$0	$0
	Operating Expenses				
4	Production	$0	$0	$0	($135,595)
5	Underground storage	0	0	0	4
6	Transmission	(41,480)	0	0	82,382
7	Distribution	0	0	0	2,041,336
8	Customer accounts	0	0	0	80,991
9	Customer service and information	0	0	0	9,049
10	Sales	0	0	0	14,099
11	Administrative and general	0	1,306,512	(127,624)	(288,471)
12	Total operating expenses	($41,480)	$1,306,512	($127,624)	$1,803,794
13	Depreciation and amortization	$0	$0	$0	$0
14	Taxes other than income taxes	0	0	0	141,132
15	Income taxes-current	0	0	0	0
16	Income taxes-deferred	0	0	0	0
17	Investment Tax Credits	0	0	0	0
18	Total expenses	($41,480)	$1,306,512	($127,624)	$1,944,926
19	Operating Income	$41,480	($1,306,512)	$127,624	($1,944,926)

KANSAS GAS SERVICE, A DIVISION OF ONE GAS, INC.
Summary of Pro Forma Adjustments to Operating Revenues and Expenses
Test Year Ended December 31, 2017

Line No.	Description	IS 21 Adjustment to Employee Medical Reserve	IS 22 Charitable Contributions and Excluded Costs	IS 23 Misc. Out of Period	IS 24 MGP Amortization
	Col. 1	Col. 2	Col. 3	Col. 4	Col. 5
	Operating Revenue				
1	Gas revenue	$0	$0	$0	$0
2	Service and other	0	0	0	0
3	Total revenue	$0	$0	$0	$0
	Operating Expenses				
4	Production	$0	$0	$0	$0
5	Underground storage	0	0	0	0
6	Transmission	0	(187)	0	0
7	Distribution	0	(3,162)	0	0
8	Customer accounts	0	0	(50,513)	0
9	Customer service and information	0	0	0	0
10	Sales	0	(706)	0	0
11	Administrative and general	328,366	32,486	(273,069)	5,915,829
12	Total operating expenses	$328,366	$28,431	($323,582)	$5,915,829
13	Depreciation and amortization	$0	$0	$0	$97,707
14	Taxes other than income taxes	0	0	0	0
15	Income taxes-current	0	0	0	0
16	Income taxes-deferred	0	0	0	0
17	Investment Tax Credits	0	0	0	0
18	Total expenses	$328,366	$28,431	($323,582)	$6,013,536
19	Operating Income	($328,366)	($28,431)	$323,582	($6,013,536)

Line No.	Description	IS 25 Brehm Storage Costs to COGR	IS 26 Pension/OPEB Cost	IS 27 Pension/OPEB Amortization	IS 28 Pension/OPEB Savings Sharing
	Col. 1	Col. 2	Col. 3	Col. 4	Col. 5
	Operating Revenue				
1	Gas revenue	$0	$0	$0	$0
2	Service and other	0	0	0	0
3	Total revenue	$0	$0	$0	$0
	Operating Expenses				
4	Production	($1,248,371)	$0	$0	$0
5	Underground storage	0	0	0	0
6	Transmission	0	0	0	0
7	Distribution	0	0	0	0
8	Customer accounts	0	0	0	0
9	Customer service and information	0	0	0	0
10	Sales	0	0	0	0
11	Administrative and general	0	(1,328,672)	0	3,325,367
12	Total operating expenses	($1,248,371)	($1,328,672)	$0	$3,325,367
13	Depreciation and amortization	$0	$0	($108,302)	$0
14	Taxes other than income taxes	0	0	0	0
15	Income taxes-current	0	0	0	0
16	Income taxes-deferred	0	0	0	0
17	Investment Tax Credits	0	0	0	0
18	Total expenses	($1,248,371)	($1,328,672)	($108,302)	$3,325,367
19	Operating Income	$1,248,371	$1,328,672	$108,302	($3,325,367)

KANSAS GAS SERVICE, A DIVISION OF ONE GAS, INC.
Summary of Pro Forma Adjustments to Operating Revenues and Expenses
Test Year Ended December 31, 2017

Line No.	Description	IS 29 Annualized Corporate Depreciation	IS 30 Misc. Corporate	IS 31 Distrigas %	IS 32 Normalized Compensation
	Col. 1	Col. 2	Col. 3	Col. 4	Col. 5
	Operating Revenue				
1	Gas revenue	$0	$0	$0	$0
2	Service and other	0	0	0	0
3	Total revenue	$0	$0	$0	$0
	Operating Expenses				
4	Production	$0	$0	$0	$0
5	Underground storage	0	0	0	0
6	Transmission	0	0	0	0
7	Distribution	0	0	0	0
8	Customer accounts	0	0	0	0
9	Customer service and information	0	0	0	0
10	Sales	0	0	0	0
11	Administrative and general	0	(1,620,465)	1,528,679	(1,509,612)
12	Total operating expenses	$0	($1,620,465)	$1,528,679	($1,509,612)
13	Depreciation and amortization	($11,595)	$0	$0	$0
14	Taxes other than income taxes	0	16	72,378	(105,108)
15	Income taxes-current	0	0	0	0
16	Income taxes-deferred	0	0	0	0
17	Investment Tax Credits	0	0	0	0
18	Total expenses	($11,595)	($1,620,449)	$1,601,057	($1,614,721)
19	Operating Income	$11,595	$1,620,449	($1,601,057)	$1,614,721

KANSAS GAS SERVICE, A DIVISION OF ONE GAS, INC.
Summary of Pro Forma Adjustments to Operating Revenues and Expenses
Test Year Ended December 31, 2017

Line No.	Description	IS 33 Corporate OPEB, Pension and Medical Benefits	IS 34 Rate Case Cost Amortization	IS 35 Bad Debt	IS 36 Income Tax
	Col. 1	Col. 2	Col. 3	Col. 4	Col. 5
	Operating Revenue				
1	Gas revenue	$0	$0	$0	$0
2	Service and other	0	0	0	0
3	Total revenue	$0	$0	$0	$0
	Operating Expenses				
4	Production	$0	$0	$0	$0
5	Underground storage	0	0	0	0
6	Transmission	0	0	0	0
7	Distribution	0	0	0	0
8	Customer accounts	0	0	(591,037)	0
9	Customer service and information	0	0	0	0
10	Sales	0	0	0	0
11	Administrative and general	776,225	0	0	0
12	Total operating expenses	$776,225	$0	($591,037)	$0
13	Depreciation and amortization	$0	$171,889	$0	$0
14	Taxes other than income taxes	0	0	0	0
15	Income taxes-current	0	0	0	(10,417,761)
16	Income taxes-deferred	0	0	0	(5,225,567)
17	Investment Tax Credits	0	0	0	0
18	Total expenses	$776,225	$171,889	($591,037)	($15,643,327)
19	Operating Income	($776,225)	($171,889)	$591,037	$15,643,327

KANSAS GAS SERVICE, A DIVISION OF ONE GAS, INC.
Summary of Pro Forma Adjustments to Operating Revenues and Expenses
Test Year Ended December 31, 2017

IS 37

Line No.	Description	Test Year Revenue	Total Adjustments
	Col. 1	Col. 2	Col. 3
	Operating Revenue		
1	Gas revenue	$929,607	($229,811,902)
2	Service and other	7,474	3,020,502
3	Total revenue	937,081	(226,791,400)
	Operating Expenses		
4	Production	$0	($223,775,488)
5	Underground storage	0	4
6	Transmission	0	45,402
7	Distribution	0	2,445,445
8	Customer accounts	0	(560,559)
9	Customer service and information	0	9,049
10	Sales	0	13,393
11	Administrative and general	0	(716,965)
12	Total operating expenses	$0	($222,539,719)
13	Depreciation and amortization	$0	$15,579,735
14	Taxes other than income taxes	0	299,038
15	Income taxes-current	0	(10,417,761)
16	Income taxes-deferred	0	(5,225,567)
17	Investment Tax Credits	0	0
18	Total expenses	$0	($222,304,273)
19	Operating Income	$937,081	($4,487,127)

Line No.	Adj. No.	Description	Increase	Decrease
		Col. 1	Col. 2	Col. 3
	IS 1	Eliminate Accrued and Unbilled Revenues		
1		Operating Revenue	$549,941	$0
2		Production Expenses	1,766,782	0
3		Underground Storage Expenses	0	0
4		Transmission Expenses	0	0
5		Distribution Expenses	0	0
6		Customer Accounts Expenses	0	0
7		Cust. Service and Information Exp.	0	0
8		Sales and Advertising Expenses	0	0
9		Administration and General Expense	0	0
10		Depreciation and Amortization	0	0
11		Taxes Other Than Income Taxes	0	0
12		Income Taxes, Deferred Tax, Investment tax credit	0	0
		To eliminate accrued and unbilled revenues and gas costs from test year operating results.		
	IS 2	Eliminate Deferred WNA Revenues		
13		Operating Revenue	$0	$19,481,622
14		Production Expenses	0	0
15		Underground Storage Expenses	0	0
16		Transmission Expenses	0	0
17		Distribution Expenses	0	0
18		Customer Accounts Expenses	0	0
19		Cust. Service and Information Exp.	0	0
20		Sales and Advertising Expenses	0	0
21		Administration and General Expense	0	0
22		Depreciation and Amortization	0	0
23		Taxes Other Than Income Taxes	0	0
24		Income Taxes, Deferred Tax, Investment tax credit	0	0
		To eliminate deferred WNA revenues.		

Line No.	Adj. No.	Description	Increase	Decrease
		Col. 1	Col. 2	Col. 3
	IS 3	Eliminate Cost of Gas Revenue and Expense		
1		Operating Revenue	$0	$224,158,304
2		Production Expenses	0	224,158,304
3		Underground Storage Expenses	0	0
4		Transmission Expenses	0	0
5		Distribution Expenses	0	0
6		Customer Accounts Expenses	0	0
7		Cust. Service and Information Exp.	0	0
8		Sales and Advertising Expenses	0	0
9		Administration and General Expense	0	0
10		Depreciation and Amortization	0	0
11		Taxes Other Than Income Taxes	0	0
12		Income Taxes, Deferred Tax, Investment tax credit	0	0

This adjustment eliminates the COGR revenues and the cost of gas expense to determine base rates.

Line No.	Adj. No.	Description	Increase	Decrease
	IS 4	Eliminate Ad-Valorem Surcharge Revenue and Expenses		
13		Operating Revenue	$1,572,950	$0
14		Production Expenses	0	0
15		Underground Storage Expenses	0	0
16		Transmission Expenses	0	0
17		Distribution Expenses	0	0
18		Customer Accounts Expenses	0	0
19		Cust. Service and Information Exp.	0	0
20		Sales and Advertising Expenses	0	0
21		Administration and General Expense	0	0
22		Depreciation and Amortization	1,579,775	0
23		Taxes Other Than Income Taxes	190,620	0
24		Income Taxes, Deferred Tax, Investment tax credit	0	0

To eliminate Ad Valorem Tax Surcharge Revenues and annualize ad valorem expenses.

Line No.	Adj. No.	Description Col. 1	Increase Col. 2	Decrease Col. 3
	IS 5	Eliminate Gas System Reliability Surcharge Revenue		
1		Operating Revenue	$0	$296,894
2		Production Expenses	0	0
3		Underground Storage Expenses	0	0
4		Transmission Expenses	0	0
5		Distribution Expenses	0	0
6		Customer Accounts Expenses	0	0
7		Cust. Service and Information Exp.	0	0
8		Sales and Advertising Expenses	0	0
9		Administration and General Expense	0	0
10		Depreciation and Amortization	0	0
11		Taxes Other Than Income Taxes	0	0
12		Income Taxes, Deferred Tax, Investment tax credit	0	0
		To eliminate GSRS Revenues from test year revenues to determine base rate revenues.		
	IS 6	Test-year Revenue Adjustments (Flex)		
13		Operating Revenue	$126,970	$0
14		Production Expenses	0	0
15		Underground Storage Expenses	0	0
16		Transmission Expenses	0	0
17		Distribution Expenses	0	0
18		Customer Accounts Expenses	0	0
19		Cust. Service and Information Exp.	0	0
20		Sales and Advertising Expenses	0	0
21		Administration and General Expense	0	0
22		Depreciation and Amortization	0	0
23		Taxes Other Than Income Taxes	0	0
24		Income Taxes, Deferred Tax, Investment tax credit	0	0
		To normalize test year revenues and expenses for prior period adjustments, contract minimum quantities, and discounted rate annualization.		

Line No.	Adj. No.	Description	Increase	Decrease
		Col. 1	Col. 2	Col. 3
	IS 7	CNG Revenue		
1		Operating Revenue	$0	$11,467
2		Production Expenses	0	0
3		Underground Storage Expenses	0	0
4		Transmission Expenses	0	0
5		Distribution Expenses	0	0
6		Customer Accounts Expenses	0	0
7		Cust. Service and Information Exp.	0	0
8		Sales and Advertising Expenses	0	0
9		Administration and General Expense	0	0
10		Depreciation and Amortization	0	0
11		Taxes Other Than Income Taxes	0	0
12		Income Taxes, Deferred Tax, Investment tax credit	0	0

This adjustment is to remove revenue associated with the public sale of CNG.

Line No.	Adj. No.	Description	Increase	Decrease
	IS 8	Weather Normalization		
13		Operating Revenue	$12,664,050	$0
14		Production Expenses	0	0
15		Underground Storage Expenses	0	0
16		Transmission Expenses	0	0
17		Distribution Expenses	0	0
18		Customer Accounts Expenses	0	0
19		Cust. Service and Information Exp.	0	0
20		Sales and Advertising Expenses	0	0
21		Administration and General Expense	0	0
22		Depreciation and Amortization	0	0
23		Taxes Other Than Income Taxes	0	0
24		Income Taxes, Deferred Tax, Investment tax credit	0	0

This adjustment adjusts test year revenue to a level based on normal weather.

Line No.	Adj. No.	Description Col. 1	Increase Col. 2	Decrease Col. 3
	IS 9	Revenue Annualization		
1		Operating Revenue	$307,009	$0
2		Production Expenses	0	0
3		Underground Storage Expenses	0	0
4		Transmission Expenses	0	0
5		Distribution Expenses	0	0
6		Customer Accounts Expenses	0	0
7		Cust. Service and Information Exp.	0	0
8		Sales and Advertising Expenses	0	0
9		Administration and General Expense	0	0
10		Depreciation and Amortization	0	0
11		Taxes Other Than Income Taxes	0	0
12		Income Taxes, Deferred Tax, Investment tax credit	0	0
		Adjustment synchronizes revenues related to customer count in the test year.		
	IS 10	Miscellaneous Service Revenue		
13		Operating Revenue	$998,886	$0
14		Production Expenses	0	0
15		Underground Storage Expenses	0	0
16		Transmission Expenses	0	0
17		Distribution Expenses	0	0
18		Customer Accounts Expenses	0	0
19		Cust. Service and Information Exp.	0	0
20		Sales and Advertising Expenses	0	0
21		Administration and General Expense	0	0
22		Depreciation and Amortization	0	0
23		Taxes Other Than Income Taxes	0	0
24		Income Taxes, Deferred Tax, Investment tax credit	0	0
		This adjustment is to recognize the change in miscelaneous service charges.		

Line No.	Adj. No.	Description	Increase	Decrease
		Col. 1	Col. 2	Col. 3
	IS 11	Reclass Interest on Customer Deposits		
1		Operating Revenue	$0	$0
2		Production Expenses	0	0
3		Underground Storage Expenses	0	0
4		Transmission Expenses	0	0
5		Distribution Expenses	0	0
6		Customer Accounts Expenses	0	0
7		Cust. Service and Information Exp.	0	0
8		Sales and Advertising Expenses	0	0
9		Administration and General Expense	303,624	0
10		Depreciation and Amortization	0	0
11		Taxes Other Than Income Taxes	0	0
12		Income Taxes, Deferred Tax, Investment tax credit	0	0
		To adjust interest on customer deposits as an operating expense.		
	IS 12	Elimination of Royalty Fee		
13		Operating Revenue	$0	$0
14		Production Expenses	0	0
15		Underground Storage Expenses	0	0
16		Transmission Expenses	0	0
17		Distribution Expenses	0	0
18		Customer Accounts Expenses	0	0
19		Cust. Service and Information Exp.	0	0
20		Sales and Advertising Expenses	0	0
21		Administration and General Expense	0	9,086,138
22		Depreciation and Amortization	0	0
23		Taxes Other Than Income Taxes	0	0
24		Income Taxes, Deferred Tax, Investment tax credit	0	0
		Eliminate the Royalty Fees from the test period.		

Line No.	Adj. No.	Description	Increase	Decrease
		Col. 1	Col. 2	Col. 3
	IS 13	GTI Expense		
1		Operating Revenue	$0	$0
2		Production Expenses	0	0
3		Underground Storage Expenses	0	0
4		Transmission Expenses	0	0
5		Distribution Expenses	316,479	0
6		Customer Accounts Expenses	0	0
7		Cust. Service and Information Exp.	0	0
8		Sales and Advertising Expenses	0	0
9		Administration and General Expense	0	0
10		Depreciation and Amortization	0	0
11		Taxes Other Than Income Taxes	0	0
12		Income Taxes, Deferred Tax, Investment tax credit	0	0
		Adjust test year expense to include funding of the Operations Technology Development Program (OTD).		
	IS 14	Annualized Depreciation on Pro Forma Plant		
13		Operating Revenue	$0	$0
14		Production Expenses	0	0
15		Underground Storage Expenses	0	0
16		Transmission Expenses	0	0
17		Distribution Expenses	0	0
18		Customer Accounts Expenses	0	0
19		Cust. Service and Information Exp.	0	0
20		Sales and Advertising Expenses	0	0
21		Administration and General Expense	0	0
22		Depreciation and Amortization	1,280,020	0
23		Taxes Other Than Income Taxes	0	0
24		Income Taxes, Deferred Tax, Investment tax credit	0	0
		To annualize the change depreciation expense on the pro forma plant in service.		

Line No.	Adj. No.	Description Col. 1	Increase Col. 2	Decrease Col. 3
	IS 15	Annualized Depreciation at Proposed Rates		
1		Operating Revenue	$0	$0
2		Production Expenses	0	0
3		Underground Storage Expenses	0	0
4		Transmission Expenses	0	0
5		Distribution Expenses	0	0
6		Customer Accounts Expenses	0	0
7		Cust. Service and Information Exp.	0	0
8		Sales and Advertising Expenses	0	0
9		Administration and General Expense	0	0
10		Depreciation and Amortization	12,570,240	0
11		Taxes Other Than Income Taxes	0	0
12		Income Taxes, Deferred Tax, Investment tax credit	0	0
		To annualize the change in depreciation rates on the pro forma plant in service as a result of the depreciation study.		
	IS 16	Clearing Accounts		
13		Operating Revenue	$0	$0
14		Production Expenses	0	0
15		Underground Storage Expenses	0	0
16		Transmission Expenses	4,688	0
17		Distribution Expenses	90,791	0
18		Customer Accounts Expenses	0	0
19		Cust. Service and Information Exp.	0	0
20		Sales and Advertising Expenses	0	0
21		Administration and General Expense	0	0
22		Depreciation and Amortization	0	0
23		Taxes Other Than Income Taxes	0	0
24		Income Taxes, Deferred Tax, Investment tax credit	0	0
		To normalize test year clearing charges.		

Line No.	Adj. No.	Description Col. 1	Increase Col. 2	Decrease Col. 3
	IS 17	Remove Certain O&M Expenses Related to Unused Plant		
1		Operating Revenue	$0	$0
2		Production Expenses	0	0
3		Underground Storage Expenses	0	0
4		Transmission Expenses	0	41,480
5		Distribution Expenses	0	0
6		Customer Accounts Expenses	0	0
7		Cust. Service and Information Exp.	0	0
8		Sales and Advertising Expenses	0	0
9		Administration and General Expense	0	0
10		Depreciation and Amortization	0	0
11		Taxes Other Than Income Taxes	0	0
12		Income Taxes, Deferred Tax, Investment tax credit	0	0
		To remove the operation and maintenance costs associated with plant assets that are not currently used and useful.		
	IS 18	Insurance		
13		Operating Revenue	$0	$0
14		Production Expenses	0	0
15		Underground Storage Expenses	0	0
16		Transmission Expenses	0	0
17		Distribution Expenses	0	0
18		Customer Accounts Expenses	0	0
19		Cust. Service and Information Exp.	0	0
20		Sales and Advertising Expenses	0	0
21		Administration and General Expense	1,306,512	0
22		Depreciation and Amortization	0	0
23		Taxes Other Than Income Taxes	0	0
24		Income Taxes, Deferred Tax, Investment tax credit	0	0
		This adjustment is to recognize the change in property, worker's compensation and excess liability insurance for our new policies.		

Line No.	Adj. No.	Description Col. 1	Increase Col. 2	Decrease Col. 3
	IS 19	Workers Compensation		
1		Operating Revenue	$0	$0
2		Production Expenses	0	0
3		Underground Storage Expenses	0	0
4		Transmission Expenses	0	0
5		Distribution Expenses	0	0
6		Customer Accounts Expenses	0	0
7		Cust. Service and Information Exp.	0	0
8		Sales and Advertising Expenses	0	0
9		Administration and General Expense	0	127,624
10		Depreciation and Amortization	0	0
11		Taxes Other Than Income Taxes	0	0
12		Income Taxes, Deferred Tax, Investment tax credit	0	0
		This adjustment normalizes the workers compensation expense.		
	IS 20	Payroll		
13		Operating Revenue	$0	$0
14		Production Expenses	0	135,595
15		Underground Storage Expenses	4	0
16		Transmission Expenses	82,382	0
17		Distribution Expenses	2,041,336	0
18		Customer Accounts Expenses	80,991	0
19		Cust. Service and Information Exp.	9,049	0
20		Sales and Advertising Expenses	14,099	0
21		Administration and General Expense	0	288,471
22		Depreciation and Amortization	0	0
23		Taxes Other Than Income Taxes	141,132	0
24		Income Taxes, Deferred Tax, Investment tax credit	0	0
		To annualize known changes to payroll expenses.		

Line No.	Adj. No.	Description	Increase	Decrease
		Col. 1	Col. 2	Col. 3
	IS 21	Adjustment to Employee Medical Reserve		
1		Operating Revenue	$0	$0
2		Production Expenses	0	0
3		Underground Storage Expenses	0	0
4		Transmission Expenses	0	0
5		Distribution Expenses	0	0
6		Customer Accounts Expenses	0	0
7		Cust. Service and Information Exp.	0	0
8		Sales and Advertising Expenses	0	0
9		Administration and General Expense	328,366	0
10		Depreciation and Amortization	0	0
11		Taxes Other Than Income Taxes	0	0
12		Income Taxes, Deferred Tax, Investment tax credit	0	0
		To adjust expenses for the increase in Medical Expenses.		
	IS 22	Charitable Contributions and Excluded Costs		
13		Operating Revenue	$0	$0
14		Production Expenses	0	0
15		Underground Storage Expenses	0	0
16		Transmission Expenses	0	187
17		Distribution Expenses	0	3,162
18		Customer Accounts Expenses	0	0
19		Cust. Service and Information Exp.	0	0
20		Sales and Advertising Expenses	0	706
21		Administration and General Expense	32,486	0
22		Depreciation and Amortization	0	0
23		Taxes Other Than Income Taxes	0	0
24		Income Taxes, Deferred Tax, Investment tax credit	0	0
		To include certain donations from account 426 and eliminate other dues, donations, and memberships.		

Line No.	Adj. No.	Description	Increase	Decrease
		Col. 1	Col. 2	Col. 3
	IS 23	Misc. Out of Period		
1		Operating Revenue	$0	$0
2		Production Expenses	0	0
3		Underground Storage Expenses	0	0
4		Transmission Expenses	0	0
5		Distribution Expenses	0	0
6		Customer Accounts Expenses	0	50,513
7		Cust. Service and Information Exp.	0	0
8		Sales and Advertising Expenses	0	0
9		Administration and General Expense	0	273,069
10		Depreciation and Amortization	0	0
11		Taxes Other Than Income Taxes	0	0
12		Income Taxes, Deferred Tax, Investment tax credit	0	0
		To remove the cost associated with out of period adjustments.		
	IS 24	MGP Amortization		
13		Operating Revenue	$0	$0
14		Production Expenses	0	0
15		Underground Storage Expenses	0	0
16		Transmission Expenses	0	0
17		Distribution Expenses	0	0
18		Customer Accounts Expenses	0	0
19		Cust. Service and Information Exp.	0	0
20		Sales and Advertising Expenses	0	0
21		Administration and General Expense	5,915,829	0
22		Depreciation and Amortization	97,707	0
23		Taxes Other Than Income Taxes	0	0
24		Income Taxes, Deferred Tax, Investment tax credit	0	0
		To remove non-recurring credit for MGP costs and amortize the balance of the MGP deferral.		

Line No.	Adj. No.	Description	Increase	Decrease
		Col. 1	Col. 2	Col. 3
	IS 25	Brehm Storage Costs to COGR		
1		Operating Revenue	$0	$0
2		Production Expenses	0	1,248,371
3		Underground Storage Expenses	0	0
4		Transmission Expenses	0	0
5		Distribution Expenses	0	0
6		Customer Accounts Expenses	0	0
7		Cust. Service and Information Exp.	0	0
8		Sales and Advertising Expenses	0	0
9		Administration and General Expense	0	0
10		Depreciation and Amortization	0	0
11		Taxes Other Than Income Taxes	0	0
12		Income Taxes, Deferred Tax, Investment tax credit	0	0
		This adjustment removes the cost associated with the Brehm Storage field from base rates to include in the Cost of Gas Rider.		
	IS 26	Pension/OPEB Cost		
13		Operating Revenue	$0	$0
14		Production Expenses	0	0
15		Underground Storage Expenses	0	0
16		Transmission Expenses	0	0
17		Distribution Expenses	0	0
18		Customer Accounts Expenses	0	0
19		Cust. Service and Information Exp.	0	0
20		Sales and Advertising Expenses	0	0
21		Administration and General Expense	0	1,328,672
22		Depreciation and Amortization	0	0
23		Taxes Other Than Income Taxes	0	0
24		Income Taxes, Deferred Tax, Investment tax credit	0	0
		To adjust expenses for the change in Pension and OPEB costs.		

Line No.	Adj. No.	Description	Increase	Decrease
		Col. 1	Col. 2	Col. 3
	IS 27	Pension/OPEB Amortization		
1		Operating Revenue	$0	$0
2		Production Expenses	0	0
3		Underground Storage Expenses	0	0
4		Transmission Expenses	0	0
5		Distribution Expenses	0	0
6		Customer Accounts Expenses	0	0
7		Cust. Service and Information Exp.	0	0
8		Sales and Advertising Expenses	0	0
9		Administration and General Expense	0	0
10		Depreciation and Amortization	0	108,302
11		Taxes Other Than Income Taxes	0	0
12		Income Taxes, Deferred Tax, Investment tax credit	0	0
		To amortize over 3 years the deferred Pension and OPEB expenses.		
	IS 28	Pension/OPEB Savings Sharing		
13		Operating Revenue	$0	$0
14		Production Expenses	0	0
15		Underground Storage Expenses	0	0
16		Transmission Expenses	0	0
17		Distribution Expenses	0	0
18		Customer Accounts Expenses	0	0
19		Cust. Service and Information Exp.	0	0
20		Sales and Advertising Expenses	0	0
21		Administration and General Expense	3,325,367	0
22		Depreciation and Amortization	0	0
23		Taxes Other Than Income Taxes	0	0
24		Income Taxes, Deferred Tax, Investment tax credit	0	0
		To adjust expenses to reflect the sharing between customers and rate payers the benefit of excess funding of pension and OPEB.		

Line No.	Adj. No.	Description Col. 1	Increase Col. 2	Decrease Col. 3
	IS 29	Annualized Corporate Depreciation		
1		Operating Revenue	$0	$0
2		Production Expenses	0	0
3		Underground Storage Expenses	0	0
4		Transmission Expenses	0	0
5		Distribution Expenses	0	0
6		Customer Accounts Expenses	0	0
7		Cust. Service and Information Exp.	0	0
8		Sales and Advertising Expenses	0	0
9		Administration and General Expense	0	0
10		Depreciation and Amortization	0	11,595
11		Taxes Other Than Income Taxes	0	0
12		Income Taxes, Deferred Tax, Investment tax credit	0	0
		This adjustment is necessary to annualize the change in corporate depreciation from the test year.		
	IS 30	Misc. Corporate		
13		Operating Revenue	$0	$0
14		Production Expenses	0	0
15		Underground Storage Expenses	0	0
16		Transmission Expenses	0	0
17		Distribution Expenses	0	0
18		Customer Accounts Expenses	0	0
19		Cust. Service and Information Exp.	0	0
20		Sales and Advertising Expenses	0	0
21		Administration and General Expense	0	1,620,465
22		Depreciation and Amortization	0	0
23		Taxes Other Than Income Taxes	16	0
24		Income Taxes, Deferred Tax, Investment tax credit	0	0
		To adjust for certain expenses allocated through OGS Distrigas.		

Line No.	Adj. No.	Description Col. 1	Increase Col. 2	Decrease Col. 3
	IS 31	Distrigas %		
1		Operating Revenue	$0	$0
2		Production Expenses	0	0
3		Underground Storage Expenses	0	0
4		Transmission Expenses	0	0
5		Distribution Expenses	0	0
6		Customer Accounts Expenses	0	0
7		Cust. Service and Information Exp.	0	0
8		Sales and Advertising Expenses	0	0
9		Administration and General Expense	1,528,679	0
10		Depreciation and Amortization	0	0
11		Taxes Other Than Income Taxes	72,378	0
12		Income Taxes, Deferred Tax, Investment tax credit	0	0
		This adjustment is necessary to account for the increase in the allocation percent in the Q1 2018 Distrigas Allocation.		
	IS 32	Normalized Compensation		
13		Operating Revenue	$0	$0
14		Production Expenses	0	0
15		Underground Storage Expenses	0	0
16		Transmission Expenses	0	0
17		Distribution Expenses	0	0
18		Customer Accounts Expenses	0	0
19		Cust. Service and Information Exp.	0	0
20		Sales and Advertising Expenses	0	0
21		Administration and General Expense	0	1,509,612
22		Depreciation and Amortization	0	0
23		Taxes Other Than Income Taxes	0	105,108
24		Income Taxes, Deferred Tax, Investment tax credit	0	0
		To normalize the compensation that was recorded during the test year.		

Line No.	Adj. No.	Description	Increase	Decrease
		Col. 1	Col. 2	Col. 3
	IS 33	Corporate OPEB, Pension and Medical Benefits		
1		Operating Revenue	$0	$0
2		Production Expenses	0	0
3		Underground Storage Expenses	0	0
4		Transmission Expenses	0	0
5		Distribution Expenses	0	0
6		Customer Accounts Expenses	0	0
7		Cust. Service and Information Exp.	0	0
8		Sales and Advertising Expenses	0	0
9		Administration and General Expense	776,225	0
10		Depreciation and Amortization	0	0
11		Taxes Other Than Income Taxes	0	0
12		Income Taxes, Deferred Tax, Investment tax credit	0	0
		To decreases expense by the increase of OPEB, Pension, and Health Benefits that are allocated through the Distrigas Methodology.		
	IS 34	Rate Case Cost Amortization		
13		Operating Revenue	$0	$0
14		Production Expenses	0	0
15		Underground Storage Expenses	0	0
16		Transmission Expenses	0	0
17		Distribution Expenses	0	0
18		Customer Accounts Expenses	0	0
19		Cust. Service and Information Exp.	0	0
20		Sales and Advertising Expenses	0	0
21		Administration and General Expense	0	0
22		Depreciation and Amortization	171,889	0
23		Taxes Other Than Income Taxes	0	0
24		Income Taxes, Deferred Tax, Investment tax credit	0	0
		This adjustment is for the amortization of the rate case costs in the current case.		

Line No.	Adj. No.	Description Col. 1	Increase Col. 2	Decrease Col. 3
	IS 35	Bad Debt		
1		Operating Revenue	$0	$0
2		Production Expenses	0	0
3		Underground Storage Expenses	0	0
4		Transmission Expenses	0	0
5		Distribution Expenses	0	0
6		Customer Accounts Expenses	0	591,037
7		Cust. Service and Information Exp.	0	0
8		Sales and Advertising Expenses	0	0
9		Administration and General Expense	0	0
10		Depreciation and Amortization	0	0
11		Taxes Other Than Income Taxes	0	0
12		Income Taxes, Deferred Tax, Investment tax credit	0	0
		To adjust the test year bad debt to a three year average and reflect an increase in bad debt expense due to the requested revenue increase.		
	IS 36	Income Tax		
13		Operating Revenue	$0	$0
14		Production Expenses	0	0
15		Underground Storage Expenses	0	0
16		Transmission Expenses	0	0
17		Distribution Expenses	0	0
18		Customer Accounts Expenses	0	0
19		Cust. Service and Information Exp.	0	0
20		Sales and Advertising Expenses	0	0
21		Administration and General Expense	0	0
22		Depreciation and Amortization	0	0
23		Taxes Other Than Income Taxes	0	0
24		Income Taxes, Deferred Tax, Investment tax credit	0	15,643,327
		To adjust for the change in income taxes associated pro-forma changes to the test year and to restate test year expense at new federal rate level.		

Line No.	Adj. No.	Description	Increase	Decrease
		Col. 1	Col. 2	Col. 3
	IS 37	Test Year Revenue		
1		Operating Revenue	$937,081	$0
2		Production Expenses	0	0
3		Underground Storage Expenses	0	0
4		Transmission Expenses	0	0
5		Distribution Expenses	0	0
6		Customer Accounts Expenses	0	0
7		Cust. Service and Information Exp.	0	0
8		Sales and Advertising Expenses	0	0
9		Administration and General Expense	0	0
10		Depreciation and Amortization	0	0
11		Taxes Other Than Income Taxes	0	0
12		Income Taxes, Deferred Tax, Investment tax credit	0	0

Restates test year revenue to current tariff rates.

KANSAS GAS SERVICE, A DIVISION OF ONE GAS, INC.
Pro Forma Depreciation and Amortization Expense
Test Year Ended December 31, 2017

Line No.	Description	Amount Per Books (Schedule 10-B)	Pro Forma Adjustments (Schedule 10-C)	Pro Forma Total
	Col. 1	Col. 2	Col. 3	Col. 4
	Depreciation Expense			
1	Intangible plant	$0	$0	$0
2	Production and gathering	14,149	(3,089)	11,060
3	Underground storage	0	0	0
4	Transmission plant	5,879,848	852,577	6,732,425
5	Distribution plant	38,782,539	10,023,833	48,806,372
6	General plant	(249,814)	2,976,940	2,727,126
7	Corporate Allocated	5,421,014	(11,595)	5,409,420
8	Total depreciation expense	$49,847,736	$13,838,666	$63,686,402
	Amortization Expense			
9	Intangible plant	$20,885	$0	$20,885
10	Distribution plant	0	0	0
11	General plant	0	0	0
12	Utility plant acquisition premium	0	0	0
13	Regulatory debit	(2,141,531)	1,741,069	(400,462)
14	Total amortization expense	($2,120,646)	$1,741,069	($379,577)
15	Total depreciation and amortization expense	$47,727,090	$15,579,735	$63,306,825

KANSAS GAS SERVICE, A DIVISION OF ONE GAS, INC.
Functional Classification Detail
Test Year Ended December 31, 2017

Line No.	Description	Depreciation Charged to Operating Expense	Depreciation Charged to Clearing Accounts	Total Expense
	Col. 1	Col. 2	Col. 3	Col. 4
	Depreciation Expense			
1	Intangible plant	$0	$0	$0
2	Production and gathering	14,149	0	14,149
3	Underground storage	0	0	0
4	Transmission plant	5,879,848	0	5,879,848
5	Distribution plant	38,782,539	0	38,782,539
6	General plant	1,792,559	(2,042,373)	(249,814)
7	Corporate Allocated	5,421,014	0	5,421,014
8	Total depreciation expense	$51,890,109	($2,042,373)	$49,847,736
	Amortization Expense			
9	Intangible plant	$20,885	$0	$20,885
10	Distribution plant	0	0	0
11	General plant	0	0	0
12	Utility plant acquisition premium	0	0	0
13	Regulatory debit	(2,141,531)	0	(2,141,531)
14	Total amortization expense	($2,120,646)	$0	($2,120,646)
15	Total depreciation and amortization expense	$49,769,463	($2,042,373)	$47,727,090

KANSAS GAS SERVICE, A DIVISION OF ONE GAS, INC.
Summary of Pro Forma Adjustments to Depreciation and Amortization Expense (a)
Test Year Ended December 31, 2017

Line No.	Description	IS 4 Eliminate Ad-Valorem Surcharge Revenue and Expenses	IS 14 Annualized Depreciation on Pro Forma Plant	IS 15 Annualized Depreciation at Proposed Rates	IS 24 MGP Amortization	Sub Total Pro Forma Adjustments
	Col. 1	Col. 2	Col. 3	Col. 4	Col. 5	Col. 6
	Depreciation Expense					
1	Intangible plant	$0	$0	$0	$0	$0
2	Production and gathering	0	(3,089)	0	0	(3,089)
3	Underground storage	0	0	0	0	0
4	Transmission plant	0	(471,456)	1,324,033	0	852,577
5	Distribution plant	0	(1,201,081)	11,224,914	0	10,023,833
6	General plant	0	2,955,647	21,293	0	2,976,940
7	Corporate Allocated	0	0	0	0	0
8	Total depreciation expense	$0	$1,280,020	$12,570,240	$0	$13,850,260
	Amortization Expense					
9	Intangible plant	$0	$0	$0	$0	$0
10	Distribution plant	0	0	0	0	0
11	General plant	0	0	0	0	0
12	Utility plant acquisition premium	0	0	0	0	0
13	Regulatory debit	1,579,775	0	0	97,707	1,677,482
14	Total amortization expense	$1,579,775	$0	$0	$97,707	$1,677,482
15	Total expense	$1,579,775	$1,280,020	$12,570,240	$97,707	$15,527,742

Note:
(a) See Schedule 9-C for explanation of pro forma adjustments.

KANSAS GAS SERVICE, A DIVISION OF ONE GAS, INC.
Summary of Pro Forma Adjustments to Depreciation and Amortization Expense (a)
Test Year Ended December 31, 2017

Line No.	Description	IS 27 Pension/OPEB Amortization	IS 29 Annualized Corporate Depreciation	IS 34 Rate Case Cost Amortization	Total Pro Forma Adjustments
	Col. 1	Col. 2	Col. 3	Col. 4	Col. 5
	Depreciation Expense				
1	Intangible plant	$0	$0	$0	$0
2	Production and gathering	0	0	0	(3,089)
3	Underground storage	0	0	0	0
4	Transmission plant	0	0	0	852,577
5	Distribution plant	0	0	0	10,023,833
6	General plant	0	0	0	2,976,940
7	Corporate Allocated	0	(11,595)	0	(11,595)
8	Total depreciation expense	$0	(11,595)	$0	$13,838,666
	Amortization Expense				
9	Intangible plant	$0	$0	$0	$0
10	Distribution plant	0	0	0	0
11	General plant	0	0	0	0
12	Utility plant acquisition premium	0	0	0	0
13	Regulatory debit	(108,302)	0	171,889	1,741,069
14	Total amortization expense	($108,302)	$0	$171,889	$1,741,069
15	Total expense	($108,302)	($11,595)	$171,889	$15,579,735

Note:
(a) See Schedule 9-C for explanation of pro forma adjustments.

Line No.	Account Number	Description	Depreciation Rates Current Rates	Proposed Rates
		Col. 1	Col. 2	Col. 3
		Intangible Plant		
1	302	Franchise and Consents	0.00%	0.00%
2	303	Miscellaneous Intangible Plant	3.03%	3.03%
3		Total Intangible Plant		
		Production and gathering plant		
4	325.4	Rights of way	1.25%	1.25%
5	327	Field compressor station structures	2.89%	2.89%
6	328	Field measuring and regulating station	0.00%	0.00%
7	332	Field lines	0.80%	0.80%
8	333	Field compressor station equipment	1.01%	1.01%
9	334	Field measuring and regulating station equipment	1.47%	1.47%
10		Total Production and gathering plant		
		Underground storage plant		
11	350.1	Land & Land rights	0.00%	0.00%
12	351.1	Structures and improvements	0.00%	0.00%
13	351.2	Structures and improvements	0.00%	0.00%
14	351.3	Structures and improvements	0.00%	0.00%
15	352	Wells	0.00%	0.00%
16	352.1	Storage Lease and Rights	0.00%	0.00%
17	352.2	Reservoirs	0.00%	0.00%
18	352.3	Non-Recoverable Natural Gas	0.00%	0.00%
19	353	Storage Lines	0.00%	0.00%
20	354	Compressor station equipment	0.00%	0.00%
21	355	Measuring and regulating station equipment	0.00%	0.00%
22	356	Purification equipment	0.00%	0.00%
23	357	Other equipment	0.00%	0.00%
24		Total Underground storage plant	0.00%	0.00%

Line No.	Account Number	Description Col. 1	Depreciation Rates Current Rates Col. 2	Depreciation Rates Proposed Rates Col. 3
		Transmission plant		
1	365.1	Land & Land rights	0.00%	0.00%
2	365.2	Rights of way	1.31%	1.41%
3	366.1	Structures and improvements	2.50%	2.95%
4	366.2	Measuring and regulating station equipment	1.94%	2.18%
5	367	Mains	1.85%	2.38%
6	368	Compressor station equipment	3.00%	3.53%
7	369	Measuring and regulating station equipment	2.95%	3.18%
8		Total Transmission plant		
		Distribution plant		
9	374.1	Land & Land rights	0.00%	0.00%
10	374.2	Rights of way	1.38%	1.46%
11	375.1	Structures	3.61%	3.90%
12	376	Mains	2.26%	3.22%
13	376.5	Mains - Metallic	1.67%	2.49%
14	376.9	Mains - Cathodic Protection	1.67%	6.46%
15	378	M&R station equipment - general	2.34%	2.47%
16	379	M&R station equipment - city gate	1.93%	2.16%
17	380	Services - Plastic	3.11%	3.75%
18	380.5	Services - Metallic	3.61%	4.68%
19	381	Meters	2.49%	2.88%
20	381.5	Meters - AMR	6.67%	6.67%
21	382	Meter installations	3.02%	3.26%
22	383	House regulators	1.94%	2.00%
23	386	Other Property on Customer Premises	0.25%	20.16%
24	387	Other equipment	0.00%	0.00%
25		Total Distribution plant		

Line No.	Account Number	Description Col. 1	Depreciation Rates Current Rates Col. 2	 Proposed Rates Col. 3
		General Plant		
1	389.1	Land & Land rights	0.00%	0.00%
2	390.1	Structures	1.52%	1.57%
3	390.2	Leasehold Improvements (1)	0.00%	0.00%
4	391.1	Office furniture and equipment	5.00%	4.79%
5	391.25	Computers and other electronic equipment	12.75%	14.01%
6	392	Transportation equipment	4.73%	4.91%
7	393	Stores equipment	5.00%	4.88%
8	394	Tools, shop and garage equipment	6.51%	6.54%
9	395	Laboratory equipment	6.67%	6.67%
10	396	Power operated equipment	4.45%	4.74%
11	397	Communications equipment	6.61%	5.34%
12	398	Miscellaneous equipment	5.00%	5.00%
13		Total General Plant		

(1) Included in amortization expense

KANSAS GAS SERVICE, A DIVISION OF ONE GAS, INC.
Calculation of Pro-Forma Depreciation Expense - Existing Rates
Test Year Ended December 31, 2017

Line No.	Account Number	Description Col. 1	Pro-Forma Plant in Service Col. 2	Depreciation Rate Col. 3	Pro-Forma Depreciation Col. 4
		Intangible Plant			
1	302	Franchise and Consents	$6,045	0.00%	$0
2	303	Miscellaneous Intangible Plant	0	3.03%	0
3		Total Intangible Plant	$6,045		$0
		Production and gathering plant			
4	325.4	Rights of way	$232,567	1.25%	$2,907
5	327	Field compressor station structures	3,053	2.89%	88
6	328	Field measuring and regulating station	44,026	0.00%	0
7	332	Field lines	45,302	0.80%	362
8	333	Field compressor station equipment	12,877	1.01%	130
9	334	Field measuring and regulating station equipment	515,090	1.47%	7,572
10		Total Production and gathering plant	$852,915		$11,060
		Underground storage plant			
11	350.1	Land & Land rights	$0	0.00%	$0
12	351.1	Structures and improvements	0	0.00%	0
13	351.2	Structures and improvements	0	0.00%	0
14	351.3	Structures and improvements	0	0.00%	0
15	352	Wells	0	0.00%	0
16	352.1	Storage Lease and Rights	0	0.00%	0
17	352.2	Reservoirs	0	0.00%	0
18	352.3	Non-Recoverable Natural Gas	0	0.00%	0
19	353	Storage Lines	0	0.00%	0
20	354	Compressor station equipment	0	0.00%	0
21	355	Measuring and regulating station equipment	0	0.00%	0
22	356	Purification equipment	0	0.00%	0
23	357	Other equipment	0	0.00%	0
24		Total Underground storage plant	$0		$0

KANSAS GAS SERVICE, A DIVISION OF ONE GAS, INC.
Calculation of Pro-Forma Depreciation Expense - Existing Rates
Test Year Ended December 31, 2017

Line No.	Account Number	Description Col. 1	Pro-Forma Plant in Service Col. 2	Depreciation Rate Col. 3	Pro-Forma Depreciation Col. 4
		Transmission plant			
1	365.1	Land & Land rights	$826,609	0.00%	$0
2	365.2	Rights of way	11,907,924	1.31%	155,994
3	366.1	Structures and improvements	4,817,143	2.50%	120,429
4	366.2	Measuring and regulating station equipment	1,394,765	1.94%	27,058
5	367	Mains	219,426,814	1.85%	4,059,396
6	368	Compressor station equipment	14,394,955	3.00%	431,849
7	369	Measuring and regulating station equipment	20,802,245	2.95%	613,666
8	371	Other Equipment	(2,957)	0.00%	0
9		Total Transmission plant	$273,567,498		$5,408,392
		Distribution plant			
10	374.1	Land & Land rights	$151,291	0.00%	$0
11	374.2	Rights of way	2,218,336	1.38%	30,613
12	375.1	Structures	895,030	3.61%	32,311
13	376	Mains	342,805,764	2.26%	7,747,410
14	376.5	Mains - Metallic	288,773,290	1.67%	4,822,514
15	376.9	Mains - Cathodic Protection	30,194,961	1.67%	504,256
16	378	M&R station equipment - general	24,514,984	2.34%	573,651
17	379	M&R station equipment - city gate	8,760,372	1.93%	169,075
18	380	Services - Plastic	462,122,126	3.11%	14,371,998
19	380.5	Services - Metallic	31,583,063	3.61%	1,140,149
20	381	Meters	124,759,363	2.49%	3,106,508
21	381.5	Meters-AMR	27,283,319	6.67%	1,819,797
22	382	Meter installations	92,565,983	3.02%	2,795,493
23	383	House regulators	24,078,525	1.94%	467,123
24	386	Other Property on Customer Premises	224,125	0.25%	560
25	387	Other equipment	(2,450)	0.00%	0
26		Total Distribution plant	$1,460,928,082		$37,581,458

KANSAS GAS SERVICE, A DIVISION OF ONE GAS, INC.
Calculation of Pro-Forma Depreciation Expense - Existing Rates
Test Year Ended December 31, 2017

Line No.	Account Number	Description Col. 1	Pro-Forma Plant in Service Col. 2	Depreciation Rate Col. 3	Pro-Forma Depreciation Col. 4
		General Plant			
1	389.1	Land & Land rights	$1,436,165	0.00%	$0
2	390.1	Structures	36,292,052	1.52%	551,639
3	390.2	Leasehold Improvements (1)	3,184,705	0.00%	0
4	391.1	Office furniture and equipment	5,480,688	5.00%	274,034
5	391.9	Computers and other electronic equipment	6,369,882	12.75%	812,160
6	392	Transportation equipment	31,268,610	4.73%	1,479,005
7	393	Stores equipment	179,300	5.00%	8,965
8	394	Tools, shop and garage equipment	10,329,213	6.51%	672,432
9	395	Laboratory equipment	185,795	6.67%	12,393
10	396	Power operated equipment	13,076,323	4.45%	581,896
11	397	Communications equipment	5,392,738	6.61%	356,460
12	398	Miscellaneous equipment	354,997	5.00%	17,750
13		Total General Plant	$113,550,468		$4,766,734
14		Subtotal	$1,848,905,008		$47,767,644
		Less: Capitalized Depreciation			
15		392 Transportation Equipment			(1,479,005)
16		396 Power Operated Equipment			(581,896)
17		Pro-Forma Depreciation Expense			$45,706,742
18		Test Period Depreciation - Kansas Gas Service			44,426,722
19		Pro-Forma Depreciation Adjustment at Current Rates			$1,280,020

(1) Included in amortization expense

Line No.	Account Number	Description Col. 1	Pro-Forma Plant in Service Col. 2	Depreciation Rate Col. 3	Pro-Forma Depreciation Col. 4
		Intangible Plant			
1	302	Franchise and Consents	$6,045	0.00%	$0
2	303	Miscellaneous Intangible Plant	0	3.03%	0
3		Total Intangible Plant	$6,045		$0
4		Production and gathering plant			
5	325.4	Rights of way	$232,567	1.25%	$2,907
6	327	Field compressor station structures	3,053	2.89%	88
7	328	Field measuring and regulating station	44,026	0.00%	0
8	332	Field lines	45,302	0.80%	362
9	333	Field compressor station equipment	12,877	1.01%	130
10	334	Field measuring and regulating station equipment	515,090	1.47%	7,572
		Total Production and gathering plant	$852,915		$11,060
		Underground storage plant			
11	350.1	Land & Land rights	$0	0.00%	$0
12	351.1	Structures and improvements	0	0.00%	0
13	351.2	Structures and improvements	0	0.00%	0
14	351.3	Structures and improvements	0	0.00%	0
15	352	Wells	0	0.00%	0
16	352.1	Storage Lease and Rights	0	0.00%	0
17	352.2	Reservoirs	0	0.00%	0
18	352.3	Non-Recoverable Natural Gas	0	0.00%	0
19	353	Storage Lines	0	0.00%	0
20	354	Compressor station equipment	0	0.00%	0
21	355	Measuring and regulating station equipment	0	0.00%	0
22	356	Purification equipment	0	0.00%	0
23	357	Other equipment	0	0.00%	0
24		Total Underground storage plant	$0		$0

KANSAS GAS SERVICE, A DIVISION OF ONE GAS, INC.
Pro Forma Depreciation and Amortization Expense - Proposed Rates
Test Year Ended December 31, 2017

Line No.	Account Number	Description Col. 1	Pro-Forma Plant in Service Col. 2	Depreciation Rate Col. 3	Pro-Forma Depreciation Col. 4
		Transmission plant			
1	365.1	Land & Land rights	$826,609	0.00%	$0
2	365.2	Rights of way	11,907,924	1.41%	167,902
3	366.1	Structures and improvements	4,817,143	2.95%	142,106
4	366.2	Measuring and regulating station equipment	1,394,765	2.18%	30,406
5	367	Mains	219,426,814	2.38%	5,222,358
6	368	Compressor station equipment	14,394,955	3.53%	508,142
7	369	Measuring and regulating station equipment	20,802,245	3.18%	661,511
8	371	Other Equipment	(2,957)	0.00%	0
9		Total Transmission plant	$273,567,498		$6,732,425
		Distribution plant			
10	374.1	Land & Land rights	$151,291	0.00%	$0
11	374.2	Rights of way	2,218,336	1.46%	32,388
12	375.1	Structures	895,030	3.90%	34,906
13	376	Mains	342,805,764	3.22%	11,038,346
14	376.5	Mains - Metallic	288,773,290	2.49%	7,190,455
15	376.9	Mains - Cathodic Protection	30,194,961	6.46%	1,950,594
16	378	M&R station equipment - general	24,514,984	2.47%	605,520
17	379	M&R station equipment - city gate	8,760,372	2.16%	189,224
18	380	Services - Plastic	462,122,126	3.75%	17,329,580
19	380.5	Services - Metallic	31,583,063	4.68%	1,478,087
20	381	Meters	124,759,363	2.88%	3,593,070
21	381.5	Meters - AMR	27,283,319	6.67%	1,819,797
22	382	Meter installations	92,565,983	3.26%	3,017,651
23	383	House regulators	24,078,525	2.00%	481,571
24	386	Other Property on Customer Premises	224,125	20.16%	45,184
25	387	Other equipment	(2,450)	0.00%	0
26		Total Distribution plant	1,460,928,082		48,806,372

KANSAS GAS SERVICE, A DIVISION OF ONE GAS, INC.
Pro Forma Depreciation and Amortization Expense - Proposed Rates
Test Year Ended December 31, 2017

Line No.	Account Number	Description Col. 1	Pro-Forma Plant in Service Col. 2	Depreciation Rate Col. 3	Pro-Forma Depreciation Col. 4
		General Plant			
1	389.1	Land & Land rights	$1,436,165	0.00%	$0
2	390.1	Structures	36,292,052	1.57%	569,785
3	390.2	Leasehold Improvements (1)	3,184,705	0.00%	0
4	391.1	Office furniture and equipment	5,480,688	4.79%	262,525
5	391.9	Computers and other electronic equipment	6,369,882	14.01%	892,420
6	392	Transportation equipment	31,268,610	4.91%	1,535,289
7	393	Stores equipment	179,300	4.88%	8,750
8	394	Tools, shop and garage equipment	10,329,213	6.54%	675,531
9	395	Laboratory equipment	185,795	6.67%	12,393
10	396	Power operated equipment	13,076,323	4.74%	619,818
11	397	Communications equipment	5,392,738	5.34%	287,972
12	398	Miscellaneous equipment	354,997	5.00%	17,750
13		Total General Plant	$113,550,468		$4,882,232
14		Subtotal	$1,848,905,008		$60,432,089
		Less: Capitalized Depreciation			
15		392 Transportation Equipment			(1,535,289)
16		396 Power Operated Equipment			(619,818)
17		Pro-Forma Depreciation Expense			$58,276,982
18		Less: Annualized Depreciation - Present Rates 10-E			45,706,742
19		Pro-Forma Depreciation Adjustment at Proposed Rates			$12,570,240

(1) Included in amortization expense

KANSAS GAS SERVICE, A DIVISION OF ONE GAS, INC.
Pro Forma Taxes Chargeable to Operations
Test Year Ended December 31, 2017

Line No.	Description	Schedule References	Amount Per Books	Pro Forma Adjustments	Pro Forma Adjusted Total
	Col. 1	Col. 2	Col. 3	Col. 4	Col. 5
	Taxes other than income taxes:				
1	Payroll taxes	11-B	$3,839,841	$36,024	$3,875,865
2	Real estate and personal property taxes	11-B	20,954,008	190,620	$21,144,627
3	Total other taxes	11-B	1,388,054	72,394	$1,460,448
4	Total taxes other than income taxes		$26,181,903	$299,038	$26,480,941
	Income taxes:				
5	Income taxes - current	11-C	$12,183,314	($10,417,761)	$1,765,553
6	Income taxes - deferred	11-E	15,616,172	(5,225,567)	10,390,605
7	Income taxes - amortization of ITC	11-E	(128,796)	0	(128,796)
8	Total income taxes		$27,670,690	($15,643,327)	$12,027,363
9	Total taxes chargeable to operations		$53,852,593	($15,344,289)	$38,508,303

KANSAS GAS SERVICE, A DIVISION OF ONE GAS, INC.
Pro Forma Taxes Other Than Income Taxes
Test Year Ended December 31, 2017

Line No.	Description	Amount Per Books	Pro Forma Adjustments (Schedule 9-B)	Pro Forma Adjusted Total
	Col. 1	Col. 2	Col. 3	Col. 4
	Payroll taxes:			
1	Federal payroll taxes	$5,575,140	$36,024	$5,611,164
2	Federal unemployment (FUTA)	44,139	0	44,139
3	State unemployment (SUTA)	29,641	0	29,641
4	Capitalized payroll	(1,809,079)	0	(1,809,079)
5	Total payroll taxes	$3,839,841	$36,024	$3,875,865
6	General Tax Expense	$1,400,395	$72,394	$1,472,790
7	General Tax Sales Tax Allowance	(12,341)	0	(12,341)
8	Real estate and personal property taxes	20,954,008	190,620	21,144,627
	Total non-payroll taxes	$22,342,062	$263,014	$22,605,076
9	Total taxes other than income taxes	$26,181,903	$299,038	$26,480,941

KANSAS GAS SERVICE, A DIVISION OF ONE GAS, INC.
Pro Forma Current Income Taxes
Test Year Ended December 31, 2017

Line No.	Description	Schedule Reference	Amount Per Books	Pro Forma Adjustments	Pro Forma Adjusted Total
	Col. 1	Col. 2	Col. 3	Col. 4	Col. 5
	Provision for Kansas Income Tax:				
1	Taxable income	11-D	$27,861,488	($20,809,035)	$7,052,453
2	Kansas income tax		$1,922,478	($1,456,632)	$465,845
3	Adjustments [Provision-to-Return,Temp/Perm]		233,861	(233,861)	0
4	Kansas current income tax		$2,156,339	($1,690,494)	$465,845
	Provision for Federal Income Tax:				
5	Taxable income		$27,861,488	($20,809,035)	$7,052,453
6	Less: Provision for Kansas income tax (Line 2)		1,922,478	(1,456,632)	465,845
7	Federal taxable income		$25,939,010	($19,352,403)	$6,586,608
8	Federal income tax		$8,939,522	($4,064,005)	$4,875,517
9	Adjustments [Provision-to-Return,Temp/Perm]		1,087,454	(1,087,454)	0
10	2018 Tax change		0	(3,575,809)	(3,575,809)
11	Federal current income tax		$10,026,976	($8,727,267)	$1,299,708
	Summary of Current Income Taxes				
12	Kansas income tax (Line 4)		$2,156,339	($1,690,494)	$465,845
13	Federal income tax (Line 11)		10,026,976	(8,727,267)	1,299,708
14	Total current income taxes		$12,183,314	($10,417,761)	$1,765,554

KANSAS GAS SERVICE, A DIVISION OF ONE GAS, INC.
Pro Forma Taxable Income
Test Year Ended December 31, 2017

Line No.	Description	Schedule References	Amount Per Books	Pro Forma Adjustments	Pro Forma Adjusted Total
	Col. 1	Col. 2	Col. 3	Col. 4	Col. 5
1	Operating revenues	9-A	$526,405,417	($226,791,400)	$299,614,017
2	Less: Operating expenses (accts. 431 and 432 included)	9-A	375,500,577	(222,539,719)	152,960,858
3	Depreciation and amortization	9-A	47,727,090	15,579,735	63,306,825
4	Taxes other than income taxes	9-A	26,181,903	299,038	26,480,941
5	Interest Expense	8-B	16,174,128	(1,044,633)	15,129,495
6	Other income & deductions	8-B	(1,325,694)	1,325,694	0
7	Total expenses before income taxes		$464,258,004	($206,379,885)	$257,878,119
8	Operating income before income taxes		$62,147,413	($20,411,515)	$41,735,898
	Increases/(decreases):				
9	Reverse Book Depreciation		$46,489,980	$0	$46,489,980
10	Other CIAC to Income		1,912,537	0	1,912,537
11	Workmen's Comp Settlement		427,813	0	427,813
12	Bad Debts		529,879	0	529,879
13	Amortizations		0	0	0
14	OPEB Cash Payments		(2,890,548)	0	(2,890,548)
15	Contingencies/Reserves		(115,000)	0	(115,000)
16	Pension: Book Accrual		12,228,915	0	12,228,915
17	Pension: Contr butions		(8,303,785)	0	(8,303,785)
18	OPEB: Book Accrual		2,793,663	0	2,793,663
19	Book Reg Assets - Net		(2,959,045)	0	(2,959,045)
20	Purchased Gas Adjustment		(3,540,141)	0	(3,540,141)
21	Tax Depreciation		(81,795,706)	0	(81,795,706)
22	Rate Case Expenses		755,621	0	755,621
23	Active Employee Benefits		(217,628)	0	(217,628)
24	Other (Eliminate below the line other income)		0	0	0
25	Total Temporary Differences increases/(decreases):		($34,683,445)	$0	($34,683,445)
26	Meal Disallowance - 50%		$191,968	($191,968)	$0
27	Lobbying Expenses		177,854	(177,854)	0
	Civic Disallowance - 50%		13,813	(13,813)	0
28	Club Memberships		1,385	(1,385)	0
29	Penalty		12,500	(12,500)	0
30	Permanent Differences		$397,520	($397,520)	$0
31	Taxable Income (Loss)		$27,861,488	($20,809,035)	$7,052,453

Line No.	Description	Schedule Reference	Amount Per Books	Pro Forma Adjustments	Pro Forma Adjusted Total
	Col. 1	Col. 2	Col. 3	Col. 4	Col. 5
	Provision for Deferred Income Taxes :				
1	Reverse Book Depreciation		($18,386,787)	$6,052,995	($12,333,792)
2	Other CIAC to Income		(756,408)	249,012	(507,396)
3	Workmen's Comp Settlement		(169,200)	55,701	(113,499)
4	Bad Debts		(209,567)	68,990	(140,577)
5	Amortizations		0	0	0
6	OPEB Cash Payments		1,143,212	(376,349)	766,862
7	Contingencies/Reserves		45,483	(14,973)	30,510
8	Pension: Book Accrual		(4,836,536)	1,592,205	(3,244,331)
9	Pension: Cash Payments		3,284,147	(1,081,153)	2,202,994
10	OPEB: Book Accrual		(1,104,894)	363,735	(741,159)
11	Book Reg Assets - Net		1,170,302	(385,268)	785,035
12	Purchased Gas Adjustment		1,400,126	(460,926)	939,199
13	Tax Depreciation		32,350,202	(10,649,801)	21,700,401
14	Rate Case Expenses		(298,848)	98,382	(200,466)
15	Active Employee Benefits		86,072	(28,335)	57,737
16	Other (Eliminate below the line other income)		0	0	0
17	Sub-total Provision for deferred income taxes		$13,717,302	($4,515,785)	$9,201,518
18	2014 FAS 109		($2,258)	$2,258	$0
19	2014 Provision to Return		1,696,264	(558,416)	1,137,848
20	Flow-Thru Adjustment		153,624	(153,624)	0
21	Other		0	0	0
22	Sub-total Provision for deferred income taxes		$15,564,932	($5,225,567)	$10,339,366
23	Amortization of Deferred ITC		($128,796)	$0	($128,796)
24	Deferred Tax Turnaround on Def ITC		51,240	$0	51,240
25	Investment tax credit - net		($77,556)	$0	($77,556)
26	Total deferred income taxes		$15,487,376	($5,225,567)	$10,261,810

KANSAS GAS SERVICE, A DIVISION OF ONE GAS, INC.
Description of Increases/Decreases to
Operating Income Before Income Taxes
Test Year Ended December 31, 2017

Line No.	Description Col. 1	Increase Col. 2	Decrease Col. 3
1	**Book depreciation** Depreciable plant in service is depreciated through account 403 for book purposes. Tax will reverse out the book depreciation expense.	46,489,980	0
2	**Contributions in Aid (CIAC)** Advance payments for a reimbursable construction job after 1986 are treated as contributions to capital for book purposes but are includible as taxable income for tax purposes.	1,912,537	0
3	**Workmen's Compensation Settlement** Tax reverses the book estimate of workmen's compensation, then records a tax deduction for the actual payments made.	427,813	0
4	**Bad Debts** Tax reverses the book estimate of bad debt expense, then records a tax deduction for the actual net charge-offs/recoveries.	529,879	0
5	**Amortization-Leasehold Improvements** Cost associated with remodeling company facilities are being amortized for income tax purposes.	0	0

Line No.	Description Col. 1	Increase Col. 2	Decrease Col. 3
1	**Non-Pension Cash Payments (FAS 106)** Cash benefits paid for other than pension employees medical benefits are deducted for tax when paid.	0	2,890,548
2	**Contingencies/Reserves** A general liability and damage claims expense is recorded for book purposes. Tax reverses this accrual and deducts actual cash payments.	0	115,000
3	**Pension - Book Accrual (FAS 87)** FAS 87 establishes standards for "pension benefits" to employees. The book accrual for pension benefits is reversed for tax purposes.	12,228,915	0
4	**Pension - Cash Contributions (FAS 87)** The cash contributions for pension benefits are deducted for tax purposes.		8,303,785
5	**Non-Pension - Book Accrual (Fas 106)** FAS 106 establishes standards for "postretirement benefits" other than pensions to employees. The book accrual for postretirement benefits is reversed for tax purposes.	2,793,663	0
6	**Regulatory Asset** These are regulatory assets set up and amortized for book purposes. For tax purposes these expenses are deductible when incurred. The book amortization is then reversed for tax purposes in the following years.	0	2,959,045
7	**Purchased Gas Adjustment** A public utility that uses the accrual method of accounting is authorized to include fuel charges in its customers' bills for natural gas. The charges may be adjusted monthly and are trued up annually. These estimates are reversed for tax purposes.	0	3,540,141

Line No.	Description Col. 1	Increase Col. 2	Decrease Col. 3
1	**Tax Depreciation** The IRS allows depreciable plant in service to be depreciated for tax purposes at an accelerated rate. Therefore, tax depreciation as computed under IRS guidelines is recognized as a deduction for tax purposes.	0	81,795,706
2	**Rate Case Expenses** Tax reverses the book accrual for rate case expenses and deducts these expenses as they are incurred.	755,621	0
3	**Active Employee Benefits** Tax reverses the book estimate for active employee benefits and records a tax deduction for the cash payments made for these benefits.	0	217,628
4	**Other** Other miscellaneous deductions to eliminate below the line other income.	0	0
5	**50% Disallowed Meals** Book recognizes meals and entertainment expenses for GAAP purposes. disallow 50% of such expenses are disallowed per IRS guidelines.	191,968	0
6	**Lobbying Expenses** Book recognizes lobbying expenses for GAAP purposes. Lobbying expenses are disallowed per IRS guidelines; therefore, the book entry is reversed out for tax purposes.	177,854	0
7	**Civic Disallowance- 50%** Civic expenses are treated as such for book purposes, but only 50% of those expenses can be recognized as expense for tax purposes.	13,813	0
8	**Club Memberships** Employee costs related memberships in certain social clubs are not deductible for income tax purposes. Any expenses related to these items on the books are reversed for tax and not deductible.	1,385	0

Line No.	Description Col. 1	Increase Col. 2	Decrease Col. 3
1	**Tax Penalty** Penalties accrued determined to be non-deductible for tax purposes. The impact on income tax expense for this item has been eliminated.	12,500	0
		65,535,928	99,821,853

KANSAS GAS SERVICE, A DIVISION OF ONE GAS, INC.
Composite Tax Rate
Test Year Ended December 31, 2017

Line No.	Description		Tax Rates Effective 2017	Tax Rates Effective 2018
	Col. 1		Col. 2	Col. 3
1	State Income Tax Rate		7.0000%	7.0000%
2	Federal Income Tax Rate		35.0000%	21.0000%
3	Less: State Tax Deductible for Federal		-2.4500%	-1.4700%
4	Effective Federal Income Tax Rate		32.5500%	19.5300%
5	Composite Income Tax Rate		39.5500%	26.5300%
6	Inverse Tax Rate		60.4500%	73.4700%
7	Reciprocal Tax Rate (tax / 1- tax)		65.4260%	36.1100%
8	Tax Gross-up		1.654260	1.361100
9	Interest expense computation of synchronization:			
10	Rate Base	(Schedule 3A)		$1,016,084,260
11	Weighted Cost of Debt	(Schedule 7A)		1.4890%
12	Interest Expense			$15,129,495

KANSAS GAS SERVICE, A DIVISION OF ONE GAS, INC.
Accumulated Deferred Income Taxes
Accrual Charges and Credits to Account 283

Line No.	Year Col. 1	Income Taxes Deferred Col. 2	Credited to Income Col. 3	Adjustments Col. 4	Cumulative Balance Col. 5
1	1997	$104,786,340	($4,802,035)	$4,939,865	$104,924,170
2	1998	1,237,460	(4,227,624)	(2,720,972)	99,213,034
3	1999	(4,275,619)	(376,006)	4,932,767	99,494,176
4	2000	7,343,120	13,303,552	(4,334,787)	115,806,061
5	2001	5,805,215	7,224,635	(6,371,877)	122,464,034
6	2002	18,800,446	15,594,814	(14,345,950)	142,513,344
7	2003	6,564,788	(8,831,752)	(4,323,130)	135,923,250
8	2004	5,779,043	15,460,658	(11,101,266)	146,061,685
9	2005	5,864,481	12,675,978	(8,428,449)	156,173,695

KANSAS GAS SERVICE, A DIVISION OF ONE GAS, INC.
Accumulated Deferred Income Taxes
Accrual Charges and Credits to Account 283

Line No.	Year	Income Taxes Deferred	Credited to Income	Adjustments	Cumulative Balance
	Col. 1	Col. 2	Col. 3	Col. 4	Col. 5
1	2006	$17,646,429	($1,683,508)	($942,000)	$171,194,616
2	2007	7,448,708	(1,743,302)	1,261,054	178,161,076
3	2008	17,521,108	(7,086,508)	(1,110,556)	187,485,120
4	2009	20,682,151	(10,172,617)	36,528,301	234,522,954
5	2010	13,673,583	(4,870,182)	14,161,853	257,488,209
6	2011	35,072,154	(1,793,891)	14,681,666	305,448,137
7	2012	26,658,221	(272,363)	4,955,029	336,789,024
8	2013	22,902,177	(14,741,659)	(538,311)	344,411,231
9	2014	27,903,600	(18,619,684)	(285,451)	353,409,696
10	2015	24,965,789	(8,901,517)	1,133,983	370,607,951
11	2016	37,993,036	(3,440,712)	3,404,746	408,565,021
12	2017	11,204,793	(2,003,275)	(112,510,063)	305,256,476

KANSAS GAS SERVICE, A DIVISION OF ONE GAS, INC.
Accumulated Deferred Investment Tax Credit
Accrual Charges and Credits to Account 255

Line No.	Year	Beginning Balance	Investment Credits Deferred	Credited to Income	Adjustments	Ending Balance
	Col. 1	Col. 2	Col. 3	Col. 4	Col. 5	Col. 6
1	1997	$8,083,139	$0	($39,125)	$0	$8,044,014
2	1998	8,044,014	0	(307,981)	0	7,736,033
3	1999	7,736,033	0	(611,742)	0	7,124,291
4	1999SY	7,124,291	0	(180,656)	0	6,943,635
5	2000	6,943,635	0	(536,034)	0	6,407,601
6	2001	6,407,601	0	(501,120)	(247,755)	5,658,726
7	2002	5,658,726	0	(505,388)	457,650	5,610,988
8	2003	5,610,988	0	(444,807)	0	5,166,181
9	2004	5,166,181	0	(514,644)	0	4,651,537
10	2005	4,651,537	0	(499,464)	0	4,152,073

KANSAS GAS SERVICE, A DIVISION OF ONE GAS, INC.
Accumulated Deferred Investment Tax Credit
Accrual Charges and Credits to Account 255

Line No.	Year Col. 1	Beginning Balance Col. 2	Investment Credits Deferred Col. 3	Credited to Income Col. 4	Adjustments Col. 5	Ending Balance Col. 6
1	2006	$4,152,073	$0	($484,224)	$0	$3,667,849
2	2007	3,667,849	0	(454,044)	0	3,213,805
3	2008	3,213,805	0	(417,516)	0	2,796,289
4	2009	2,796,289	0	(395,244)	0	2,401,045
5	2010	2,401,045	0	(414,792)	0	1,986,253
6	2011	1,986,253	0	(384,288)	0	1,601,965
7	2012	1,601,965	0	(347,388)	0	1,254,577
8	2013	1,254,577	0	(291,960)	0	962,617
9	2014	962,617	0	(266,532)	0	696,085
10	2015	696,085	0	(201,384)	0	494,701
11	2016	494,701	0	(149,172)	0	345,529
12	2017	345,529	0	(128,796)	0	216,733

Line No.	Description Col. 1	Kansas Gas Service Col. 2	Total Company ONE Gas, Inc. Col. 3	Kansas Gas Service Percentage Col. 4
	1st Quarter 2017 - based on 12 months Ended December 2016			
1	Gross Plant and Investment	$1,775,736,075	$5,181,934,899	34.27%
2	Operating Income	$61,368,821	$269,120,357	22.80%
3	Labor Expense	$49,979,766	$139,210,708	35.90%
4	Average Percentage			30.99%

Line No.	Description	Kansas Gas Service	Total Company ONE Gas, Inc.	Kansas Gas Service Percentage
	2nd Quarter 2017 - based on 12 months Ended March 2017			
1	Gross Plant and Investment	$1,792,539,780	$5,243,046,578	34.19%
2	Operating Income	$66,226,489	$278,180,016	23.81%
3	Labor Expense	$50,591,203	$140,786,546	35.93%
4	Average Percentage			31.31%

Line No.	Description Col. 1	Kansas Gas Service Col. 2	Total Company ONE Gas, Inc. Col. 3	Kansas Gas Service Percentage Col. 4
	3rd Quarter 2017 - based on 12 months Ended June 2017			
1	Gross Plant and Investment	$1,812,271,334	$5,314,192,443	34.10%
2	Operating Income	$69,298,274	$278,609,430	24.87%
3	Labor Expense	$50,609,649	$140,832,154	35.94%
4	Average Percentage			31.64%

Line No.	Description	Kansas Gas Service	Total Company ONE Gas, Inc.	Kansas Gas Service Percentage
	4th Quarter 2017 - based on 12 months Ended September 2017			
1	Gross Plant and Investment	$1,839,144,696	$5,406,671,811	34.02%
2	Operating Income	$74,126,910	$290,641,931	25.50%
3	Labor Expense	$50,435,970	$139,724,100	36.10%
4	Average Percentage			31.87%

Line No.	Description Col. 1	Kansas Gas Service Col. 2	Total Company ONE Gas, Inc. Col. 3	Kansas Gas Service Percentage Col. 4
	1st Quarter 2018 - based on 12 months Ended December 2017			
1	Gross Plant and Investment	$1,858,077,236	$5,500,306,066	33.78%
2	Operating Income	$86,640,154	$301,049,974	28.78%
3	Labor Expense	$50,613,647	$138,444,564	36.56%
4	Average Percentage			33.04%

Causal Allocation Percentages for 2017

Line No.	Description	Allocation Basis	Kansas Gas Service	Total Company ONE Gas, Inc.	Kansas Gas Service Percentage
	Col. 1	Col. 2	Col. 3	Col. 2	Col. 4
1	Accounts Payable, Ariba (A/P software)	Inovice Count at year end 2016	23,575	153,346	15.00%
2	OGS Human Resources, Concur (credit card software), IT Services	Employee headcount at year end 2016	995	3,421	29.09%
3	Power Plant, Property Accounting	Gross PP&E year end 2016	1,775,736,075	5,181,934,899	34.27%
4	Administrative Cost for SERP	KGS's percent of total budgeted cost related to SERP for 2017	566,337	2,148,245	26.36%
5	Administrative Cost for Pension	KGS's percent of total budgeted cost related to Pension for 2017	12,228,915	28,092,042	43.53%
6	Maximo	KGS's percent of total miles of pipe at year end 2016	13,100	42,800	30.61%
7	Billing Control, Banner (customer billing software)	Customer Count at year end 2016	636,625	2,152,190	29.58%
8	Administrative Cost for Profit Share	KGS's percent of total budgeted cost related to Profit Share for 2017	1,490,442	6,474,552	23.02%
9	Administrative Cost for 401k	KGS's percent of total budgeted cost related to 401K for 2017	3,390,286	11,376,799	29.80%

Causal Allocation Percentages for 2018

Line No.	Description	Allocation Basis	Kansas Gas Service	Total Company ONE Gas, Inc.	Kansas Gas Service Percentage
	Col. 1		Col. 2	Col. 3	Col. 4
1	Accounts Payable, Ariba (A/P software)	Inovice Count at year end 2017	34,142	197,228	17.00%
2	OGS Human Resources, Concur (credit card software), IT Services	Employee headcount at year end 2017	1,036	3,598	28.79%
3	Power Plant, Property Accounting	Gross PP&E year end 2017	1,858,077,236	5,500,306,066	33.78%
4	Administrative Cost for Pension	KGS's percent of total budgeted cost related to Pension for 2018	14,283,965	26,605,122	53.69%
5	Maximo	KGS's percent of total miles of pipe at year end 2017	13,000	42,800	30.37%
6	Billing Control, Banner (customer billing software)	Customer Count at year end 2017	638,119	2,166,081	29.46%
7	Administrative Cost for Profit Share	KGS's percent of total budgeted cost related to Profit Share for 2018	1,856,482	7,735,344	24.00%
8	Administrative Cost for 401k	KGS's percent of total budgeted cost related to 401K for 2018	3,769,452	12,358,860	30.50%

KANSAS GAS SERVICE, A DIVISION OF ONE GAS, INC.
Labor Capitalization Ratio
Test Year Ended December 31, 2017

Line No.	Labor Capitalization Ratio for KGS	Labor	Labor % to Total
	Col. 1	Col. 2	Col. 3
1	Labor Expensed	$53,951,704	68.39%
2	Labor Capitalized	$24,939,025	31.61%
3	Total KGS	$78,890,729	

THIS SECTION CONTAINS THE 2017 ANNUAL REPORT

PROVEN RELIABILITY

Yesterday, Today and Tomorrow

ONE Gas

2017 Annual Report

ONE Gas

2017 Annual Report

WHY WE EXIST

Our mission is to deliver natural gas for a better tomorrow.

WHAT WE WANT TO BE

Our vision is to be a premier natural gas distribution company, creating exceptional value for our stakeholders.

WHAT WE BELIEVE IN

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

INCLUSION AND DIVERSITY
We embrace and promote diversity and collaboration; every employee makes a difference and contributes to our success.

ETHICS
We are accountable to the highest ethical standards; honesty, trust and integrity matter.

SERVICE
We set a standard of exceptional service and make continuous improvements in our pursuit of excellence.

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

ONE Gas, Inc. is a 100-percent regulated natural gas utility, and trades on the New York Stock Exchange under the symbol "OGS." ONE Gas is included in the S&P MidCap 400 Index and is one of the largest natural gas utilities in the United States.

We provide natural gas distribution services to more than 2.1 million customers in Oklahoma, Kansas and Texas.

We are headquartered in Tulsa, Oklahoma.

Our divisions include:

- **Oklahoma Natural Gas,** the largest in Oklahoma.
- **Kansas Gas Service,** the largest in Kansas.
- **Texas Gas Service,** the third largest in Texas.

Our largest natural gas distribution markets by customer count are Oklahoma City and Tulsa, Oklahoma; Kansas City, Wichita and Topeka, Kansas; and Austin and El Paso, Texas.

We serve residential, commercial, industrial, transportation, wholesale and public authority customers in all three states.

onegas.com

TO OUR FELLOW SHAREHOLDERS:

At ONE Gas, our mission is straightforward and simple: We deliver natural gas for a better tomorrow to more than 2.1 million customers. And that starts with our employees and their commitment to provide safe and reliable natural gas service to communities throughout Oklahoma, Kansas and Texas.

Every day our customers count on us to warm homes, cook meals, dry clothes, heat water and power industry. We provide reliability, warmth, comfort and convenience to millions of homes and businesses that rely on affordable energy.

We remain good stewards of our natural gas systems by being a diligent operator, which includes focusing on the impact that our operations have on the environment. We continue to be a partner in the Environmental Protection Agency's Methane Challenge Program to voluntarily reduce greenhouse gas emissions. We once again report that we exceeded our goal of replacing at least 2 percent of our vintage pipe.

Natural gas is well-positioned to remain competitive against other energy options. Natural gas is the only energy source designed to meet the energy needs of the market any time, any day and in any season. And its competitive price advantage remains approximately 3-to-1 compared with electricity in our service areas.

We remain committed to creating exceptional value for our stakeholders and are pleased with our shareholder return delivered in 2017. Our financial and operational results were solid – and a direct result of a continued long-term focus.

We achieved significant milestones in each of our five key areas of focus: **safety, a high-performing workforce, leveraging technology, growth and regulatory strategy.**

We had a remarkable year in 2017 for **safety.** Keeping our employees, customers and communities safe is at the foundation of everything we do. For the first time ever, ONE Gas ranked in the American Gas Association's top quartile in all areas of measured safety metrics: Total Recordable Incident Rate (TRIR); Days Away, Restricted or Transferred (DART); and Preventable Vehicle Incident Rate (PVIR).

We improved our TRIR by 22 percent, DART by 32 percent and PVIR by 33 percent from 2016 to 2017.

But as great as the metrics are, our most significant result has been the progression of a company-wide culture where safety comes first – every day. We know that safety doesn't just happen – it's driven by nearly 3,500 employees who have committed to a culture of zero harm. In 2017, we established an environmental, safety, health and compliance governance committee to provide even more oversight of the company's processes, policies and practices.

We know it's critical to develop a **high-performing workforce** that is equipped to demonstrate a shared passion for our business and our customers. As it relates to the integrity of our business processes, we focus on creating an ethical culture where employees understand that *how* they accomplish goals matters as much as the goal itself. Our people make the difference, and in 2017, employees continued developing action plans and strategies for continued engagement to set clear direction and build trust.

Part of establishing trust begins with feeling included. Inclusion and diversity is at the heart of creating an environment of diverse talent that is open and welcoming of all people. This past year, we created an Inclusion and Diversity Council with a goal to guide and advocate for this core value in all areas of our business. As a company, we are committed to the respect and appreciation of all our differences, while supporting one another in pursuit of our vision and mission.

Over the past year, our efforts to **leverage technology** prioritized our work to optimize performance. Our field operations and customer service teams collaborated on creating new processes using technology and data systems to better meet the needs of customers while making work more efficient for our employees in the field.

We also know that in our fast-paced, digital age, customers want to do business with us on their terms, and that means on mobile devices and through social media channels. Our work to leverage communication platforms and engage with customers is another area where technology is making it easier than ever before to do business with us.

Completing our capital plan safely and with the highest quality standards will lay the foundation for **growth** and opportunity well into the future. In 2017, we invested $356 million in capital expenditures, of which 70 percent was for system integrity and reliability improvements further enhancing our risk-based approach for infrastructure replacement. Investment in our systems not only produces a more reliable network of pipelines, but also reduces our environmental footprint and allows for more growth opportunities through expansion of service lines to new areas. This allows even more customers to take advantage of an affordable domestic energy option. Because of this ongoing investment, we added 14,000 net customers in 2017 compared with 2016.

Our success is also based on maintaining collaborative relationships with our regulators. In order to have a successful **regulatory strategy,** we must ensure we are always providing safe and reliable service in the most cost-effective way.

Our average rate base in 2018 is expected to be $3.4 billion, with 42 percent in Oklahoma, 30 percent in Kansas and 28 percent in Texas. Additionally, our customers will see cost savings due in part to the Tax Cuts and Jobs Act of 2017. This new law allows a utility to continue investing in critical infrastructure while at the same time passing the benefit of lower cost to the customer through the reduction of federal taxes collected.

Delivering natural gas for a better tomorrow is about providing customers with reliable, domestic and affordable energy for today and laying the foundation for a better future.

We look forward to the year ahead and serving our customers, communities and shareholders as we continue our work to deliver a better energy future for all. We do not plan to stop until we are the premier natural gas distribution company. Thank you for your investment and confidence in our company and strategy.

John W. Gibson
Chairman, ONE Gas, Inc.

Pierce H. Norton II
President and CEO, ONE Gas, Inc.

April 4, 2018

2017 HIGHLIGHTS

SAFETY RECORD TOP QUARTILE
TRIR: 22% DART: 32% PVIR: 33%
IMPROVEMENT

EARNINGS PER SHARE $3.08
COMPARED WITH $2.65 IN 2016

NET INCOME INCREASED TO $163 MILLION
COMPARED WITH $140 MILLION IN 2016

$356 MILLION **IN CAPITAL INVESTMENTS**
70% **FOR SYSTEM INTEGRITY AND RELIABILITY**

FINANCIAL OVERVIEW

2017 Summary

We reported a 2017 net income of $163.0 million, or $3.08 per diluted share, compared with $140.1 million, or $2.65 per diluted share, in 2016; and 2017 capital expenditures of $356.4 million, compared with $309.0 million in 2016.

Our operating income was $299.5 million, compared with $269.1 million in 2016, while net margin increased by $39.7 million compared with last year.

Net margin increases in 2017 primarily reflected new rates in Texas and Kansas along with an increase in our average residential customer count in Oklahoma and Texas.

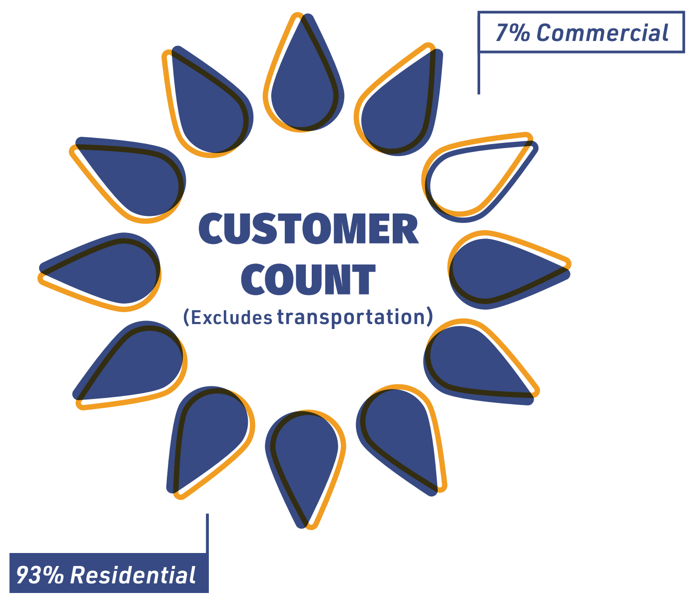
On January 16, 2018, the ONE Gas Board of Directors increased the quarterly dividend by 4 cents per share to 46 cents per share, effective for the first-quarter 2018, resulting in an annualized dividend of $1.84 per share.

Our average annual dividend growth rate is expected to increase 7 to 9 percent between 2017 and 2022 with a target dividend payout ratio of 55 to 65 percent, all subject to board approval.

HIGHLIGHTS	2017	2016	2015
NET INCOME			
Net Income (thousands)	$ 162,995	$ 140,095	$ 119,030
EARNINGS AND DIVIDENDS			
Basic	$ 3.10	$ 2.67	$ 2.26
Diluted	$ 3.08	$ 2.65	$ 2.24
Dividends Per Share	$ 1.68	$ 1.40	$ 1.20
MARGIN, VOLUMES AND WEATHER			
Net Margin (thousands)	$ 925,132	$ 885,435	$ 841,733
Total Sales Volumes Delivered (Bcf)	343.7	344.8	357.2
Actual Heating Degree Days	8,184	8,314	9,114
Normal Heating Degree Days	9,938	9,909	9,962
CUSTOMERS AND EMPLOYEES			
Average Number of Customers (thousands)	2,166	2,152	2,140
Employees	3,500	3,400	3,400
COMMON STOCK			
Market Value Per Share: Year-End Closing Price	$ 73.26	$ 63.96	$ 50.17
Average Shares of Common Stock, Outstanding (thousands)			
Basic	52,527	52,453	52,578
Diluted	52,979	52,963	53,254

SIGNIFICANT SCALE

High Percentage of Residential Customers



	OKLAHOMA	KANSAS	TEXAS	AVERAGE
2017 FIXED CHARGES SALES CUSTOMERS*	88%	54%	66%	71%
AVERAGE ANNUAL HEATING DEGREE DAYS – NORMAL	3,264	4,889	1,785	—
WEATHER NORMALIZATION**	100%	100%	100%	100%

** Fixed percentage of total net margin based on natural gas sales*
*** Percent of customers who are in jurisdictions with weather normalization adjustment mechanisms*


360
For Safety
Texas
Gas Service
A Division of ONE Gas

THE FUTURE IS BUILT ON RELIABILITY TODAY

Nearly 3,500 ONE Gas employees throughout Oklahoma, Kansas and Texas are working to safely deliver essential energy to more than 2.1 million customers who rely on natural gas every day.

Whether you're moving into a new home, enjoying a holiday dinner, or retiring from a satisfying career, natural gas is there – in the background providing the warmth, comfort and reliability you expect for your family and business.

Natural gas is efficient, affordable and domestic. We benefit from abundant natural gas supplies located in close proximity to our customers, allowing us to deliver reliable, affordable energy at a competitive advantage compared with other sources.

More than 70 percent of our customers are located in seven major metropolitan areas creating an efficiency in our delivery strategy. With a high percentage of residential customers with fixed charges, our stable earnings and cash flow help us remain focused on a well-defined capital investment plan.

We are working to ensure the safety and reliability of our natural gas delivery systems for decades to come, while also driving local economies and communities to build a future that continues to thrive.

RELIABILITY SUPPORTS GROWTH

The competitive advantage of natural gas is increasing, creating new market opportunities in our areas. Our emphasis on safety and adding value for our customers makes our business an important part of the communities we serve.

Natural gas remains positioned to serve as the key energy source for our economy supporting sustainable growth opportunities, energy independence and national security.

Part of our growth strategy involves the installation of new main and service lines to provide more residential and commercial customers access to cleaner, efficient and affordable energy. Economic and population growth, predominately in our seven major metropolitan areas, afforded us opportunities to connect an additional 14,000 net customers last year through a variety of projects.

In addition to residential growth, we support business reliability by delivering natural gas to thousands of industrial and commercial customers.

From your local pizza parlor to dry cleaners, beverage companies, hospitals and university campuses – natural gas is the valued energy choice of businesses. This means affordable energy provides sustainable savings these businesses can pass on to their customers or use to grow.

LAYING A FOUNDATION
STRATEGIC GROWTH
FOR THE FUTURE

ENERGY EFFICIENCY

115,300 REBATES ISSUED

$14 MILLION SAVED

Energy-efficient natural gas appliances help power lifestyles with convenience and affordability.

Energy-efficiency programs in Oklahoma, and in Central Texas and the Rio Grande Valley, Texas, offer customers more than 15 different rebates, helping them choose the most efficient natural gas appliances for their home and business needs.

In 2017, our combined energy-efficiency programs issued more than 115,300 rebates totaling more than $14 million.

COMBINED HEAT AND POWER

A fuel ethanol manufacturing facility in Kansas relies on natural gas to produce and supply fuel ethanol and locally grown corn and sorghum to its customers in Kansas, Oklahoma and Texas.

To improve reliability and further lower its carbon footprint, the facility installed a natural gas-fired turbine and heat recovery steam generator, powered by natural gas delivered by Kansas Gas Service.

Natural gas allows this facility to produce all the electricity and steam it needs to run its plant – fueling reliability for the farmers and industries that depend on its service.

AFFORDABLE TRANSPORTATION

Fueling Fleets

Large fleets operating in our service areas, including two of the largest parcel package distribution companies in the country, continue to invest in compressed natural gas vehicles (CNG) and infrastructure to take advantage of the lower cost and environmental benefits of natural gas.

In 2017, we delivered 2.6 million dekatherms (Dth) to 147 CNG fueling stations, including 32 we operate, which represented a 5-percent increase compared with 2016.

RELIABILITY FOR LOCAL POWER GENERATION. Manufacturers rely on efficient natural gas to fuel their businesses.

TECHNOLOGY AND PROCESSES SUPPORT RELIABILITY

Our system integrity strategy uses enterprise-wide technology to evaluate assets and projects through a consistent risk management framework. As a result, we are more efficient and effective in how we evaluate and plan for work, ensuring we are prudent with our capital expenditures.

System integrity investments accounted for 70 percent of our capital expenditures in 2017. Our goal is to continuously improve and refine our abilities to optimize risk reduction and comply with regulations.

One of the ways we leverage technology to provide reliability in our growing infrastructure is through the use of software modeling for system capacity planning. This modeling helps us support growth and reliability to expanding areas. By interfacing our customer service system with capacity modeling software, we can leverage better metrics and data in our modeling processes for project planning. This advantage increases accuracy to distribute natural gas more efficiently to the areas where demand is greatest.

ENVIRONMENTAL, SAFETY, HEALTH AND COMPLIANCE

Governance Committee

In 2017, ONE Gas created a formal committee with oversight responsibility for programs related to system and personal safety, and regulatory compliance.

This committee has approval jurisdiction for changes to operations and customer service policies, environmental, safety and health practices and policies, and performs an annual review of safety, environmental and compliance functions.

Ten officers populate the committee with subject matter experts as resources.

SENIOR VICE PRESIDENT
OPERATIONS
COMMITTEE CHAIR

MANAGING VICE PRESIDENT
FIELD OPERATIONS

SENIOR VICE PRESIDENT
COMMERCIAL

VICE PRESIDENT
SYSTEM INTEGRITY

VICE PRESIDENT OF OPERATIONS
TEXAS

VICE PRESIDENT
ES&H

VICE PRESIDENT OF OPERATIONS
OKLAHOMA

SENIOR VICE PRESIDENT
GENERAL COUNSEL

VICE PRESIDENT OF OPERATIONS
KANSAS

VICE PRESIDENT
CUSTOMER SERVICE

LEAK DETECTION AND REPAIR

Proper monitoring of assets is an important part of our system integrity program.

Leak detection and repair (LDAR) involves the performance of on-site surveys to identify leaks or other opportunities to improve the safety and reliability of our systems.

We apply a risk-based methodology to our LDAR program, which meets or exceeds requirements as defined at federal, state and local levels.

Flame Ionization and Remote Methane Leak Detection methods are used by our professional leak survey crews on a routine schedule, which considers key factors, such as type, age, condition, operating environment and history of our pipeline facilities.

INVESTMENT TODAY SUPPORTS RELIABILITY

For the Future

Vintage materials account for a majority of the overall methane emissions released by natural gas distribution systems.

By concentrating on replacing these assets with newer materials, we are committing to the health and long-term sustainability of our systems and reducing carbon footprint.

In 2017, we replaced approximately 425 miles of distribution and transmission facilities. This included 23 miles of cast iron pipe, leaving a total of 25 miles of cast iron pipe remaining, which we have committed to replace by the end of 2019.

As we continue to implement our work plans to replace the remaining vintage pipe materials throughout our systems, we expect to see further reduced emissions. In addition to the elimination of cast iron in our systems, over the next five years we expect to replace 1,150 miles of other vintage pipe materials.

VINTAGE MATERIALS REPLACED

Measured in Miles

MATERIAL TYPE	2014	2015	2016	2017
CAST IRON	21	24	22	23
UNPROTECTED BARE STEEL	282	194	192	196
PROTECTED BARE STEEL	44	25	43	61
VINTAGE PLASTIC	5	2	2	1
TOTAL VINTAGE MATERIALS REPLACED	**352**	**245**	**259**	**281**

ENVIRONMENTAL IMPACT

We understand we have a responsibility to stakeholders to operate safely, efficiently and environmentally responsibly. Ethical and values-driven business practices guide our efforts to reduce emissions and sustain the environment in areas we serve for generations to come.

Our efforts to upgrade and modernize our pipeline systems have contributed to a declining trend in emissions.

We are a founding partner in the U.S. Environmental Protection Agency's (EPA) Natural Gas STAR Methane Challenge Program.

Our five-year commitment is to reduce methane emissions companywide by annually replacing at least 2 percent of our total inventory of vintage pipe types the EPA has identified as having the highest emission rates.

Last year, we voluntarily reported early – far exceeding our goal by achieving an overall replacement rate of 7 percent. We once again report that we exceeded our goal to replace at least 2 percent.

WILDLIFE CONSERVATION

In addition to reducing emissions, we are also committed to conservation programs aligned with environmental partners to lessen the impact on land and wildlife.

We not only follow the regulations but also make sure our subcontractors and consultants do the same. ***Supported wildlife programs include:***

THE LESSER PRAIRIE CHICKEN

ONE Gas is an active member of the Lesser Prairie Chicken Range-Wide Conservation Plan, a strategy that identifies, coordinates and commits to a joint effort of the state agencies, industry and local landowners to ensure the survival and development of the once-endangered chicken throughout its habitat for the next 50 years.

THE AMERICAN BURYING BEETLE

During its active season from May to September, we field survey habitat areas prior to initiating construction or maintenance activities to ensure there is no impact. Planned projects can also be surveyed prior to the end of the active season to confirm the lack of presence during winter construction.

THE NORTHERN LONG-EARED BAT

Listed as a threatened species in 2015, this bat can be affected by construction projects in areas of Oklahoma and Kansas. During the spring and summer, the Northern Long-eared Bat roosts in trees. To help conserve this species, tree removal from May to August is limited and field surveys are conducted to ensure no bats are present during removal projects.

AQUATIC HABITATS

ONE Gas employees construct aquatic habitat structures for donation to the Oklahoma Department of Wildlife Conservation. More than 100 structures have been built by recycling small pieces of what would otherwise be scrap polyethylene pipe left over after construction projects.

COMMITMENT TO ZERO

Safety isn't just our number one value, it's the foundation of who we are and drives what we do as a company.

We strive to foster a safety culture throughout our operating footprint that is committed to achieving zero. Zero incidents. Zero harm.

Through a comprehensive behavior-based safety approach and a renewed focus on communicating the importance of reducing risk and keeping an eye on safety, we have been able to make a positive impact on employees and the company.

In 2017, we made great strides to improve our safety statistics as we move one step closer toward achieving zero.

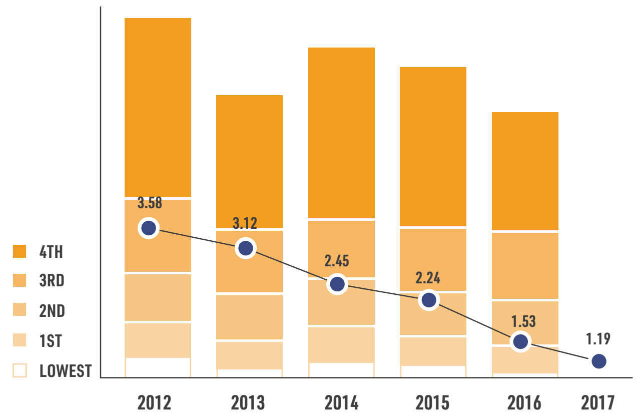
For the first time, ONE Gas ranked in the American Gas Association's top quartile in all areas of measured safety metrics: Total Recordable Incident Rate (TRIR); Days Away, Restricted or Transferred (DART); and Preventable Vehicle Incident Rate (PVIR).

In 2017, we improved our TRIR by 22 percent, DART by 32 percent and PVIR by 33 percent. This improvement didn't happen overnight. It was a result of our employees' daily commitment to a culture of zero by making the effort to look out for each other, our customers and our communities.

This focused safety effort was apparent not only in our measurable results but also in our effort to learn from others and take a look at our processes to improve where there is opportunity. In 2017, we had the opportunity to participate in the American Gas Association's annual peer safety review, which involved representatives from several peer companies reviewing and evaluating our processes and procedures.

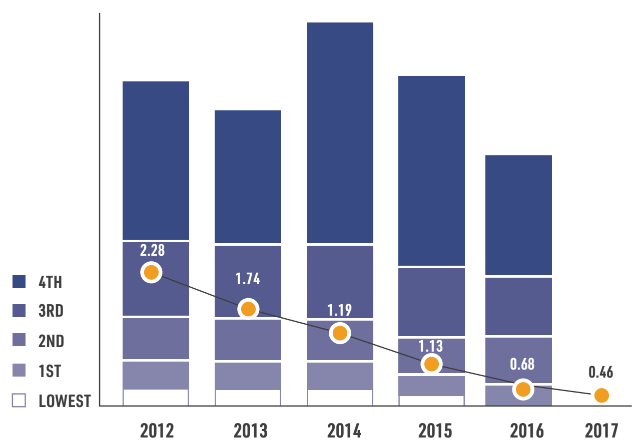
These efforts help our company and employees all remain focused on continuous improvement and a culture committed to zero harm for all stakeholders.

TRIR AMERICAN GAS ASSOCIATION QUARTILE DATA



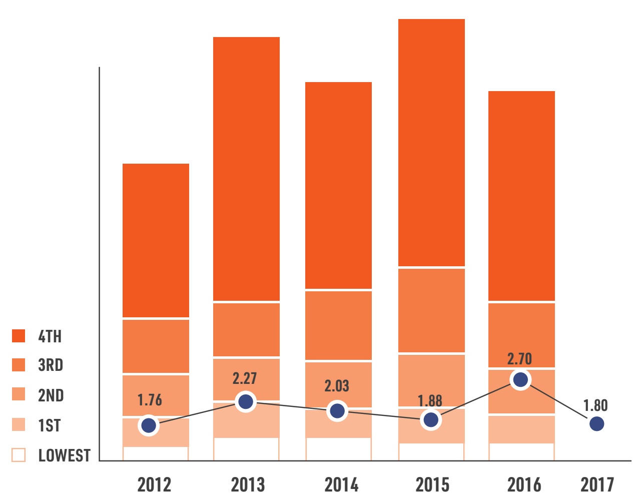
Total Recordable Incident Rate (TRIR) was 1.19 incidents per 200,000 work hours.

DART AMERICAN GAS ASSOCIATION QUARTILE DATA



Days Away, Restricted of Transferred (DART) was 0.46 incidents per 200,000 work hours.

PVIR AMERICAN GAS ASSOCIATION QUARTILE DATA



Preventable Vehicle Incident Rate (PVIR) was 1.80 incidents per million miles driven.

The American Gas Association (AGA) represents local energy companies that deliver clean natural gas throughout the U.S.

ENERGY IS ESSENTIAL

To the People and Communities We Serve

Delivering affordable and efficient energy to more than 2.1 million customers is not the only way we are working to build a foundation for a better tomorrow.

We believe being a community partner requires a commitment to making our areas better through charitable giving and volunteering.

We all have a part to play in energizing our communities by giving back, ensuring successful growth and building a brighter future.

Through the ONE Gas Foundation, we are partnering with public school foundations to fund grants that help teachers equip classrooms with the latest technology and programs that prepare students for the future. It's one of the many ways we are energizing the areas we serve.

$2.7 MILLION IN CONTRIBUTIONS

Through the ONE Gas Foundation and our community giving efforts in 2017

TAKING INITIATIVE IN 2017
EMPLOYEE DRIVEN IMPACT

8,600
HOURS VOLUNTEERED

MATCHING GRANTS
$964,000
EMPLOYEE, RETIREE AND DIRECTOR PLEDGES

FOUNDATION GRANTS
$942,500
NONPROFITS AND PUBLIC SCHOOLS

COMMUNITY GIVING
$757,000
CONTRIBUTIONS AND SPONSORSHIPS

BOARD OF DIRECTORS

Noted from Left to Right

Douglas H. Yaeger
Retired Chairman, President and
Chief Executive Officer
The Laclede Group, Inc. (Spire, Inc.)

Pierce H. Norton II
President and Chief Executive Officer
ONE Gas, Inc.

Pattye L. Moore
Chairman
Red Robin Gourmet Burgers

John W. Gibson
Chairman
ONE Gas, Inc.

Eduardo A. Rodriguez
President
Strategic Communication
Consulting Group

Michael G. Hutchinson
Retired Partner
Deloitte & Touche

Robert B. Evans
Retired President and Chief Executive Officer
Duke Energy Americas

EXECUTIVE TEAM

As of April 4, 2018

Pierce H. Norton II, 58
President and
Chief Executive Officer

Curtis L. Dinan, 50
Senior Vice President
Chief Financial Officer and Treasurer

Joseph L. McCormick, 58
Senior Vice President
General Counsel and Assistant Secretary

Caron A. Lawhorn, 57
Senior Vice President
Commercial

Robert S. McAnnally, 54
Senior Vice President
Operations

Mark A. Bender, 53
Senior Vice President
Administration
Chief Information Officer

Julie A. White, 47
Vice President
Communications and Public Affairs

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

FORM 10-K

X ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2017.
OR
__ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from __________ to __________.

Commission file number 001-36108

ONE Gas, Inc.

(Exact name of registrant as specified in its charter)

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

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

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

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

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

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

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes X No _

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

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

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

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

The aggregate market value of the equity securities held by nonaffiliates based on the closing trade price of the registrant on June 30, 2017, was $3.5 billion.

On February 9, 2018, we had 52,315,980 shares of common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE:

Portions of the definitive proxy statement to be delivered to shareholders in connection with the Annual Meeting of Shareholders to be held May 24, 2018, are incorporated by reference in Part III.

ONE Gas, Inc.
2017 ANNUAL REPORT

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

GLOSSARY

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

AAO	Accounting Authority Order
ADIT	Accumulated deferred income tax
ACA	Annual Cost Adjustment
AFUDC	Allowance for funds used during construction
Annual Report	Annual Report on Form 10-K for the year ended December 31, 2017
ASU	Accounting Standards Update
ATSR	Ad-Valorem Tax Surcharge Rider
Bcf	Billion cubic feet
CERCLA	Federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended
CFTC	Commodities Futures Trading Commission
Clean Air Act	Federal Clean Air Act, as amended
Clean Water Act	Federal Water Pollution Control Amendments of 1972, as amended
CNG	Compressed natural gas
Code	Internal Revenue Code of 1986, as amended
COG	Cost of gas
COGR	Cost of gas rider
COSA	Cost-of-Service Adjustment
DOT	United States Department of Transportation
Dth	Dekatherm
ECP	The ONE Gas, Inc. Equity Compensation Plan
EPA	United States Environmental Protection Agency
EPARR	El Paso Annual Rate Review
EPS	Earnings per share
EPSA	El Paso Service Area
ESPP	The ONE Gas, Inc. Employee Stock Purchase Plan
Exchange Act	Securities Exchange Act of 1934, as amended
FASB	Financial Accounting Standards Board
FERC	Federal Energy Regulatory Commission
GAAP	Accounting principles generally accepted in the United States of America
GPAC	Gas Pipeline Advisory Committee
GRIP	Texas Gas Reliability Infrastructure Program
GSRS	Gas System Reliability Surcharge
Heating Degree Day or HDD	A measure designed to reflect the demand for energy needed for heating based on the extent to which the daily average temperature falls below a reference temperature for which no heating is required, usually 65 degrees Fahrenheit
IRS	U.S. Internal Revenue Service
IRS Ruling	Private Letter Ruling from IRS
KCC	Kansas Corporation Commission
KDHE	Kansas Department of Health and Environment
kWh	Kilowatt hour
LDC	Local distribution company
LIBOR	London Interbank Offered Rate
MGP	Manufactured gas plant
MMcf	Million cubic feet
Moody's	Moody's Investors Service, Inc.
NOL	Net operating loss
NPRM	Notice of proposed rulemaking
NYMEX	New York Mercantile Exchange
NYSE	New York Stock Exchange
OCC	Oklahoma Corporation Commission

ONE Gas	ONE Gas, Inc.
ONE Gas Credit Agreement	ONE Gas' $700 million amended and restated revolving credit agreement, which expires on October 5, 2022
ONEOK	ONEOK, Inc. and its subsidiaries
ONEOK Partners	ONEOK Partners, L.P. and its subsidiaries
OSHA	Occupational Safety and Health Administration
PBRC	Performance-Based Rate Change
PGA	Purchased Gas Adjustment
PHMSA	United States Department of Transportation Pipeline and Hazardous Materials Safety Administration
Pipeline Safety Improvement Act	Pipeline Safety Improvement Act of 2002, as amended
Pipeline Safety, Regulatory Certainty and Job Creation Act	Pipeline Safety, Regulatory Certainty and Job Creation Act of 2011, as amended
ROE	Return on equity calculated consistent with utility ratemaking principles in each jurisdiction in which we operate
RRC	Railroad Commission of Texas
S&P	Standard and Poor's Rating Services
SEC	Securities and Exchange Commission
Securities Act	Securities Act of 1933, as amended
Senior Notes	ONE Gas' registered notes consisting of $300 million of 2.07 percent senior notes due 2019, $300 million of 3.61 percent senior notes due 2024 and $600 million of 4.658 percent notes due 2044.
Separation and Distribution Agreement	Separation and Distribution Agreement dated January 14, 2014, between ONEOK and ONE Gas
TAC	Temperature Adjustment Clause
Tax Matters Agreement	Tax Matters Agreement dated January 14, 2014, between ONEOK and ONE Gas
WNA	Weather normalization adjustments
XBRL	eXtensible Business Reporting Language

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

PART I

ITEM 1. BUSINESS

OUR BUSINESS

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

We provide natural gas distribution services to more than 2 million customers, and are the largest natural gas distributor in Oklahoma and Kansas and the third largest in Texas, in terms of customers. We serve residential, commercial and industrial, transportation and wholesale, and public authority customers in all three states. Our largest natural gas distribution markets in terms of customers are Oklahoma City and Tulsa, Oklahoma; Kansas City, Wichita and Topeka, Kansas; and Austin and El Paso, Texas. Our three divisions, Oklahoma Natural Gas, Kansas Gas Service and Texas Gas Service, distribute natural gas to approximately 88 percent, 72 percent and 13 percent of the natural gas distribution customers in Oklahoma, Kansas and Texas, respectively.

OUR STRATEGY

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

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

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

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

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

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

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

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

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

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

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

REGULATORY OVERVIEW

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

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

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

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

- Rate Design for Residential Customers - Oklahoma Natural Gas is authorized to utilize a rate structure providing customers with two rate choices. Rate Choice “A” is designed for customers whose annual normalized volume is less than 50 Dth. These customers pay a fixed monthly service charge and a per Dth delivery fee. Although a portion of the net margin for customers in Rate Choice "A" is dependent on usage, these customers use relatively small quantities of natural gas and therefore the net margin that is dependent on usage is not significant. The fixed monthly residential customer charge is $16.98, with a delivery fee of $4.1143 per Dth for these customers. Rate Choice "B" is designed for customers whose annual normalized volume is 50 Dth or greater. These customers pay only a fixed monthly service charge of $34.12. At December 31, 2017, 72 percent of Oklahoma Natural Gas' residential customers were on Rate Choice "B."

- Rate Design for Commercial and Industrial Customers - Oklahoma Natural Gas is authorized to utilize a structure providing two different rate choices for its Small Commercial and Industrial, or SCI, customers. Rate Choice "A" is designed for SCI customers whose annual normalized volume is less than 40 Dth. These customers pay both a fixed monthly service charge of $20.81 and a delivery fee of $4.5599 per Dth. Rate Choice "B" is designed for SCI customers whose annual normalized volume is 40 Dth or greater but less than 150 Dth. These customers pay only a fixed monthly service charge of $36.01. All of Oklahoma Natural Gas' Large Commercial and Industrial, or LCI, customers, whose annual volume is 150 Dth or greater, but less than 5,000 Dth, pay a fixed monthly service charge of $96.11. At December 31, 2017, 79 percent of Oklahoma Natural Gas' commercial and industrial customers were on either SCI Rate Choice "B" or LCI.
- PGA Clause - Oklahoma Natural Gas' commodity, transportation, storage and gas purchase operations and maintenance costs are passed through to its sales customers, without profit, via the PGA. Any costs associated with natural gas that is lost, used or unaccounted for in operations and the fuel-related portion of bad debts are also recovered through the PGA.
- TAC - The TAC is a weather normalization mechanism designed to reduce the delivery charge component of customers' bills for the additional volumes used when the actual HDDs exceed the normalized HDDs and to increase the delivery charge component of customers' bills for volumes not used when actual HDDs are less than the normal HDDs. Normalized HDDs established through our most recent rate proceeding are based on 10-year weighted average HDDs as of December 31, 2014, for years 2005-2014, as calculated using 11 weather stations across Oklahoma and weighted on average customer count for Oklahoma. The TAC is in effect from November through April.
- Energy Efficiency Programs - Oklahoma Natural Gas has energy efficiency programs, available to all of its sales customers. The costs associated with these programs and an incentive to offer these programs are recovered through a monthly surcharge on customer bills. Oklahoma Natural Gas collects approximately $15.4 million each year from sales customers to fund the programs, which provides rebates for energy efficient natural gas appliances.
- CNG Rebate Program - The CNG rebate program is designed to promote and support the CNG market in the state of Oklahoma by offering rebates to Oklahoma residents who purchase dedicated and bi-fueled natural gas vehicles or install residential CNG fueling stations. The rebates are funded by a $0.25 per gasoline gallon equivalent surcharge that Oklahoma Natural Gas is authorized to collect on fuel purchased from a CNG dispenser owned by Oklahoma Natural Gas. Collections from the surcharge to fund the program were not material in 2017.

For the year ended December 31, 2017, approximately 88 percent of Oklahoma Natural Gas' net margin from its sales customers was recovered from fixed charges.

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

- COGR and ACA - These mechanisms allow Kansas Gas Service to recover the actual cost of the natural gas it sells to its customers. The COGR includes a monthly estimate of the cost Kansas Gas Service incurs in transporting, storing and purchasing natural gas supply for its sales customers, the ACA and other charges and credits. The ACA is an annual component of the COGR that compares the cost of gas recovered through the COGR for the preceding year with the actual natural gas supply costs and the fuel-related portion of bad debts for the same period. Any over- or under-recovery is reflected in the subsequent year's COGR.
- WNA Clause - In 2016, the WNA Clause required Kansas Gas Service to accrue the variation in net margin resulting from actual weather differing from normal weather occurring from November through March. Beginning in April 2017, the WNA mechanism allows an accrual each month of the year. WNA is designed to reduce the delivery charge component of customers' bills for the additional volumes used when the actual HDDs exceed the normalized HDDs and to increase the delivery charge component of customers' bills for the reduction in volumes used when actual HDDs are less than the normal HDDs. Normal HDDs are established through rate proceedings and are based on a 30-year average for years 1981-2010 published by the National Oceanic and Atmospheric Administration, as calculated using 4 weather stations across Kansas and weighted on HDDs by weather station and customers for Kansas. Annually, the amount of the adjustment is determined and is then applied to customers' bills over the subsequent 12-month period. Prior to April 2017, Normal HDDs were based on a 30-year average for years 1981-2010 published by

the National Oceanic and Atmospheric Administration, as calculated using 13 weather stations across Kansas and weighted on HDDs by weather station and customers for Kansas.
- ATSR - This rider requires Kansas Gas Service to recover the difference each year between the property tax costs included in its base rates and its actual property tax costs incurred without having to file a rate case. The amount of the adjustment is determined annually and recovered over the subsequent 12 months as a change in the delivery charge component of customers' bills.
- Pension and Other Postemployment Benefits Trackers - These trackers require Kansas Gas Service to track and defer for recovery in its next rate case the difference between the pension and other postemployment benefit costs included in base rates and actual expense as determined in accordance with GAAP.
- GSRS - This surcharge allows Kansas Gas Service to file for a rate adjustment providing a recovery of and return on qualifying infrastructure investments, such as expenditures necessary to meet state and federal pipeline safety requirements and government-required relocation projects, incurred between rate case filings. The filing cannot occur more often than once every 12 months and the rate adjustment cannot increase the monthly charge by more than $0.40 per residential customer compared with the most recent GSRS filing. After five annual filings, Kansas Gas Service is required to file a rate case or cease collection of the surcharge.

The fixed monthly residential customer charge for Kansas Gas Service was $16.70, and for the year ended December 31, 2017, approximately 54 percent of Kansas Gas Service's net margin from its sales customers was recovered from fixed charges.

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

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

The average fixed monthly residential customer charge for Texas Gas Service is $16.19, and for the year ended December 31, 2017, approximately 66 percent of Texas Gas Service's net margin from its sales customers was recovered from fixed charges.

MARKET CONDITIONS AND SEASONALITY

Supply - We purchased 137 Bcf and 134 Bcf of natural gas supply in 2017 and 2016, respectively. Our natural gas supply portfolio consists of long-term, seasonal and short-term contracts from a diverse group of suppliers. We award these contracts through competitive-bidding processes to ensure reliable and competitively priced natural gas supply. We acquire our natural gas supply from natural gas processors, marketers and producers.

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

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

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

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

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

As of December 31, 2017, we had 50.4 Bcf of natural gas storage capacity under lease with remaining terms ranging from one to ten years and maximum allowable daily withdrawal capacity of approximately 1.3 Bcf. This storage capacity allows us to purchase natural gas during the off-peak season and store it for use in the winter periods. This storage is also needed to assure the reliability of gas deliveries during peak demands for natural gas. Approximately 27 percent of our winter natural gas supply needs for our sales customers is expected to be supplied from storage.

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

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

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

Competition - We encounter competition based on customers' preference for natural gas, compared with other energy alternatives and their comparative prices. We compete primarily to supply energy for space and water heating, cooking and clothes drying. Significant energy usage competition occurs between natural gas and electricity in the residential and small commercial markets. Customers and builders typically make the decision on the type of equipment, and therefore the energy source, at initial installation, generally locking in the chosen energy source for the life of the equipment. Changes in the competitive position of natural gas relative to electricity and other energy alternatives have the potential to cause a decline in consumption of natural gas or in the number of natural gas customers.

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

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

Natural Gas vs. Electricity	Oklahoma	Kansas	Texas
Average retail price of electricity / kWh(1)	10.58¢	13.32¢	11.18¢
Natural gas price equivalent of electricity / Dth(1)	$ 31.01	$ 39.04	$ 32.77
ONE Gas delivered cost of natural gas / Dth(2)	$ 10.90	$ 10.55	$ 13.77
Natural gas advantage ratio(3)	2.8x	3.7x	2.4x

(1) Source: United States Energy Information Agency, www.eia.gov, for the eleven-month period ended November 30, 2017.
(2) Represents the average delivered cost of natural gas to a residential customer, including the cost of the natural gas supplied, fixed customer charge, delivery charges and charges for riders, surcharges and other regulatory mechanisms associated with the services we provide, for the year ended December 31, 2017.
(3) Calculated as the ratio of the natural gas price equivalent per Dth of the average retail price of electricity per kWh to the ONE Gas delivered average cost of natural gas per Dth.

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

CNG - In meeting increased interest in CNG for motor vehicle transportation, particularly from fleet operators, we have continued to invest in our system to support the supply of natural gas to CNG fueling stations. As of December 31, 2017, we supply 147 fueling stations, 32 of which we operate. Of the 115 remaining stations, 65 are retail and 50 are private CNG stations. We transported 2.6 million Dth to CNG stations in 2017, which represents an increase of 5 percent compared with 2016.

We will continue to support industry efforts to encourage development of more vehicle options by car and truck manufacturers, to support third-party investment in CNG fueling stations and to continue tax incentives for CNG. We continue to deploy a minimum amount of capital to connect CNG stations and allow the free market to build and operate the stations.

ENVIRONMENTAL AND SAFETY MATTERS

See Note 13 of the Notes to Consolidated Financial Statements and Management’s Discussion and Analysis of Financial Condition and Results of Operations in this Annual Report for information regarding environmental and safety matters.

EMPLOYEES

We employed approximately 3,500 people at February 1, 2018, including approximately 700 people at Kansas Gas Service who are subject to collective bargaining agreements. The following table sets forth our contracts with collective bargaining units at February 1, 2018:

Union	Approximate Employees	Contract Expires
The United Steelworkers	400	October 31, 2019
International Brotherhood of Electrical Workers (“IBEW”)	300	June 30, 2018

EXECUTIVE OFFICERS OF THE REGISTRANT

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

Name	Age*		Business Experience in Past Five Years
Pierce H. Norton II	57	2014 to present	President, Chief Executive Officer and Director
		2013 to 2014	Executive Vice President, Commercial, ONEOK and ONEOK Partners
Curtis L. Dinan	50	2014 to present	Senior Vice President, Chief Financial Officer and Treasurer
		2013 to 2014	Senior Vice President, Natural Gas, ONEOK Partners
Joseph L. McCormick	58	2014 to present	Senior Vice President, General Counsel and Assistant Secretary
		2013 to 2014	Vice President and Associate General Counsel, ONEOK and ONEOK Partners
Caron A. Lawhorn	56	2014 to present	Senior Vice President, Commercial
		2013 to 2014	Senior Vice President, Commercial, Natural Gas Distribution, ONEOK
Robert S. McAnnally	54	2015 to present	Senior Vice President, Operations
		2013 to 2015	Senior Vice President, Marketing and Customer Service, Alabama Gas Corporation, a subsidiary of The Laclede Group, Inc. (now Spire Inc.)
Mark A. Bender	53	2015 to present	Senior Vice President, Administration and Chief Information Officer
		2014 to 2015	Vice President and Chief Information Officer
		2013 to 2014	Vice President of Information Technology Operations, Chesapeake Energy Corporation

* As of January 1, 2018

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

INFORMATION AVAILABLE ON OUR WEBSITE

We make available, free of charge, on our website (www.onegas.com) copies of our Annual Report, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, amendments to those reports filed or furnished to the SEC pursuant to Section 13(a) or 15(d) of the Exchange Act and reports of holdings of our securities filed by our officers and directors under Section 16 of the Exchange Act as soon as reasonably practicable after filing such material electronically or otherwise furnishing it to the SEC. Copies of our Code of Business Conduct and Ethics, Corporate Governance Guidelines, Certificate of Incorporation, bylaws and the written charters of our Audit Committee, Executive Compensation Committee, Corporate Governance Committee and Executive Committee are also available on our website, and we will provide copies of these documents upon request.

We also use Twitter®, LinkedIn® and Facebook® as additional channels of distribution to reach public investors. Information contained on our website, posted on our Facebook® page or disseminated through Twitter® or LinkedIn®, and any corresponding applications, are not incorporated by reference into this report.

We also make available on our website the Interactive Data Files required to be submitted and posted pursuant to Rule 405 of Regulation S-T.

ITEM 1A. RISK FACTORS

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

RISK FACTORS INHERENT IN OUR BUSINESS

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

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

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

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

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

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

We are subject to comprehensive regulation by several state and municipal utility regulatory agencies, which significantly influences our operating environment and our ability to recover our costs from utility customers. The utility regulatory authorities in Oklahoma, Kansas and Texas regulate many aspects of our utility operations, including organization, safety, financing, affiliate transactions, customer service and the terms of service to customers, including the rates that we can charge customers. Currently, there are regulatory efforts in Oklahoma, Kansas and Texas to adjust our rates to reflect lower federal corporate tax rates brought about by the enactment of the Tax Cuts and Jobs Act of 2017.

The profitability of our operations is dependent on our ability to pass through costs, including income taxes, related to providing natural gas to our customers by filing periodic rate cases. The regulatory environment applicable to our operations could impair our ability to recover costs historically absorbed by our customers. In addition, as the regulatory environment applicable to our operations increases in complexity, the risk of inadvertent noncompliance could also increase. Our failure to comply with applicable laws and regulations could result in the imposition of fines, penalties or other enforcement action by the authorities that regulate our operations.

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

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

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

Unfavorable economic and market conditions could adversely affect our earnings.

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

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

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

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

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

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

We have implemented a set of policies and procedures that involve both our senior management and the Audit Committee of our Board of Directors to assist us in managing risks associated with our business. These risk-management policies and procedures are intended to align strategies, processes, people, information technology and business knowledge so that risk is managed throughout the organization. However, as conditions change and become more complex, current risk measures may fail to assess adequately the relevant risk due to changes in the market and the presence of risks previously unknown to us. Additionally, if employees fail to adhere to our policies and procedures or if our policies and procedures are not effective, potentially because of future conditions or risks outside of our control, we may be exposed to greater risk than we had intended. Ineffective risk-management policies and procedures or violation of risk-management policies and procedures could have an adverse effect on our earnings, financial condition and cash flows.

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

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

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

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

Our business activities are concentrated in three states.

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

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

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

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

Our ability to obtain adequate and cost-effective financing depends in part on our credit ratings. Our credit ratings are subject to change at any time in the discretion of the applicable rating agencies. Numerous factors, including many of which are not within our control, are considered by the rating agencies in connection with assigning credit ratings. For example, the Tax Cuts and Jobs Act of 2017 recently prompted one rating agency to adjust the credit outlook (but not the underlying credit ratings) of several regulated utilities, including us. A reduction in our ratings by our rating agencies could adversely affect our costs of borrowing and/or access to sources of liquidity and capital. Such a downgrade could further limit or delay our access to public and private credit markets and increase the costs of borrowing under available credit lines. Should our credit ratings be downgraded, it could limit or delay our ability to obtain additional financing in the future for working capital, capital expenditures and acquisitions when necessary or desirable. In addition, our pool of investors and prospective creditors would likely decrease. An increase in borrowing costs without the ability to recover these higher costs in the rates charged to our customers could adversely affect our results of operations, financial condition and cash flows by limiting our ability to earn our allowed rate of return.

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

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

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

The workplaces associated with our facilities are subject to the requirements of DOT and OSHA, and comparable state statutes that regulate the protection of the health and safety of workers. The failure to comply with DOT, OSHA and state requirements or general industry standards, including keeping adequate records or preventing occupational exposure to regulated substances, could expose us to civil or criminal liability, enforcement actions, and regulatory fines and penalties and could have a material adverse effect on our business, financial condition, results of operations and cash flows.

We are subject to environmental regulations, which could adversely affect our operations or financial results.

We are subject to laws, regulations and other legal requirements enacted or adopted by federal, state and local governmental authorities relating to environmental and health and safety matters, including those legal requirements that govern discharges of substances into the air and water, the management and disposal of hazardous substances and waste, the clean-up of contaminated sites, groundwater quality and availability, plant and wildlife protection, as well as work practices related to employee health and safety. Environmental legislation also requires that our facilities, sites and other properties associated with our operations be operated, maintained, abandoned and reclaimed to the satisfaction of applicable regulatory authorities. The failure to comply with these laws, regulations and other requirements, or the discovery of presently unknown environmental conditions, could expose us to civil or criminal liability, enforcement actions and regulatory fines and penalties and could have a material adverse effect on our business, financial condition, results of operations and cash flows.

We also own or retain legal responsibility for certain environmental conditions at 12 former MGP sites in Kansas. A number of environmental issues may exist with respect to these former MGP sites. Accordingly, future costs are dependent on the final determination and regulatory approval of any remedial actions, the complexity of the site, level of remediation, changing technology and governmental regulations and could be material to our financial condition, results of operations and cash flows.

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

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

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

Climate change, carbon neutral or energy-efficiency legislation or regulations could increase our operating costs or restrict our market opportunities, adversely affecting our growth, cash flows and results of operations.

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

We are subject to physical and financial risks associated with climate change.

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

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

Our earnings can vary from year to year, depending in part on weather conditions, which directly influence the volume of natural gas delivered to customers. Natural gas sales to residential and commercial customers are seasonal, as a substantial portion of their natural gas requirements are for heating during the winter months. Warmer-than-normal weather can reduce our utility margins as customer consumption declines. We have implemented weather normalization mechanisms for our sales to customers in Oklahoma, Kansas and portions of Texas, which are designed to limit our earnings sensitivity to weather. Weather normalization mechanisms require us to increase customer billings to offset lower natural gas usage when weather is warmer than normal and decrease customer billings to offset higher natural gas usage when weather is colder than normal. If our rates and tariffs are modified to curtail such weather protection programs, then we would be exposed to additional risk associated with weather. As a result of occurrences of the foregoing, our results of operations, financial condition and cash flows could vary and be impacted adversely.

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

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

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

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

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

At December 31, 2017, we had approximately $158 million of goodwill recorded on our Consolidated Balance Sheet. Goodwill is recorded when the purchase price of a business exceeds the fair market value of the tangible and separately measurable intangible net assets. GAAP requires us to test goodwill for impairment on an annual basis or when events or circumstances occur indicating that goodwill might be impaired. Long-lived assets with finite useful lives are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If we determine that impairment is indicated, we would be required to take an immediate noncash charge to earnings with a correlative effect on our equity and balance sheet leverage as measured by debt to total capitalization, which could adversely impact our financial condition and results of operations.

We may be unable to access capital or our cost of capital may increase significantly.

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

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

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

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

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

As a result of cross-default provisions in our borrowing arrangements, we may be unable to satisfy all of our outstanding obligations in the event of a default on our part.

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

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

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

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

In addition, the costs of providing health care benefits to our employees could increase over the next five to ten years due in large part to the Patient Protection and Affordable Care Act of 2010, and its potential revision, repeal and/or replacement. The future costs of compliance with the provisions are difficult to measure at this time. Also, our costs of providing such benefits and related funding requirements could also materially increase in the future, depending on the timing of the recovery, if any, of such costs through our rates, which could adversely impact our financial condition and cash flows.

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

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

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

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

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

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

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

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

There is no guarantee that the precautions we take to protect against unauthorized access to secured data on our systems are adequate to safeguard against all security breaches. Any future cyber or physical security attacks, or threats of such attacks, that affect our distribution facilities, our customers, our suppliers and third-party service providers or any financial data could have a material adverse effect on our businesses. As potential cyber or physical security attacks become more common and sophisticated, we could be required to incur increased costs to strengthen our systems or to obtain additional insurance coverage against potential losses. In addition, cyber or physical attacks or threats on our company, customer and employee data may result in a financial loss and may adversely impact our reputation. Third-party systems on which we rely could also suffer operational system failure.

The foregoing events could adversely affect our business reputation, diminish customer confidence, disrupt operations, subject us to financial liability or increased regulation, increase our costs and expose us to material legal claims and liability, and our business, financial condition and results of operations could be affected adversely.

Our business could be adversely affected by strikes or work stoppages by our unionized employees.

At February 1, 2018, approximately 700 of our estimated 3,500 employees were represented by collective-bargaining units under collective-bargaining agreements. We are involved periodically in discussions with collective-bargaining units representing some of our employees to negotiate or renegotiate labor agreements. We cannot predict the results of these negotiations, including whether any failure to reach new agreements will have a negative effect on our business, financial condition and results of operations or whether we will be able to reach any agreement with the collective-bargaining units. Any failure to reach agreement on new labor contracts might result in a work stoppage. Any future work stoppage could, depending on the operations and the length of the work stoppage, have a material adverse effect on our financial condition, results of operations and cash flows.

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

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

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

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

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

Our financing arrangements subject us to various restrictions that could limit our operating flexibility.

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

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

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

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

RISKS RELATING TO THE SEPARATION

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

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

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

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

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

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

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

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

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

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

RISKS RELATING TO OUR COMMON STOCK

Provisions in our certificate of incorporation, our bylaws, Oklahoma law and certain of the agreements into which we have entered as part of the separation may prevent or delay an acquisition of our company, which could decrease the trading price of our common stock.

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

- a Board of Directors that is divided into three classes with staggered terms;
- rules regarding how shareholders may present proposals or nominate directors for election at shareholder meetings;
- the right of our Board of Directors to issue preferred stock without shareholder approval; and
- limitations on the right of shareholders to remove directors.

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

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

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

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

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

The following table sets forth the approximate miles of distribution mains and transmission pipeline as of December 31, 2017:

Properties (miles)	OK	KS	TX	Total
Distribution	**18,500**	**11,400**	**10,300**	**40,200**
Transmission	**700**	**1,600**	**300**	**2,600**
Total properties	**19,200**	**13,000**	**10,600**	**42,800**

We lease approximately 400 thousand square feet of office space and other facilities for our operations. In addition, we have 50.4 Bcf of natural gas storage capacity under lease, with maximum allowable daily withdrawal capacity of approximately 1.3 Bcf.

ITEM 3. LEGAL PROCEEDINGS

See Note 13 of the Notes to Consolidated Financial Statements in this Annual Report for information regarding legal proceedings.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

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

MARKET INFORMATION, HOLDERS AND DIVIDENDS

Our common stock is listed on the NYSE under the trading symbol “OGS.” The following table sets forth the high and low closing prices of our common stock for the period indicated:

	Year Ended December 31, 2017		
	High	**Low**	**Dividends**
First Quarter	$ 68.59	$ 62.30	$ 0.42
Second Quarter	$ 72.40	$ 67.65	$ 0.42
Third Quarter	$ 75.73	$ 68.80	$ 0.42
Fourth Quarter	$ 79.25	$ 72.38	$ 0.42

	Year Ended December 31, 2016		
	High	**Low**	**Dividends**
First Quarter	$ 61.78	$ 48.40	$ 0.35
Second Quarter	$ 66.59	$ 56.95	$ 0.35
Third Quarter	$ 66.50	$ 59.50	$ 0.35
Fourth Quarter	$ 64.59	$ 56.75	$ 0.35

At February 9, 2018, there were 13,206 registered shareholders of the company’s common stock.

In January 2018, we declared a dividend of $0.46 per share ($1.84 per share on an annualized basis) for shareholders of record as of February 23, 2018, payable on March 9, 2018.

ISSUER PURCHASES OF EQUITY SECURITIES

We repurchased approximately 256 thousand shares of our common stock for approximately $17.5 million during the year ended December 31, 2017.

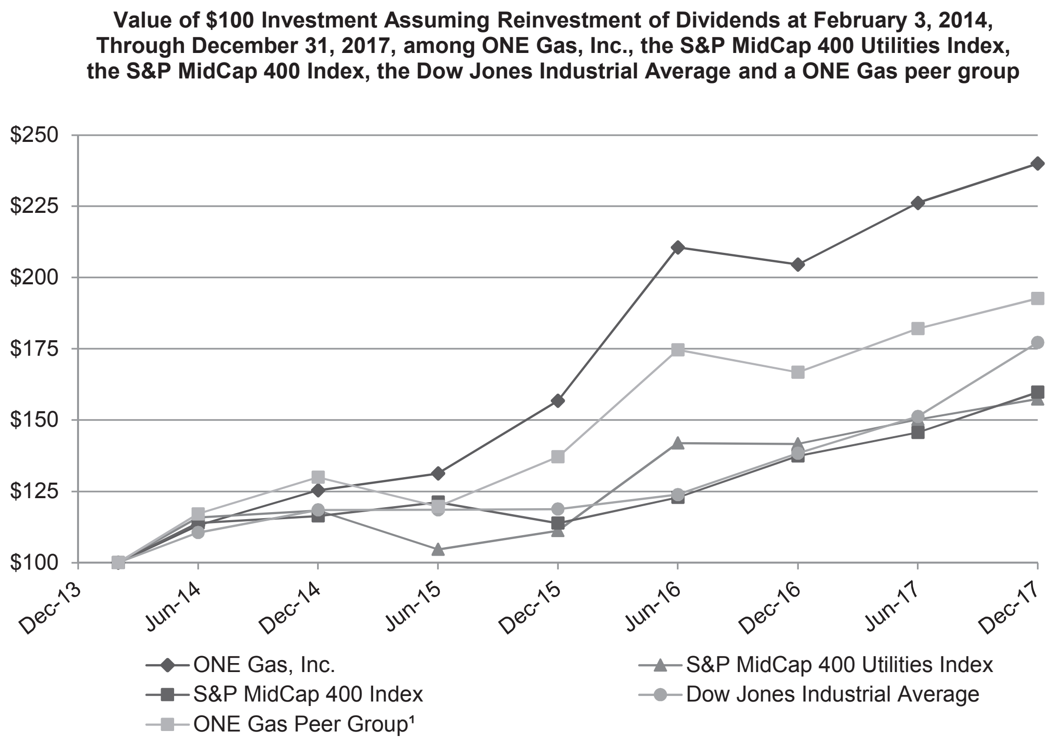
Employee Stock Award Program

Under the Employee Stock Award Program, we issued, for no monetary consideration, one share of our common stock to all eligible employees when the per-share closing price of our common stock on the NYSE closed for the first time at or above each $1.00 increment above $34. The total number of shares of our common stock authorized for issuance under this program was 125,000. Shares issued to employees under this program during 2017, 2016 and 2015 totaled 13,791, 50,573 and 23,506, respectively, leaving 1,812 shares remaining. Compensation expense, before taxes, related to the Employee Stock Award Program was $0.9 million, $3.0 million and $1.1 million for 2017, 2016 and 2015, respectively. The Employee Stock Award Program will not be renewed.

The shares issued under this program have not been registered under the Securities Act, in reliance upon the position taken by the SEC (see Release No. 6188, dated February 1, 1980) that the issuance of shares to employees pursuant to a program of this kind does not require registration under the Securities Act. See Note 10 of the Notes to Consolidated Financial Statements in this Annual Report for additional information.

Performance Graph

The following performance graph compares the performance of our common stock with the S&P MidCap 400 Index, the Dow Jones Industrial Average and a ONE Gas peer group during the period beginning February 3, 2014, and ending on December 31, 2017. February 3, 2014 was the first day of "regular way" trading for ONE Gas common stock on the NYSE. This graph assumes a $100 investment in our common stock and in each of the indices at the beginning of the period and a reinvestment of dividends paid on such investments throughout the period.



Cumulative Total Return
As of Each Semi-Annual Period Ending

	2014		2015		2016		2017	
	6/30	12/31	6/30	12/31	6/30	12/31	6/30	12/31
ONE Gas, Inc.	$ 113.12	$ 125.39	$ 131.32	$ 156.83	$ 210.61	$ 204.61	$ 226.17	$240.01
S&P MidCap 400 Utilities Index	$ 115.89	$ 118.29	$ 104.63	$ 111.26	$ 141.94	$ 141.69	$ 150.20	$157.40
S&P MidCap 400 Index	$ 113.95	$ 116.36	$ 121.24	$ 113.82	$ 122.85	$ 137.43	$ 145.66	$159.75
Dow Jones Industrial Average	$ 110.59	$ 118.52	$ 118.56	$ 118.77	$ 123.90	$ 138.37	$ 151.30	$177.26
ONE Gas Peer Group[1]	$ 117.11	$ 129.96	$ 119.72	$ 137.14	$ 174.63	$ 166.79	$ 182.09	$192.68

[1] The ONE Gas peer group used in this graph is the same peer group that will be used in determining our level of performance under our 2017 performance units at the end of the three-year performance period and is comprised of the following companies: Alliant Energy Corporation; Atmos Energy Corporation; Avista Corporation; CMS Energy Corporation; New Jersey Resources Corporation; NiSource Inc.; Northwest Natural Gas Company; NorthWestern Corporation; South Jersey Industries, Inc.; Southwest Gas Corporation; Spire Inc.; Vectren Corporation and WGL Holdings, Inc.

ITEM 6. SELECTED FINANCIAL DATA

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

	Years Ended December 31,				
	2017	**2016**	**2015**	**2014**	**2013**
	(Millions of dollars except per share data)				
Consolidated Statements of Income data:					
Revenues	**$ 1,539.6**	$ 1,427.2	$ 1,547.7	$ 1,818.9	$ 1,690.0
Cost of natural gas	**$ 614.5**	$ 541.8	$ 706.0	$ 991.9	$ 877.0
Net margin	**$ 925.1**	$ 885.4	$ 841.7	$ 827.0	$ 813.0
Operating income	**$ 299.5**	$ 269.1	$ 239.1	$ 225.3	$ 220.3
Net income	**$ 163.0**	$ 140.1	$ 119.0	$ 109.8	$ 99.2
Basic earnings per share	**$ 3.10**	$ 2.67	$ 2.26	$ 2.10	$ 1.90
Diluted earnings per share	**$ 3.08**	$ 2.65	$ 2.24	$ 2.07	$ 1.90
Dividends declared per common share	**$ 1.68**	$ 1.40	$ 1.20	$ 0.84	—

Net margin is comprised of total revenues less cost of natural gas. Cost of natural gas includes commodity purchases, fuel, storage, transportation and other gas purchase costs recovered through our cost of natural gas regulatory mechanisms and does not include an allocation of general operating costs or depreciation and amortization. In addition, our cost of natural gas regulatory mechanisms provide a method of recovering natural gas costs on an ongoing basis without a profit. Therefore, although our revenues will fluctuate with the cost of gas that we purchase, net margin is not affected by fluctuations in the cost of natural gas.

Prior to 2014, historical basic and diluted earnings per share for the periods presented were calculated based on the number of shares distributed to ONEOK shareholders on separation plus any shares associated with fully vested stock awards that had not been issued and considered outstanding as of the beginning of each period prior to the separation. See Note 1 of the Notes to Consolidated Financial Statements in this Annual Report for additional information on earnings per share.

	December 31,				
	2017	**2016**	**2015**	**2014**	**2013**
	(Millions of dollars)				
Consolidated Balance Sheets data:					
Total assets	**$ 5,206.9**	$ 4,942.8	$ 4,634.8	$ 4,638.8	$ 3,846.5
Long-term debt, including current maturities	**$ 1,193.3**	$ 1,192.5	$ 1,191.7	$ 1,190.9	$ 1.3
Long-term line of credit with ONEOK	**$ —**	$ —	$ —	$ —	$ 1,027.6

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

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

EXECUTIVE SUMMARY

We are a 100-percent regulated natural gas distribution company. As such, our regulators determine the rates we are allowed to charge for our service based on our revenue requirements needed to achieve our authorized rates of return. We earn revenues from the delivery of natural gas, but do not earn a profit on the natural gas that we deliver, as those costs are passed through to our customers at cost. The primary components of our revenue requirements are the amount of capital invested in our business, which is also known as rate base, our allowed rate of return on our capital investments and our recoverable operating expenses, including depreciation and income taxes. Our rates have both a fixed and a variable component, with approximately 71 percent of our natural gas sales net margin in 2017 derived from fixed monthly charges to our customers. The variable component of our rates is dependent on the consumption of natural gas, which is impacted primarily by the weather and, to a lesser extent, economic activity. While we have weather normalization mechanisms in most jurisdictions that adjust customers' bills when the actual HDDs differ from normalized HDDs, these mechanisms are in place for only a portion of the year and do not offset all fluctuations in usage resulting from weather variability. Accordingly, the weather can have either a positive or negative impact on our financial performance.

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

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

RECENT DEVELOPMENTS

Tax Reform - In December 2017, the Tax Cuts and Jobs Act of 2017 was signed into law. Substantially all of the provisions of the new law are effective for taxable years beginning after December 31, 2017. The new law includes significant changes to the Code, including amendments which significantly change the taxation of business entities and includes specific provisions related to regulated public utilities. The more significant changes that impact us include reductions in the corporate federal statutory income tax rate to 21 percent from 35 percent, and several technical provisions including, among others, the elimination of full expensing for tax purposes of certain property acquired after September 27, 2017, the continuation of certain rate normalization requirements for accelerated depreciation benefits and the general allowance for the continued deductibility of interest expense. Additionally, the new law limits the utilization of NOLs arising after December 31, 2017, to 80 percent of taxable income with an indefinite carryforward.

As a result of the enactment of the Tax Cuts and Jobs Act of 2017, we remeasured our deferred income taxes based upon the new tax rate enacted in 2017. As a regulated entity, the change in deferred income taxes is recorded as an offset to a regulatory liability and may be subject to refund to customers. The effect on the net deferred income tax liability for the enacted decrease in the federal tax rate was $517.2 million, of which $519.4 million was recorded as a reduction to the deferred income tax liabilities and deferred as a regulatory liability for ratemaking purposes and offset by $2.2 million recorded as an increase in deferred income tax expense attributable to the remeasured deferred income taxes associated with certain expenses not currently recovered in our rates. These adjustments had no impact on our 2017 cash flows.

See Regulatory Activities below for a discussion of the impact of tax reform on our rates in each state.

Dividend - In January 2018, we declared a dividend of $0.46 per share ($1.84 per share on an annualized basis) for shareholders of record as of February 23, 2018, payable on March 9, 2018.

REGULATORY ACTIVITIES

Oklahoma - In March 2017, Oklahoma Natural Gas filed its first annual PBRC following the general rate case that was approved in January 2016. This filing was based on a calendar test year of 2016. The PBRC filing demonstrated that Oklahoma Natural Gas was earning within the allowed return on equity range of 9.0 to 10.0 percent. Therefore, Oklahoma Natural Gas did not seek a modification to base rates. The filing also requested an energy efficiency program true-up and utility incentive adjustment of approximately $1.9 million. A joint stipulation and settlement agreement was approved by the OCC in August 2017. As required, PBRC filings are made annually on March 15, until the next general rate case, which is currently required to be filed on or before June 30, 2021, based on a calendar test year of 2020.

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

In July 2015, Oklahoma Natural Gas filed a request with the OCC for an increase in base rates, reflecting system investments and operating costs necessary to maintain the safety and reliability of its natural gas distribution system. In January 2016, the OCC approved a joint stipulation and settlement agreement to allow an increase in revenue of $29,995,000. We also recorded a regulatory asset of $2.4 million to recover certain information technology costs incurred as a result of our separation from ONEOK in 2014, which will be recovered over four years. The agreement set Oklahoma Natural Gas' authorized return on equity at 9.5 percent, which represents the midpoint of the allowed range of 9.0 to 10.0 percent, and approved a rate base of approximately $1.2 billion. The agreement includes the continuation, with certain modifications, of the PBRC tariff that was established in 2009.

In March 2015, Oklahoma Natural Gas filed its energy efficiency program true-up application for its 2014 program year, requesting a utility incentive of $1.2 million. In December 2015, the OCC approved the joint stipulation and settlement agreement which was filed in July 2015.

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

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

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

In August 2015, Kansas Gas Service submitted an application to the KCC requesting an increase of approximately $2.4 million related to its GSRS. In November 2015, the KCC approved the $2.4 million increase effective December 2015.

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

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

Rio Grande Valley Service Area - In January 2018, Texas Gas Service reached a settlement with the RRC Staff in the unincorporated areas of the Rio Grande Valley service area. This settlement, if approved by the RRC, will result in an increase in revenues of $0.5 million with new rates expected to be effective by April 2018. This settlement reflects a corporate income tax rate of 21 percent associated with the Tax Cuts and Jobs Act of 2017 and requires Texas Gas Service to calculate, defer and begin refunding to customers the rate reductions resulting from changes to the corporate tax rate made in the Tax Cuts and Jobs Act of 2017 that would have occurred between January 1, 2018 and the effective date of the new rates.

In June 2017, Texas Gas Service filed a rate case for customers in its Rio Grande Valley service area. In October 2017, Texas Gas Service and the cities in the Rio Grande Valley service area agreed to an increase of $3.6 million, and new rates became effective in October 2017.

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

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

Texas Gas Service received approval under the GRIP statute with the city of Austin, Texas, and surrounding communities in May 2015, for an increase in revenues of approximately $3.7 million. The new rates were effective in June 2015.

Gulf Coast Service Area - In December 2015, Texas Gas Service filed a rate case for its Galveston and South Jefferson County service areas, which included a request to consolidate these two service areas into a new Gulf Coast service area. Texas Gas Service filed this rate case directly with the incorporated cities and the RRC for the unincorporated areas. Texas Gas Service reached a unanimous settlement agreement with representatives of the cities and the staff of the RRC, on behalf of the unincorporated areas for an increase in revenues of $2.3 million. Following RRC approval, new rates became effective in May 2016.

El Paso Service Area - In March 2015, Texas Gas Service filed under the EPARR, requesting an increase in revenues totaling $11.2 million in the city of El Paso and surrounding incorporated cities in the EPSA. In August 2015, Texas Gas Service and the incorporated cities in the EPSA reached an agreement on a rate increase of $8.0 million to take effect in August 2015. In April 2015, Texas Gas Service filed with the RRC under the GRIP statute, requesting an increase of $0.4 million in revenues for the unincorporated areas of the EPSA. The RRC approved the filing in July 2015.

Other Texas Service Areas - In the normal course of business, Texas Gas Service has filed rate cases and sought GRIP and COSA increases in various other Texas jurisdictions to address investments in rate base and changes in expenses. Annual rate increases associated with these filings that were approved totaled $1.4 million, $2.0 million and $4.8 million in 2017, 2016 and 2015, respectively.

<u>Tax Reform</u> - We are working with our regulators in each of the states that we operate to address the impact of the Tax Cuts and Jobs Act of 2017 on our rates. In each state, we have received or expect to receive accounting orders requiring us to establish a separate regulatory liability for the difference in taxes included in our rates that have been calculated based on a 35 percent statutory income tax rate and the new 21 percent statutory income tax rate beginning in January 2018. The establishment of this regulatory liability will result in a reduction to our revenues beginning in the first quarter of fiscal 2018. The amount, period and timing of the return of these liabilities to our customers will be determined by our regulators in each of our jurisdictions.

The following regulatory activities relate to the enactment of the Tax Cuts and Jobs Act of 2017:

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

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

In December 2017, Kansas Industrial Consumers ("KIC") filed a complaint against all utilities asking the KCC to act to ensure that KIC members are not charged unreasonable rates because of the Tax Cuts and Jobs Act of 2017. In January 2018, the Citizens' Utility Ratepayer Board filed a complaint stating that the change in tax rates requires the KCC to not only address the reduction in the corporate tax rate to 21 percent from 35 percent, but also excess ADIT. As of February 2018, the KCC has not made a final determination on these two complaints.

Texas - The RRC is in the process of determining how the impact of the Tax Cuts and Jobs Act of 2017 will be reflected in gas utility rates in Texas. On January 23, 2018, the RRC directed the Commission's gas services division to analyze the impact of the Tax Cuts and Jobs Act of 2017 on current gas utility rates and to develop recommendations to ensure that, beginning January 1, 2018, all gas utility customers in Texas receive the full benefit of the Tax Cuts and Jobs Act of 2017.

See Liquidity and Capital Resources - Tax Reform and Note 12 of the Notes to Consolidated Financial Statements for additional discussion of the Tax Cuts and Jobs Act of 2017.

OTHER

Certain costs to be recovered through the ratemaking process have been capitalized as regulatory assets. Should recovery cease due to regulatory actions, certain of these assets may no longer meet the criteria for recognition and accordingly, a writeoff of regulatory assets and stranded costs may be required. There were no writeoffs of regulatory assets resulting from the failure to meet the criteria for capitalization during 2017, 2016 and 2015.

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

Selected Financial Results - Net income was $163.0 million, or $3.08 per diluted share, $140.1 million, or $2.65 per diluted share, and $119.0 million, or $2.24 per diluted share, for the years ended December 31, 2017, 2016 and 2015, respectively. Our prospective adoption of ASU 2016-09, "Improvements to Employee Share-Based Payment Accounting," resulted in favorable impacts to income tax expense and our net income from recording $5.2 million of excess tax benefits as a reduction to income tax expense in the first quarter 2017. As a result of the Tax Cuts and Jobs Act of 2017, we recorded deferred income tax expense of $2.2 million attributable to the remeasurement of ADIT associated with portions of our operating expenses not previously recovered in our rates.

We operate in one reportable business segment: regulated public utilities that deliver natural gas to residential, commercial, industrial, wholesale, public authority and transportation customers. We evaluate our financial performance principally on operating income. The following table sets forth certain selected financial results for our operations for the periods indicated:

	Years Ended December 31,			Variances 2017 vs. 2016		Variances 2016 vs. 2015	
Financial Results	**2017**	**2016**	**2015**	**Increase (Decrease)**		**Increase (Decrease)**	
			(Millions of dollars, except percentages)				
Natural gas sales	**$ 1,409.1**	$ 1,300.1	$ 1,417.9	**$ 109.0**	**8%**	$ (117.8)	(8)%
Transportation revenues	**100.9**	98.1	98.8	**2.8**	**3%**	(0.7)	(1)%
Cost of natural gas	**614.5**	541.8	706.0	**72.7**	**13%**	(164.2)	(23)%
Net margin, excluding other revenues	**895.5**	856.4	810.7	**39.1**	**5%**	45.7	6 %
Other revenues	**29.6**	29.0	31.0	**0.6**	**2%**	(2.0)	(6)%
Net margin	**925.1**	885.4	841.7	**39.7**	**4%**	43.7	5 %
Operating costs	**473.7**	472.5	469.6	**1.2**	**—%**	2.9	1 %
Depreciation and amortization	**151.9**	143.8	133.0	**8.1**	**6%**	10.8	8 %
Operating income	**$ 299.5**	$ 269.1	$ 239.1	**$ 30.4**	**11%**	$ 30.0	13 %
Capital expenditures	**$ 356.4**	$ 309.0	$ 294.3	**$ 47.4**	**15%**	$ 14.7	5 %

Net margin is comprised of total revenues less cost of natural gas. Cost of natural gas includes commodity purchases, fuel, storage, transportation and other gas purchase costs recovered through our cost of natural gas regulatory mechanisms and does not include an allocation of general operating costs or depreciation and amortization. In addition, our cost of natural gas regulatory mechanisms provide a method of recovering natural gas costs on an ongoing basis without a profit. Therefore, although our revenues will fluctuate with the cost of gas that we purchase, net margin is not affected by fluctuations in the cost of natural gas.

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

Net Margin, Excluding Other Revenues	Years Ended December 31, 2017	2016	2015	Variances 2017 vs. 2016 Increase (Decrease)		Variances 2016 vs. 2015 Increase (Decrease)	
Natural gas sales	*(Millions of dollars, except percentages)*						
Residential	**$ 663.8**	$ 629.8	$ 589.8	**$ 34.0**	**5 %**	$ 40.0	7 %
Commercial and industrial	**124.2**	121.7	115.6	**2.5**	**2 %**	6.1	5 %
Wholesale and public authority	**6.6**	6.8	6.5	**(0.2)**	**(3)%**	0.3	5 %
Net margin on natural gas sales	**794.6**	758.3	711.9	**36.3**	**5 %**	46.4	7 %
Transportation revenues	**100.9**	98.1	98.8	**2.8**	**3 %**	(0.7)	(1)%
Net margin, excluding other revenues	**$ 895.5**	$ 856.4	$ 810.7	**$ 39.1**	**5 %**	$ 45.7	6 %

Our net margin on natural gas sales is comprised of two components, fixed and variable margin. Fixed margin reflects the portion of our net margin attributable to the monthly fixed customer charge component of our rates, which does not fluctuate based on customer usage in each period. Variable margin reflects the portion of our net margin that fluctuates with the volumes delivered and billed. We believe that the combination of the significant residential component of our customer base, the fixed charge component of our sales margin and our regulatory rate mechanisms in place result in a stable cash flow profile. The following table sets forth our net margin on natural gas sales by revenue type for the periods indicated:

Net Margin on Natural Gas Sales	Years Ended December 31, 2017	2016	2015	Variances 2017 vs. 2016 Increase (Decrease)		Variances 2016 vs. 2015 Increase (Decrease)	
Net margin on natural gas sales	*(Millions of dollars, except percentages)*						
Fixed margin	**$ 567.1**	$ 557.5	$ 519.2	**$ 9.6**	**2%**	$ 38.3	7%
Variable margin	**227.5**	200.8	192.7	**26.7**	**13%**	8.1	4%
Net margin on natural gas sales	**$ 794.6**	$ 758.3	$ 711.9	**$ 36.3**	**5%**	$ 46.4	7%

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

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

Operating costs increased $1.2 million due primarily to the following:

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

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

2016 vs. 2015 - Net margin increased $43.7 million due primarily to the following:

- an increase of $44.0 million from new rates primarily in Oklahoma and Texas;
- an increase of $3.8 million in residential sales due primarily to customer growth in Oklahoma and Texas; and
- an increase of $1.3 million in ad-valorem recoveries in Kansas, which is offset with higher regulatory amortization expense in depreciation and amortization expense; offset partially by
- a decrease of $1.8 million due to lower sales volumes, net of weather normalization, primarily from warmer weather in 2016 compared to 2015;
- a decrease of $1.7 million due primarily to lower transportation volumes from weather-sensitive customers in Kansas and Oklahoma; and
- a decrease of $1.1 million in CNG revenues in Oklahoma.

Operating costs increased $2.9 million due primarily to the following:

- an increase of $4.0 million in environmental remediation costs discussed further below in our Environmental, Safety and Regulatory Matters;
- an increase of $2.7 million in legal-related costs; and
- an increase of $0.9 million in employee-related costs; offset partially by
- a decrease of $2.9 million from the deferral of certain information technology costs incurred as a result of our separation from ONEOK in 2014, which was approved in Oklahoma as a regulatory asset, and a deferral of regulatory expenses incurred previously, which was approved in the West Texas rate case as a regulatory asset; and
- a decrease of $1.5 million in information technology costs.

Depreciation and amortization expense increased $10.8 million due primarily to an increase in depreciation from our capital expenditures being placed into service.

Capital Expenditures - Our capital expenditures program includes expenditures for pipeline integrity, extending service to new areas, modifications to customer service lines, increasing system capabilities, pipeline replacements, automated meter reading, government-mandated pipeline relocations, fleet, facilities and information technology assets. It is our practice to maintain and upgrade our infrastructure, facilities and systems to ensure safe, reliable and efficient operations.

Capital expenditures increased $47.4 million for 2017, compared with 2016, due primarily to increased system integrity activities and extending service to new areas. Capital expenditures increased $14.7 million for 2016, compared with 2015, due primarily to increased system integrity activities and extending service to new areas. Our capital expenditures are expected to be approximately $375.0 million for 2018.

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

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

(in thousands)	2016				Years Ended December 31, 2015				Variances 2016 vs. 2015 Increase (Decrease)			
Average Number of Customers	**OK**	**KS**	**TX**	**Total**	**OK**	**KS**	**TX**	**Total**	**OK**	**KS**	**TX**	**Total**
Residential	787	581	612	1,980	783	579	606	1,968	4	2	6	12
Commercial and industrial	73	50	34	157	73	50	34	157	—	—	—	—
Wholesale and public authority	—	—	3	3	—	—	3	3	—	—	—	—
Transportation	5	6	1	12	5	6	1	12	—	—	—	—
Total customers	865	637	650	2,152	861	635	644	2,140	4	2	6	12

The following table reflects the total volumes delivered, excluding the effects of weather normalization mechanisms on sales volumes. On an ongoing basis we will report volumes delivered to show the relationship between our volumes delivered and actual HDDs for the periods presented.

	Years Ended December 31,		
Volumes *(MMcf)*	**2017**	**2016**	**2015**
Natural gas sales			
Residential	**99,940**	101,956	114,303
Commercial and industrial	**32,242**	32,276	35,518
Wholesale and public authority	**1,933**	2,414	2,624
Total sales volumes delivered	**134,115**	136,646	152,445
Transportation	**209,551**	208,141	204,762
Total volumes delivered	**343,666**	344,787	357,207

Total sales volumes delivered decreased for 2017, compared with 2016, due primarily to warmer temperatures in our Texas services areas. Total sales volumes delivered decreased for 2016, compared with 2015, due primarily to warmer temperatures in 2016. The impact of weather on residential and commercial net margin is mitigated by weather normalization mechanisms in all jurisdictions. Transportation volumes increased slightly for 2017 compared with 2016 due to higher consumption by our transportation customers in Oklahoma. Transportation volumes increased for 2016 compared with 2015, due to a large industrial customer's facility undergoing maintenance in 2015, offset partially by a decrease in transportation volumes associated with smaller weather-sensitive customers.

The following table reflects the total volumes sold:

Volumes *(MMcf)*	Years Ended December 31, 2017	2016	2015
Natural gas sales			
Residential	**106,805**	105,494	115,477
Commercial and industrial	**33,811**	33,084	35,943
Wholesale and public authority	**1,925**	2,406	2,615
Total sales volumes sold	**142,541**	140,984	154,035
Transportation	**209,551**	208,141	204,763
Total volumes sold	**352,092**	349,125	358,798

Total sales volumes sold increased for 2017, compared with 2016, due primarily to colder temperatures in the fourth quarter of 2017. Total sales volumes sold decreased for 2016, compared with 2015, due primarily to warmer temperatures in 2016. Transportation volumes increased slightly for 2016 compared with 2015, due to a large industrial customer's facility undergoing maintenance in 2015, offset partially by a decrease in transportation volumes associated with smaller weather-sensitive customers.

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

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

	Years Ended December 31,						
	2016		2015		2016 vs. 2015	2016	2015
HDDs	**Actual**	**Normal**	**Actual**	**Normal**	**Actual Variance**	**Actual as a percent of Normal**	
Oklahoma	2,843	3,264	3,135	3,317	(9)%	87%	95%
Kansas	4,016	4,860	4,264	4,860	(6)%	83%	88%
Texas	1,455	1,785	1,715	1,785	(15)%	82%	96%

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

- *Oklahoma* - For 2017 and 2016, 10-year weighted average HDDs as of December 31, 2014, for years 2005-2014, as calculated using 11 weather stations across Oklahoma and weighted on average customer count, and for 2015, 10-year weighted average HDDs as of December 31, 2008, for years 1999-2008, as calculated using 11 weather stations across Oklahoma and weighted on average customer count.
- *Kansas* - For 2017, 30-year average for years 1981-2010 published by the National Oceanic and Atmospheric Administration, as calculated using 4 weather stations across Kansas and weighted on HDDs by weather station and customers, and for 2016 and 2015, 30-year average for years 1981-2010 published by the National Oceanic and Atmospheric Administration, as calculated using 13 weather stations across Kansas and weighted on HDDs by weather station and customers.

- *Texas* - An average of HDDs authorized in our most recent rate proceeding in each jurisdiction, and weighted using a rolling 10-year average of actual natural gas distribution sales volumes by jurisdiction.

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

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

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

CONTINGENCIES

We are a party to various litigation matters and claims that have arisen in the normal course of our operations. While the results of litigation and claims cannot be predicted with certainty, we believe the reasonably possible losses from such matters, individually and in the aggregate, are not material. Additionally, we believe the probable final outcome of such matters will not have a material adverse effect on our results of operations, financial position or cash flows. See Note 13 of the Notes to Consolidated Financial Statements in this Annual Report for information with respect to legal proceedings.

LIQUIDITY AND CAPITAL RESOURCES

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

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

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

Tax Reform - The Tax Cuts and Jobs Act of 2017 will have an overall negative impact on our operating cash flow due to several dynamics. The reduction in the tax rate will result in less revenue collected from customers related to the recovery of tax expense included in our rates. Although this revenue is ultimately paid out as an expense, under the new law, we will lose the timing benefit, thereby reducing cash that may have been carried over many years. Under the new tax law, natural gas utilities are not eligible to take bonus depreciation, but they are also not subject to the new limitations on the deduction of interest expense. The loss of bonus depreciation will result in earlier cash tax payments, as compared to the previous tax law, once accumulated NOLs are fully extinguished. The lowering of the tax rate effectively resulted in an over-collection of tax expenses, as customers' rates include tax expenses based on the statutory tax rate. Future cash flows will be reduced as we refund the excess ADIT collection to customers.

The timing of these changes in our cash flows and the degree to which it impacts us will not be known until we make future regulatory filings, new rates are approved by our regulators and the manner and timing in which we refund previously collected taxes are determined. We believe that our capital structure and available liquidity resources will be adequate to adjust for these changes. See additional discussion under Regulatory Activities - Tax Reform and Note 12 of Notes to Consolidated Financial Statements of this Annual Report.

Short-term Financing - In October 2017, we amended and restated our revolving credit agreement. The ONE Gas Credit Agreement remains a $700.0 million revolving unsecured credit facility, and includes a $20.0 million letter of credit subfacility and a $60.0 million swingline subfacility. We will also be able to request an increase in commitments of up to an additional $500.0 million upon satisfaction of customary conditions, including receipt of commitments from either new lenders or increased commitments from existing lenders. The ONE Gas Credit Agreement expires in October 2022, and is available to provide liquidity for working capital, capital expenditures, acquisitions and mergers, the issuance of letters of credit and for other general corporate purposes.

The ONE Gas Credit Agreement contains certain financial, operational and legal covenants. Among other things, these covenants include maintaining ONE Gas' total debt-to-capital ratio of no more than 70 percent at the end of any calendar quarter. The ONE Gas Credit Agreement also contains customary affirmative and negative covenants, including covenants relating to liens, indebtedness of subsidiaries, investments, changes in the nature of business, fundamental changes, transactions with affiliates, burdensome agreements, and use of proceeds. In the event of a breach of certain covenants by ONE Gas, amounts outstanding under the ONE Gas Credit Agreement may become due and payable immediately. At December 31, 2017, our total debt-to-capital ratio was 44 percent, and we were in compliance with all covenants under the ONE Gas Credit Agreement.

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

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

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

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

At December 31, 2017, we had issued $357.2 million in the form of commercial paper, $2.1 million in letters of credit outstanding and had approximately $14.4 million of cash and cash equivalents. At December 31, 2017, we had no borrowings and $340.7 million of credit available under the ONE Gas Credit Agreement. The weighted-average interest rate on our commercial paper was 1.55 percent at December 31, 2017.

Long-Term Debt - The indenture governing our Senior Notes includes an event of default upon the acceleration of other indebtedness of $100 million or more. Such events of default would entitle the trustee or the holders of 25 percent in aggregate principal amount of the outstanding Senior Notes to declare those Senior Notes immediately due and payable in full. At December 31, 2017, our long-term debt-to-capital ratio was 38 percent.

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

Credit Ratings - Our credit ratings as of December 31, 2017, were:

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

On January 19, 2018, Moody's changed our outlook to negative from stable based on the potential impacts of the Tax Cuts and Jobs Act of 2017.

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

Pension and Other Postemployment Benefit Plans - During 2017, we contributed $111.9 million to our defined benefit pension plan and $6.2 million to our other postemployment benefit plans. Information about our pension and other postemployment benefits plans, including anticipated contributions, is included under Note 11 of the Notes to Consolidated Financial Statements in this Annual Report.

CASH FLOW ANALYSIS

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

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

	Years Ended December 31,			Variances	
	2017	**2016**	**2015**	**2017 vs. 2016**	**2016 vs. 2015**
			(Millions of dollars)		
Total cash provided by (used in):					
Operating activities	**$ 253.8**	$ 290.6	$ 407.9	**$ (36.8)**	$ (117.3)
Investing activities	**(355.8)**	(308.5)	(294.3)	**(47.3)**	(14.2)
Financing activities	**101.7**	30.2	(123.1)	**71.5**	153.3
Change in cash and cash equivalents	**(0.3)**	12.3	(9.5)	**(12.6)**	21.8
Cash and cash equivalents at beginning of period	**14.7**	2.4	11.9	**12.3**	(9.5)
Cash and cash equivalents at end of period	**$ 14.4**	$ 14.7	$ 2.4	**$ (0.3)**	$ 12.3

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

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

2016 vs. 2015 - Cash flows from operating activities were lower in 2016 compared with 2015. Before considering the impacts of operating asset and liability changes, cash flows were higher in 2016 compared with 2015 due primarily to an increase in net income, higher noncash expenses for depreciation and amortization and deferred income taxes. The increase in operating asset and liability changes more than offset these increases. The largest increase in working capital relates to an increase in accounts receivable caused by higher costs of natural gas delivered to customers in the fourth quarter of 2016 compared with 2015, when accounts receivable declined. Additionally, through 2016, our net over-recovered purchased gas costs decreased by $29.3 million. Through 2015, our net over-recovered purchased gas costs increased by $25.3 million. The change in the natural gas cost recoveries between periods also contributed to the decrease in cash flows from operating assets and liabilities.

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

2016 vs. 2015 - Cash used in investing activities increased for 2016, compared to 2015, due primarily to capital expenditures for increased system integrity activities and extending service to new areas.

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

2016 vs. 2015 - Cash provided by financing activities for 2016 increased, compared with 2015, due primarily to net borrowings on our notes payable to fund working capital and capital investments, offset partially by the 20 cent per share increase in annual dividends.

ENVIRONMENTAL, SAFETY AND REGULATORY MATTERS

Environmental Matters - We are subject to multiple historical, wildlife preservation and environmental laws and/or regulations, which affect many aspects of our present and future operations. Regulated activities include, but are not limited to, those involving air emissions, storm water and wastewater discharges, handling and disposal of solid and hazardous wastes, wetland preservation, hazardous materials transportation, and pipeline and facility construction. These laws and regulations require us to obtain and/or comply with a wide variety of environmental clearances, registrations, licenses, permits and other approvals. Failure to comply with these laws, regulations, licenses and permits may expose us to fines, penalties and/or interruptions in our operations that could be material to our results of operations. In addition, emission controls and/or other regulatory or permitting mandates under the Clean Air Act and other similar federal and state laws could require unexpected capital expenditures. We cannot assure that existing environmental statutes and regulations will not be revised or that new regulations will not be adopted or become applicable to us. Revised or additional statutes or regulations that result in increased compliance costs or additional operating restrictions could have a material adverse effect on our business, financial condition and results of operations. Our expenditures for environmental investigation, and remediation compliance to-date have not been significant in relation to our financial position, results of operations or cash flows, and our expenditures related to environmental matters had no material effects on earnings or cash flows during 2017, 2016 or 2015.

We own or retain legal responsibility for certain environmental conditions at 12 former MGP sites in Kansas. These sites contain contaminants generally associated with MGP sites and are subject to control or remediation under various environmental laws and regulations. A consent agreement with the KDHE governs all environmental investigation and remediation work at these sites. The terms of the consent agreement require us to investigate these sites and set remediation activities based upon the results of the investigations and risk analysis. Remediation typically involves the management of contaminated soils and may involve removal of structures and monitoring and/or remediation of groundwater.

We have completed or addressed removal of the source of soil contamination at 11 of the 12 sites, and continue to monitor groundwater at eight of the 12 sites according to plans approved by the KDHE. Regulatory closure has been achieved at three of the 12 sites, but these sites remain subject to potential future requirements that may result in additional costs. During 2016, we completed a site assessment at the twelfth site where no active soil remediation has occurred. We have submitted a work plan to the KDHE for approval to address a source of contamination and associated contaminated soil on a portion of this site. We are also conducting a study of the feasibility of various options to address the remainder of the site. Costs associated with the remediation at this site are not expected to be material to our results of operations or financial position.

With regard to one of our former MGP sites, periodic monitoring and a 2016 interim site investigation indicated elevated levels of contaminants generally associated with MGP sites. Additional testing and work plan development continued in 2017 to determine a remediation work plan to present to the KDHE for approval, which could impact our estimates of the cost of remediation at this site. In the fourth quarter of 2016, we estimated the potential costs associated with additional investigation and remediation to be in the range of $4.0 million to $7.0 million. A single reliable estimate of the remediation costs was not feasible due to the amount of uncertainty in the ultimate remediation approach that will be utilized. Accordingly, we recorded a reserve of $4.0 million for this site in the fourth quarter of 2016.

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

Our expenditures for environmental evaluation, mitigation, remediation and compliance to date have not been significant in relation to our financial position, results of operations or cash flows, and our expenditures related to environmental matters had no material effects on earnings or cash flows during 2017, 2016 or 2015. A number of environmental issues may exist with respect to MGP sites that are unknown to us. Accordingly, future costs are dependent on the final determination and regulatory approval of any remedial actions, the complexity of the site, level of remediation required, changing technology and governmental regulations, and to the extent not recovered by insurance or recoverable in rates from our customers, could be material to our financial condition, results of operations or cash flows.

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

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

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

In April 2016, PHMSA published a NPRM, the Safety of Gas Transmission & Gathering Lines Rule, in the Federal Register to revise pipeline safety regulations applicable to the safety of onshore natural gas transmission and gathering pipelines. Proposals include changes to pipeline integrity management requirements and other safety-related requirements. The NPRM comment period ended July 7, 2016, and comments are under review by PHMSA. As part of the comment review process, PHMSA is being advised by the Technical Pipeline Safety Standards Committee, informally known by PHMSA as the GPAC, a statutorily mandated advisory committee that advises PHMSA on proposed safety policies for natural gas pipelines. The GPAC reviews PHMSA's proposed regulatory initiatives to assure the technical feasibility, reasonableness, cost-effectiveness and practicality of each proposal. The potential capital and operating expenditures associated with compliance with the proposed rule are currently being evaluated and could be significant depending on the final regulations.

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

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

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

Pipeline Security - The U.S. Department of Homeland Security's Transportation Security Administration issued updated pipeline security guidelines in April 2012. Our pipeline facilities have been reviewed according to the current guidelines and no material changes have been required to date.

Environmental Footprint - Our environmental and climate change strategy focuses on taking steps to minimize the impact of our operations on the environment. These strategies include: (1) developing and maintaining an accurate greenhouse gas emissions inventory according to current rules issued by the EPA; (2) improving the integrity of our various pipelines; (3) following developing technologies for emission control; and (4) utilizing practices to reduce the loss of methane from our facilities.

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

Additional information about our environmental matters is included in the section entitled Environmental Matters in Note 13 of the Notes to Consolidated Financial Statements in this Annual Report. We cannot assure that existing environmental statutes and regulations will not be revised or that new regulations will not be adopted or become applicable to us. Revised or additional regulations that result in increased compliance costs or additional operating restrictions could have a material adverse effect on our business, financial condition and results of operations. Our expenditures for environmental investigation, and remediation compliance to-date have not been significant in relation to our financial position, results of operations or cash flows, and our expenditures related to environmental matters had no material effects on earnings or cash flows during 2017, 2016 or 2015.

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

IMPACT OF NEW ACCOUNTING STANDARDS

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

ESTIMATES AND CRITICAL ACCOUNTING POLICIES

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

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

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

For further discussion of regulatory assets and liabilities, see Note 8 of the Notes to Consolidated Financial Statements in this Annual Report.

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

As part of our goodwill impairment test, we first assess qualitative factors (including macroeconomic conditions, industry and market considerations, cost factors and overall financial performance) to determine whether it is more likely than not that our fair value is less than our carrying amount. If further testing is necessary, we perform a two-step impairment test for goodwill. In the first step, an initial assessment is made by comparing our fair value with our book value, including goodwill. If the fair value is less than the book value, an impairment is indicated, and we must perform a second test to measure the amount of the impairment. In the second test, we calculate the implied fair value of the goodwill by deducting the fair value of all tangible and intangible net assets from the fair value determined in step one of the assessment. If the carrying value of the goodwill exceeds the implied fair value of the goodwill, we will record an impairment charge.

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

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

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

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

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

During 2017, we contributed approximately $111.9 million to our defined benefit pension plan and $6.2 million to our other postemployment benefit plans. In 2018, we expect to contribute approximately $1.0 million to our defined benefit pension plan and $3.0 million to our other postemployment benefit plans. In September 2017, we purchased group annuity contracts and transferred approximately $46.7 million of the assets and liabilities related to certain participants in our defined benefit pension plan to a third-party insurance company.

During 2017, we recorded net periodic benefit costs of $30.2 million and $1.7 million related to our pension plans and other postemployment benefit plans, respectively, prior to regulatory deferrals. We estimate that in 2018, we will record expense of $29.0 million and a credit of $3.5 million related to pension plans and other postemployment benefit plans, respectively, prior to regulatory deferrals.

The following table sets forth the significant assumptions used to determine our estimated 2018 net periodic benefit cost related to our defined pension and other postemployment benefit plans, and sensitivity to changes with respect to these assumptions:

	Rate Used	Cost Sensitivity (a)	Obligation Sensitivity (b)
		(Millions of dollars)	
Discount rate for pension	**3.80%**	**$ 3.4**	**$ 32.8**
Discount rate for other postemployment benefits	**3.70%**	**$ 0.7**	**$ 6.7**
Expected long-term return on plan assets (c)	**7.25%/7.60%**	**$ 2.6**	**$ —**

(a) Approximate impact a quarter percentage point decrease in the assumed rate would have on net periodic pension costs.
(b) Approximate impact a quarter percentage point decrease in the assumed rate would have on defined benefit pension obligation.
(c) Expected long-term return on plan assets for pension and other postemployment benefits are 7.25 percent and 7.60 percent, respectively.

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

	One Percentage Point Increase	One Percentage Point Decrease
	(Millions of dollars)	
Effect on total of service and interest cost	**$ 0.6**	**$ (0.6)**
Effect on other postemployment benefit obligation	**$ 2.9**	**$ (3.0)**

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

We will adopt the FASB's ASU 2014-09, "Revenue from Contracts with Customers" ("ASC 606"), which clarifies and converges the revenue recognition principles under GAAP and International Financial Reporting Standards, for our interim and annual reports beginning in the first quarter 2018, using the modified retrospective method. We have evaluated all of our sources of revenue to determine the potential effect of the new standard on our financial position, results of operations, cash flows and the related accounting policies and business processes. Upon adoption, there will not be a cumulative adjustment to our opening retained earnings. The only impact of adopting ASC 606 is that we expect to reclassify certain revenues that do not meet the requirements under ASC 606 as revenues from contracts with customers, but will continue to be reflected as other revenues in determining total revenue. The items we expect to reclassify relate primarily to the weather normalization mechanism in Kansas, where the KCC determines how we reflect variations in weather in our rates billed to customers.

We have determined the majority of our natural gas sales and transportation tariffs to be implied contracts with customers, which are settled over time, where our performance obligation is settled with our customer when natural gas is delivered and simultaneously consumed by the customer. For our other utility revenue, which are primarily one-time service fees that meet the requirements under ASC 606, the performance obligation is satisfied at a point in time when services are rendered to the customer. In addition, we will use the invoice method practical expedient, where we will recognize revenue for volumes delivered for which we have a right to invoice. As a result, we will estimate unbilled revenues at the end of each accounting period consistent with past practice. Our disclosures will reflect our sources of revenue disaggregated among natural gas sales including sales to residential, commercial, industrial, wholesale and public authority customers, transportation revenue, and other utility revenues. The reclassification of certain revenues that do not meet the requirements under ASC 606 will be classified as other revenues on the Consolidated Income Statement and in our Notes to Consolidated Financial Statements.

Contingencies - Our accounting for contingencies covers a variety of business activities, including contingencies for legal and environmental exposures. We accrue these contingencies when our assessments indicate that it is probable that a liability has been incurred or an asset will not be recovered and an amount can be reasonably estimated. We expense legal fees as incurred and base our legal liability estimates on currently available facts and our assessments of the ultimate outcome or resolution. Accruals for estimated losses from environmental remediation obligations generally are recognized no later than the completion of a remediation feasibility study. Recoveries of environmental remediation costs from other parties are recorded as assets when their receipt is deemed probable. In 2017, we recorded a regulatory asset of approximately $5.9 million for estimated costs incurred at, and nearby, our 12 former MGP sites that was accrued at January 1, 2017. In 2016, we recorded a reserve of $4.0 million for potential costs associated with further investigation and remediation at one of the former MGP sites. Our expenditures for environmental evaluation, mitigation, remediation and compliance to date have not been significant in relation to our financial position or results of operations, and our expenditures related to environmental matters had no material effect on earnings or cash flows for 2017, 2016 or 2015. Actual results may differ from our estimates resulting in an impact, positive or negative, on earnings.

See Note 13 of the Notes to Consolidated Financial Statements in this Annual Report for additional discussion of contingencies.

CONTRACTUAL OBLIGATIONS

The following table sets forth our contractual obligations at December 31, 2017:

	Contractual Obligations (*Millions of dollars*)						
	2018	**2019**	**2020**	**2021**	**2022**	**Thereafter**	**Total**
Long-term debt, including current maturities	$ —	$ 300.0	$ —	$ —	$ —	$ 901.3	$ 1,201.3
Commercial paper	357.2	—	—	—	—	—	357.2
Interest payments on debt	45.1	39.4	38.9	38.9	38.9	602.7	803.9
Firm transportation and storage capacity contracts	190.2	175.7	164.5	144.7	117.5	102.1	894.7
Natural gas purchase commitments	140.5	0.6	0.1	0.1	0.1	0.1	141.5
Employee benefit plans	4.0	0.1	0.1	0.1	0.1	—	4.4
Operating leases	4.7	3.9	3.7	3.3	3.3	3.2	22.1
Total	$ 741.7	$ 519.7	$ 207.3	$ 187.1	$ 159.9	$ 1,609.4	$ 3,425.1

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

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

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

Employee benefit plans - Employee benefit plans include our anticipated contribution to maintain the minimum required funding level for our pension and other postemployment benefit plans. See Note 11 of the Notes to Consolidated Financial Statements in this Annual Report for discussion of employee benefit plans.

Operating leases - Our operating leases include leases for office space, facilities and information technology hardware and software.

FORWARD-LOOKING STATEMENTS

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

Forward-looking statements include the items identified in the preceding paragraph, the information concerning possible or assumed future results of our operations and other statements contained or incorporated in this Annual Report identified by words such as "anticipate," "estimate," "expect," "project," "intend," "plan," "believe," "should," "goal," "forecast," "guidance," "could," "may," "continue," "might," "potential," "scheduled," "likely," and other words and terms of similar meaning. One should not place undue reliance on forward-looking statements, which are applicable only as of the date of this Annual Report. Known and unknown risks, uncertainties and other factors may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by forward-looking statements. Those factors may affect our operations, markets, products, services and prices. In addition to any assumptions and other factors referred to specifically in connection with the forward-looking statements, factors that could cause our actual results to differ materially from those contemplated in any forward-looking statement include, among others, the following:

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

- advances in technology;
- population growth rates and changes in the demographic patterns of the markets we serve;
- acts of nature and the potential effects of threatened or actual terrorism, including cyber attacks or breaches of technology systems and war;
- the sufficiency of insurance coverage to cover losses;
- the effects of our strategies to reduce tax payments;
- the effects of litigation and regulatory investigations, proceedings, including our rate cases, or inquiries and the requirements of our regulators as a result of the Tax Cuts and Jobs Act of 2017;
- changes in accounting standards;
- changes in corporate governance standards;
- discovery of material weaknesses in our internal controls;
- our ability to attract and retain talented employees, management and directors;
- declines in the discount rates on, declines in the market value of the debt and equity securities of, and increases in funding requirements for, our defined benefit plans, as well as increased costs of providing health care benefits;
- the ability to successfully complete merger, acquisition or divestiture plans, regulatory or other limitations imposed as a result of a merger, acquisition or divestiture, and the success of the business following a merger, acquisition or divestiture;
- the final resolutions or outcomes with respect to our contingent and other corporate liabilities related to the natural gas distribution business and any related actions for indemnification made pursuant to the Separation and Distribution Agreement with ONEOK; and
- the costs associated with increased regulation and enhanced disclosure and corporate governance requirements pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010.

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

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

Commodity Price Risk

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

Interest-Rate Risk

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

Counterparty Credit Risk

We assess the creditworthiness of our customers. Those customers who do not meet minimum standards are required to provide security, including deposits and other forms of collateral, when appropriate. With more than 2 million customers across three states, we are not exposed materially to a concentration of credit risk. We maintain a provision for doubtful accounts based upon factors surrounding the credit risk of customers, historical trends, consideration of the current credit environment and other information. In Oklahoma, Kansas and most jurisdictions we serve in Texas, we are able to recover natural gas costs related to uncollectible accounts through our purchased-gas cost adjustment mechanisms.

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ITEM 8. CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Report of Independent Registered Public Accounting Firm

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

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of ONE Gas, Inc., and its subsidiaries as of December 31, 2017 and 2016, and the related consolidated statements of income, comprehensive income, equity and cash flows for each of the three years in the period ended December 31, 2017, including the related notes (collectively referred to as the "consolidated financial statements"). We also have audited the Company's internal control over financial reporting as of December 31, 2017 based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2017 and 2016, the results of their operations and their cash flows for each of the three years in the period ended December 31, 2017, in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2017, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the COSO.

Basis for Opinions

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

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

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

Definition and Limitations of Internal Control over Financial Reporting

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

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

/s/PricewaterhouseCoopers, LLP

Tulsa, Oklahoma
February 22, 2018

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

ONE Gas, Inc.
CONSOLIDATED STATEMENTS OF INCOME

	Years Ended December 31,		
	2017	**2016**	**2015**
	(*Thousands of dollars, except per share amounts*)		
Revenues	**$ 1,539,633**	$ 1,427,232	$ 1,547,692
Cost of natural gas	**614,501**	541,797	705,959
Net margin	**925,132**	885,435	841,733
Operating expenses			
Operations and maintenance	**416,542**	417,142	414,476
Depreciation and amortization	**151,889**	143,829	133,023
General taxes	**57,225**	55,344	55,105
Total operating expenses	**625,656**	616,315	602,604
Operating income	**299,476**	269,120	239,129
Other income	**4,217**	1,447	263
Other expense	**(1,490)**	(1,490)	(2,813)
Interest expense, net	**(46,065)**	(43,739)	(44,570)
Income before income taxes	**256,138**	225,338	192,009
Income taxes	**(93,143)**	(85,243)	(72,979)
Net income	**$ 162,995**	$ 140,095	$ 119,030
Earnings per share			
Basic	**$ 3.10**	$ 2.67	$ 2.26
Diluted	**$ 3.08**	$ 2.65	$ 2.24
Average shares (*thousands*)			
Basic	**52,527**	52,453	52,578
Diluted	**52,979**	52,963	53,254
Dividends declared per share of stock	**$ 1.68**	$ 1.40	$ 1.20

See accompanying Notes to Consolidated Financial Statements.

ONE Gas, Inc.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31,		
	2017	**2016**	**2015**
	(*Thousands of dollars*)		
Net income	**$ 162,995**	$ 140,095	$ 119,030
Other comprehensive income (loss), net of tax			
Change in pension and other postemployment benefit plans liability, net of tax of $486, $197, and $(483), respectively	**(778)**	(314)	773
Total other comprehensive income (loss), net of tax	**(778)**	(314)	773
Comprehensive income	**$ 162,217**	$ 139,781	$ 119,803

See accompanying Notes to Consolidated Financial Statements.

ONE Gas, Inc.
CONSOLIDATED BALANCE SHEETS

		December 31, 2017		December 31, 2016
Assets		*(Thousands of dollars)*		
Property, plant and equipment				
Property, plant and equipment	**$**	**5,713,912**	$	5,404,168
Accumulated depreciation and amortization		**1,706,327**		1,672,548
Net property, plant and equipment		**4,007,585**		3,731,620
Current assets				
Cash and cash equivalents		**14,413**		14,663
Accounts receivable, net		**298,768**		290,944
Materials and supplies		**39,672**		34,084
Natural gas in storage		**130,154**		125,432
Regulatory assets		**88,180**		83,146
Other current assets		**17,807**		20,654
Total current assets		**588,994**		568,923
Goodwill and other assets				
Regulatory assets		**405,189**		440,522
Goodwill		**157,953**		157,953
Other assets		**47,157**		43,773
Total goodwill and other assets		**610,299**		642,248
Total assets	**$**	**5,206,878**	$	4,942,791

See accompanying Notes to Consolidated Financial Statements.

ONE Gas, Inc.
CONSOLIDATED BALANCE SHEETS
(Continued)

	December 31, 2017	December 31, 2016
Equity and Liabilities	(*Thousands of dollars*)	
Equity and long-term debt		
Common stock, $0.01 par value: authorized 250,000,000 shares; issued 52,598,005 shares and outstanding 52,312,516 shares at December 31, 2017; issued 52,598,005 shares and outstanding 52,283,260 shares at December 31, 2016	**$ 526**	$ 526
Paid-in capital	**1,737,551**	1,749,574
Retained earnings	**246,121**	161,021
Accumulated other comprehensive income (loss)	**(5,493)**	(4,715)
Treasury stock, at cost: 285,489 shares at December 31, 2017 and 314,745 shares at December 31, 2016	**(18,496)**	(18,126)
Total equity	**1,960,209**	1,888,280
Long-term debt, excluding current maturities, and net of issuance costs of $8,033 and $8,851, respectively	**1,193,257**	1,192,446
Total equity and long-term debt	**3,153,466**	3,080,726
Current liabilities		
Notes payable	**357,215**	145,000
Accounts payable	**143,681**	131,988
Accrued interest	**18,776**	18,854
Accrued taxes other than income	**41,324**	42,571
Accrued liabilities	**30,058**	22,931
Customer deposits	**60,811**	61,209
Other current liabilities	**21,465**	21,380
Total current liabilities	**673,330**	443,933
Deferred credits and other liabilities		
Deferred income taxes	**599,945**	1,038,568
Regulatory liabilities	**519,421**	—
Employee benefit obligations	**172,938**	303,507
Other deferred credits	**87,778**	76,057
Total deferred credits and other liabilities	**1,380,082**	1,418,132
Commitments and contingencies		
Total liabilities and equity	**$ 5,206,878**	$ 4,942,791

See accompanying Notes to Consolidated Financial Statements.

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ONE Gas, Inc.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31,		
	2017	**2016**	**2015**
	(*Thousands of dollars*)		
Operating activities			
Net income	**$ 162,995**	$ 140,095	$ 119,030
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	**151,889**	143,829	133,023
Deferred income taxes	**92,393**	86,788	63,789
Share-based compensation expense	**8,876**	11,219	9,187
Provision for doubtful accounts	**7,323**	5,427	4,520
Changes in assets and liabilities:			
Accounts receivable	**(15,147)**	(80,028)	105,886
Materials and supplies	**(5,588)**	(759)	(5,814)
Income tax receivable	**—**	37,480	4,923
Natural gas in storage	**(4,722)**	16,721	43,147
Asset removal costs	**(52,376)**	(53,430)	(51,608)
Accounts payable	**1,945**	27,596	(59,635)
Accrued interest	**(78)**	(19)	1
Accrued taxes other than income	**(1,247)**	5,322	(7,493)
Accrued liabilities	**7,127**	(8,539)	5,451
Customer deposits	**(398)**	884	322
Regulatory assets and liabilities	**29,250**	(49,472)	50,658
Employee benefit obligation	**(118,095)**	(25,666)	(15,033)
Other assets and liabilities	**(10,347)**	33,141	7,562
Cash provided by operating activities	**253,800**	290,589	407,916
Investing activities			
Capital expenditures	**(356,361)**	(309,071)	(294,320)
Other	**618**	492	—
Cash used in investing activities	**(355,743)**	(308,579)	(294,320)
Financing activities			
Borrowings (repayment) on notes payable, net	**212,215**	132,500	(29,500)
Repurchase of common stock	**(17,512)**	(24,066)	(24,122)
Issuance of common stock	**4,457**	4,017	7,051
Dividends paid	**(87,951)**	(73,209)	(62,826)
Tax withholdings related to net share settlements of stock compensation	**(9,516)**	(9,022)	(13,709)
Cash provided by (used in) financing activities	**101,693**	30,220	(123,106)
Change in cash and cash equivalents	**(250)**	12,230	(9,510)
Cash and cash equivalents at beginning of period	**14,663**	2,433	11,943
Cash and cash equivalents at end of period	**$ 14,413**	$ 14,663	$ 2,433
Supplemental cash flow information:			
Cash paid for interest, net of amounts capitalized	**$ 44,436**	$ 42,129	$ 42,980
Cash received for income taxes, net	**$ (1,389)**	$ (35,702)	$ (5,423)

See accompanying Notes to Consolidated Financial Statements.

ONE Gas, Inc.
CONSOLIDATED STATEMENTS OF EQUITY

	Common Stock Issued	Common Stock	Paid-in Capital
	(Shares)	*(Thousands of dollars)*	
January 1, 2015	52,083,859	$ 521	$ 1,758,796
Net income	—	—	—
Other comprehensive income	—	—	—
Repurchase of common stock	—	—	—
Common stock issued	514,146	5	5,027
Common stock dividends - $1.20 per share	—	—	1,052
December 31, 2015	52,598,005	526	1,764,875
Net income	—	—	—
Other comprehensive loss	—	—	—
Repurchase of common stock	—	—	—
Common stock issued	—	—	(16,212)
Common stock dividends - $1.40 per share	—	—	911
December 31, 2016	52,598,005	526	1,749,574
Cumulative effect of accounting change	—	—	—
Net income	—	—	—
Other comprehensive loss	—	—	—
Repurchase of common stock	—	—	—
Common stock issued and other	—	—	**(12,949)**
Common stock dividends - $1.68 per share	—	—	**926**
December 31, 2017	**52,598,005**	**$ 526**	**$ 1,737,551**

See accompanying Notes to Consolidated Financial Statements.

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

	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Total Equity
		(Thousands of dollars)		
January 1, 2015	$ 39,894	$ —	$ (5,174)	$ 1,794,037
Net income	119,030	—	—	119,030
Other comprehensive income	—	—	773	773
Repurchase of common stock	—	(24,122)	—	(24,122)
Common stock issued	—	9,631	—	14,663
Common stock dividends - $1.20 per share	(63,878)	—	—	(62,826)
December 31, 2015	95,046	(14,491)	(4,401)	1,841,555
Net income	140,095	—	—	140,095
Other comprehensive loss	—	—	(314)	(314)
Repurchase of common stock	—	(24,066)	—	(24,066)
Common stock issued	—	20,431	—	4,219
Common stock dividends - $1.40 per share	(74,120)	—	—	(73,209)
December 31, 2016	161,021	(18,126)	(4,715)	1,888,280
Cumulative effect of accounting change	**10,982**	**—**	**—**	**10,982**
Net income	**162,995**	**—**	**—**	**162,995**
Other comprehensive loss	**—**	**—**	**(778)**	**(778)**
Repurchase of common stock	**—**	**(17,512)**	**—**	**(17,512)**
Common stock issued and other	**—**	**17,142**	**—**	**4,193**
Common stock dividends - $1.68 per share	**(88,877)**	**—**	**—**	**(87,951)**
December 31, 2017	**$ 246,121**	**$ (18,496)**	**$ (5,493)**	**$ 1,960,209**

See accompanying Notes to Consolidated Financial Statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Operations - We provide natural gas distribution services to more than 2 million customers through our divisions in Oklahoma, Kansas and Texas through Oklahoma Natural Gas, Kansas Gas Service and Texas Gas Service, respectively. We serve residential, commercial, industrial and transportation customers in all three states. In addition, we also provide natural gas distribution services to wholesale and public authority customers. We are a corporation incorporated under the laws of the state of Oklahoma, and our common stock is listed on the NYSE under the trading symbol "OGS." In 2017, we formed a wholly-owned captive insurance company in the state of Oklahoma to provide insurance to our divisions.

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

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

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

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

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

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

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

Determining the appropriate classification of our fair value measurements within the fair value hierarchy requires management's judgment regarding the degree to which market data is observable or corroborated by observable market data. We categorize derivatives for which fair value is determined using multiple inputs within a single level, based on the lowest level input that is significant to the fair value measurement in its entirety. See Note 7 for additional information regarding our fair value measurements.

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

Revenue Recognition - For regulated deliveries of natural gas, we read meters and bill customers on a monthly cycle. We recognize revenues upon the delivery of the natural gas commodity or services rendered to customers. The billing cycles for customers do not necessarily coincide with the accounting periods used for financial reporting purposes. Revenues are accrued for natural gas delivered and services rendered to customers, but not yet billed. Accrued unbilled revenue is based on a percentage estimate of amounts unbilled each month, which is dependent upon a number of factors, some of which require management's judgment. These factors include customer consumption patterns and the impact of weather on usage. The amounts of accrued unbilled natural gas sales revenues at December 31, 2017 and 2016, were $138.5 million and $143.2 million, respectively.

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

Cost of Natural Gas - Net margin is comprised of total revenues less cost of natural gas. Cost of natural gas includes commodity purchases, fuel, storage, transportation and other gas purchase costs recovered through our cost of natural gas regulatory mechanisms and does not include an allocation of general operating costs or depreciation and amortization. In addition, our cost of natural gas regulatory mechanisms provide a method of recovering natural gas costs on an ongoing basis without a profit. Therefore, although our revenues will fluctuate with the cost of gas that we purchase, net margin is not affected by fluctuations in the cost of natural gas. See Note 8 for additional discussion of purchased gas cost recoveries.

Accounts Receivable - Accounts receivable represent valid claims against nonaffiliated customers for natural gas sold or services rendered, net of allowances for doubtful accounts. We assess the creditworthiness of our customers. Those customers who do not meet minimum standards are required to provide security, including deposits and other forms of collateral, when appropriate. With more than 2 million customers across three states, we are not exposed materially to a concentration of credit risk. We maintain an allowance for doubtful accounts based upon factors surrounding the credit risk of customers, historical trends, consideration of the current credit environment and other information. In Oklahoma, Kansas and most jurisdictions we serve in Texas, we are able to recover natural gas costs related to doubtful accounts through purchased-gas cost adjustment mechanisms. At December 31, 2017 and 2016, our allowance for doubtful accounts was $4.8 million and $4.2 million, respectively.

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

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

Derivatives and Risk Management Activities - We record all derivative instruments at fair value, with the exception of normal purchases and normal sales that are expected to result in physical delivery. The accounting for changes in the fair value of a derivative instrument depends on whether it has been designated and qualifies as part of a hedging relationship and, if so, the reason for holding it, or if regulatory rulings require a different accounting treatment.

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

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

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

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

See Note 7 for additional information regarding our fair value measurements and hedging activities using derivatives.

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

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

Our properties are depreciated using the straight-line method over their estimated useful lives. Generally, we apply composite depreciation rates to functional groups of property having similar economic circumstances. We periodically conduct depreciation studies to assess the economic lives of our assets. These depreciation studies are completed as a part of our regulatory proceedings, and the changes in economic lives, if applicable, are implemented prospectively when the new rates are approved by our regulators and become effective. Changes in the estimated economic lives of our property, plant and equipment could have a material effect on our financial position, results of operations or cash flows.

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

See Note 9 for additional information regarding our property, plant and equipment.

Impairment of Goodwill and Long-Lived Assets - We assess our goodwill for impairment at least annually as of July 1. Our goodwill impairment analysis performed in 2017, 2016 and 2015, utilized a qualitative assessment and did not result in any impairment indicators. Subsequent to July 1, 2017, no event has occurred indicating that it is more likely than not that our fair value is less than our carrying value of our net assets.

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

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

We assess our long-lived assets for impairment whenever events or changes in circumstances indicate that an asset's carrying amount may not be recoverable. An impairment is indicated if the carrying amount of a long-lived asset exceeds the sum of the undiscounted future cash flows expected to result from the use and eventual disposition of the asset. If an impairment is indicated, we record an impairment loss equal to the difference between the carrying value and the fair value of the long-lived asset. We determined that there were no asset impairments in 2017, 2016 or 2015.

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

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

See Note 8 for additional information regarding our regulatory assets and liabilities disclosures.

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

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

A valuation allowance for deferred income tax assets is recognized when it is more likely than not that some or all of the benefit from the deferred income tax asset will not be realized. To assess that likelihood, we use estimates and judgment regarding our future taxable income, as well as the jurisdiction in which such taxable income is generated, to determine whether a valuation allowance is required. Such evidence can include our current financial position, our results of operations, both actual and forecasted, the reversal of deferred income tax liabilities, as well as the current and forecasted business economics of our industry. We had no valuation allowance at December 31, 2017 and 2016.

We utilize a more-likely-than-not recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position that is taken or expected to be taken in a tax return. We reflect penalties and interest as part of income tax expense as they become applicable for tax provisions that do not meet the more-likely-than-not recognition threshold and measurement attribute. There were no material uncertain tax positions at December 31, 2017 and 2016.

See Note 12 for additional information regarding income taxes.

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

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

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

See Note 13 for additional information regarding contingencies.

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

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

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

In 2017, 2016 and 2015, we had no single external customer from which we received 10 percent or more of our gross revenues.

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

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

In August 2017, the FASB issued ASU 2017-12, "Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities," which allows more types of hedging strategies to be eligible for hedge accounting and simplifies application of hedge accounting. This new guidance is required for our interim and annual reports for periods beginning after December 15, 2018, and early adoption is permitted, but must be applied as of the beginning of the fiscal year, or initial application date. The impact of this guidance is not material to us, as we have not elected hedge accounting due to the nature of the types of derivatives we have entered.

In March 2017, the FASB issued ASU 2017-07, "Compensation - Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost," which requires (1) separation of net periodic service costs for pension and other postemployment benefits into service cost and other components, (2) presentation of the service cost component in the same line as other compensation costs rendered by pertinent employees during the period, and (3) reporting the other components of net periodic benefit costs separately from the service cost component and outside a subtotal of income from operations. Additionally, only the service cost component is eligible for capitalization for GAAP, when applicable. However, all of our cost components remain eligible for capitalization under the accounting requirements for rate regulated entities.

We will adopt this guidance for our interim and annual reports in the first quarter of 2018. When adopted, the presentation changes required for net periodic benefit costs will not impact previously reported net income; however, the reclassification of the other components of benefits costs will result in an increase in operating income and an increase in other expenses for 2017 and 2016 of $17.3 million and $19.8 million, respectively. We will use the retroactive presentation that permits the use of the amounts disclosed for the various components of net benefit cost in our Employee Benefit Plans footnote to our consolidated financial statements as the basis for the retrospective application. In addition, we updated our information systems for the capitalization of service costs to property and non-service costs to a regulatory asset on a prospective basis, as well as the appropriate accounts for non-service costs to apply retroactive reclassification.

In January 2017, the FASB issued ASU 2017-04, "Intangibles - Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment," which simplifies how an entity is required to test goodwill for impairment by eliminating Step 2 of the goodwill test, where the measurement of a goodwill impairment loss was determined by comparing the implied fair value of a reporting unit's goodwill with the carrying amount of that goodwill. Upon adoption, a goodwill impairment will be the amount by which a reporting unit's carrying value exceeds its fair value, not to exceed the carrying amount of goodwill. We early adopted this new guidance in the current year, and it did not have an impact on our consolidated financial statements. See our conclusions regarding our current year Goodwill Impairment Test above.

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

In March 2016, the FASB issued ASU 2016-09, "Improvements to Employee Share-Based Payment Accounting," which includes various new aspects to simplify how share-based payments are accounted for and presented in the consolidated financial statements. The new standard modifies several aspects of the accounting and reporting for employee share-based payments and related tax accounting impacts, including the presentation in the consolidated statements of operations and cash flows. We adopted this new guidance in the first quarter 2017, and in accordance with the transition requirements, we recorded $5.2 million of excess tax benefit in income tax expense and have transitioned all provisions of this new guidance prospectively, other than our presentation of our withholding shares for tax-withholding purposes, which we accounted for retrospectively in the Financing Activities section of our Consolidated Statement of Cash Flows. We recorded a noncash cumulative-effect increase of $11.0 million to retained earnings, with an offset to a deferred income tax asset, as of the beginning of the reporting period in 2017, for excess tax benefits earned prior to January 1, 2017, that had not been recognized. We continue our use of the estimation method to account for share unit award forfeitures rather than actual forfeitures. The retrospective impact of our withholding shares for tax-withholding purposes to our Consolidated Statement of Cash Flows for the year ended December 31, 2016, was a $9.0 million increase to net cash provided by operating activities and a $9.0 million decrease to net cash used in financing activities. The retrospective impact of our withholding shares for tax-withholding purposes to our Consolidated Statement of Cash Flows for the year ended December 31, 2015, was a $13.7 million increase to net cash provided by operating activities and a $13.7 million decrease to net cash used in financing activities.

In February 2016, the FASB issued ASU 2016-02, "Leases (Topic 842)," which prescribes recognizing lease assets and liabilities on the balance sheet and includes disclosure of key information about leasing arrangements. A modified retrospective transition approach is required for leases existing at the time of adoption. In January 2018, the FASB issued ASU 2018-01, "Leases (Topic 842)," as an amendment to address stakeholder concerns about the costs and complexity of complying with the transition provisions of the new lease requirements to provide an optional transition practical expedient to not evaluate under Topic 842 existing or expired land easements that were not previously accounted for as leases under the current leases guidance in Topic 840. We are continuing to evaluate our population of leases, analyzing lease agreements, and holding meetings with cross-functional teams to determine the potential impact of this accounting standard on our financial position and results of operations and the transition approach we will utilize. We will adopt this new guidance in the first quarter of 2019.

In May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers" ("ASC 606"), which clarifies and converges the revenue recognition principles under GAAP and International Financial Reporting Standards. In July 2015, FASB delayed the effective date for one year. We have evaluated all of our sources of revenue to determine the potential effect on our financial position, results of operations, cash flows and the related accounting policies and business processes. We will adopt this new guidance for our interim and annual reports beginning in the first quarter 2018, using the modified retrospective method. There will not be a cumulative adjustment to our opening retained earnings. The only impact we expect would be a reclassification of certain revenues that do not meet the requirements under ASC 606 as revenues from contracts with customers, but will continue to be reflected as other revenues in determining total revenue. The items we expect to reclassify relate primarily to the weather normalization mechanism in Kansas, where the KCC determines how we reflect variations in weather in our rates billed to customers. We have determined the majority of our tariffs to be contracts with customers which are settled over time, where our performance obligation is settled with our customer when natural gas is delivered and simultaneously consumed.

The majority of our revenues that meet the requirements under ASC 606 are considered implied contracts, as established by our tariff rates approved by regulatory authorities. Our sources of revenue will be disaggregated by natural gas sales (including sales to residential, commercial, industrial, wholesale and public authority customers), transportation revenue, and other utility revenues, which are primarily one-time service fees, that meet the requirements under ASC 606. The reclassification of certain revenues that do not meet the requirements under ASC 606 will be classified as other revenues on the Consolidated Income Statement and in our Notes to Consolidated Financial Statements. Additionally, for our natural gas sales and transportation revenues, our customers receive the benefits of our performance when the commodity is delivered to the customer and the performance obligation is satisfied over time as the customer receives and consumes the natural gas. For our other utility revenue, the performance obligation of one time services are satisfied at a point in time when services are rendered to the customer. In addition, we will use the invoice method practical expedient, where we will recognize revenue for volumes delivered for which we have a right to invoice.

2. CREDIT FACILITY AND SHORT-TERM NOTES PAYABLE

In October 2017, we amended and restated our revolving credit agreement. The ONE Gas Credit Agreement remains a $700 million revolving unsecured credit facility, and includes a $20 million letter of credit subfacility and a $60 million swingline subfacility. We will also be able to request an increase in commitments of up to an additional $500 million upon satisfaction of customary conditions, including receipt of commitments from either new lenders or increased commitments from existing lenders. The ONE Gas Credit Agreement expires in October 2022, and is available to provide liquidity for working capital, capital expenditures, acquisitions and mergers, the issuance of letters of credit and for other general corporate purposes.

The ONE Gas Credit Agreement contains certain financial, operational and legal covenants. Among other things, these covenants include maintaining ONE Gas' total debt-to-capital ratio of no more than 70 percent at the end of any calendar quarter. The ONE Gas Credit Agreement also contains customary affirmative and negative covenants, including covenants relating to liens, indebtedness of subsidiaries, investments, changes in the nature of business, fundamental changes, transactions with affiliates, burdensome agreements, and use of proceeds. In the event of a breach of certain covenants by ONE Gas, amounts outstanding under the ONE Gas Credit Agreement may become due and payable immediately. At December 31, 2017, our total debt-to-capital ratio was 44 percent and we were in compliance with all covenants under the ONE Gas Credit Agreement.

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

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

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

At December 31, 2017, we had $357.2 million of commercial paper, $2.1 million in letters of credit issued under the ONE Gas Credit Agreement, with no borrowings and $340.7 million of remaining credit available under the ONE Gas Credit Agreement. The weighted-average interest rate on our commercial paper was 1.55 percent and 0.95 percent at December 31, 2017 and 2016, respectively.

3. LONG-TERM DEBT

We have senior notes consisting of $300 million of 2.07 percent senior notes due 2019, $300 million of 3.61 percent senior notes due 2024 and $600 million of 4.658 percent senior notes due 2044. The indenture governing our Senior Notes includes an event of default upon the acceleration of other indebtedness of $100 million or more. Such events of default would entitle the trustee or the holders of 25 percent in the aggregate principal amount of the outstanding Senior Notes to declare those senior notes immediately due and payable in full.

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

4. EQUITY

Preferred Stock - At December 31, 2017, we had 50 million, $0.01 par value, authorized shares of preferred stock available. We have not issued or established any classes or series of shares of preferred stock.

Common Stock - At December 31, 2017, we had approximately 197.7 million shares of authorized common stock available for issuance.

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

Dividends Declared - In January 2018, we declared a dividend of $0.46 per share ($1.84 per share on an annualized basis) for shareholders of record on February 23, 2018, payable March 9, 2018.

5. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

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

	Accumulated Other Comprehensive Income (Loss)
	(Thousands of dollars)
January 1, 2016	$ (4,401)
Pension and other postemployment benefit plans obligations	
Other comprehensive income (loss) before reclassification, net of tax of $486	(776)
Amounts reclassified from accumulated other comprehensive income (loss), net of tax of $(289)	462
Other comprehensive income (loss)	(314)
December 31, 2016	(4,715)
Pension and other postemployment benefit plans obligations	
Other comprehensive income (loss) before reclassification, net of tax of $808	**(1,293)**
Amounts reclassified from accumulated other comprehensive income (loss), net of tax of $(322)	**515**
Other comprehensive income (loss)	**(778)**
December 31, 2017	**$ (5,493)**

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

Details about Accumulated Other Comprehensive Income (Loss) Components	Year Ended December 31, 2017	2016	2015	Affected Line Item in the Consolidated Statements of Income
	(Thousands of dollars)			
Pension and other postemployment benefit plan obligations (a)				
Amortization of net loss	**$ 42,591**	$ 40,912	$ 47,494	
Amortization of unrecognized prior service cost	**(4,597)**	(3,316)	(1,962)	
	37,994	37,596	45,532	
Regulatory adjustments (b)	**(37,157)**	(36,845)	(44,615)	
	837	751	917	Income before income taxes
	(322)	(289)	(353)	Income tax expense
Total reclassifications for the period	**$ 515**	$ 462	$ 564	Net income

(a) These components of accumulated other comprehensive income (loss) are included in the computation of net periodic benefit cost. See Note 11 for additional information regarding our net periodic benefit cost.
(b) Regulatory adjustments represent pension and other postemployment benefit costs expected to be recovered through rates and are deferred as part of our regulatory assets. See Note 8 for additional information regarding our regulatory assets and liabilities.

6. EARNINGS PER SHARE

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

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

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

	Year Ended December 31, 2015		
	Income	**Shares**	**Per Share Amount**
	(Thousands, except per share amounts)		
Basic EPS Calculation			
Net income available for common stock	$ 119,030	52,578	$ 2.26
Diluted EPS Calculation			
Effect of dilutive securities	—	676	
Net income available for common stock and common stock equivalents	$ 119,030	53,254	$ 2.24

7. DERIVATIVE FINANCIAL INSTRUMENTS AND FAIR VALUE MEASUREMENTS

Derivative Instruments - At December 31, 2017, we held purchased natural gas call options for the heating season ending March 2018, with total notional amounts of 14.1 Bcf, for which we paid premiums of $5.5 million, and which had a fair value of $1.1 million. At December 31, 2016, we held purchased natural gas call options for the heating season ended March 2017, with total notional amounts of 14.3 Bcf, for which we paid premiums of $5.4 million, and which had a fair value of $6.5 million. The premiums paid and any cash settlements received are recorded as part of our unrecovered purchased-gas costs in current regulatory assets as these contracts are included in, and recoverable through, the purchased-gas cost adjustment mechanisms. Additionally, changes in fair value associated with these contracts are deferred as part of our unrecovered purchased-gas costs in our Consolidated Balance Sheets. Our natural gas call options are classified as Level 1 as fair value amounts are based on unadjusted quoted prices in active markets including NYMEX-settled prices. There were no transfers between levels for the periods presented.

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

Short-term notes payable and commercial paper are due upon demand and, therefore, the carrying amounts approximate fair value and are classified as Level 1. The book value of our long-term debt, including current maturities, was $1.2 billion at both December 31, 2017 and 2016. The estimated fair value of our long-term debt, including current maturities, was $1.3 billion and $1.2 billion at December 31, 2017 and 2016, respectively. The estimated fair value of our Senior Notes was determined using quoted market prices, and are considered Level 2.

8. REGULATORY ASSETS AND LIABILITIES

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

	Remaining Recovery Period	December 31, 2017 Current	Noncurrent	Total
		(Thousands of dollars)		
Under-recovered purchased-gas costs	1 year	**$ 41,238**	**$ —**	**$ 41,238**
Pension and other postemployment benefit costs	See Note 11	**25,156**	**387,582**	**412,738**
Weather normalization	1 year	**17,461**	**—**	**17,461**
Reacquired debt costs	10 years	**812**	**7,298**	**8,110**
MGP remediation costs	15 years	**—**	**6,104**	**6,104**
Other	1 to 21 years	**3,513**	**4,205**	**7,718**
Total regulatory assets, net of amortization		**88,180**	**405,189**	**493,369**
Federal income tax rate changes (a)	See Note 12	**—**	**(519,421)**	**(519,421)**
Over-recovered purchased-gas costs	1 year	**(9,434)**	**—**	**(9,434)**
Ad-valorem tax	1 year	**(4)**	**—**	**(4)**
Total regulatory liabilities		**(9,438)**	**(519,421)**	**(528,859)**
Net regulatory assets and liabilities		**$ 78,742**	**$ (114,232)**	**$ (35,490)**

(a) See Note 12 for additional information regarding our federal income tax rate changes regulatory liabilities.

	Remaining Recovery Period	December 31, 2016 Current	Noncurrent	Total
		(Thousands of dollars)		
Under-recovered purchased-gas costs	1 year	$ 29,901	$ —	$ 29,901
Pension and other postemployment benefit costs	See Note 11	31,498	427,448	458,946
Weather normalization	1 year	17,661	—	17,661
Reacquired debt costs	11 years	812	8,108	8,920
Other	1 to 22 years	3,274	4,966	8,240
Total regulatory assets, net of amortization		83,146	440,522	523,668
Over-recovered purchased-gas costs	1 year	(10,154)	—	(10,154)
Ad-valorem tax	1 year	(1,768)	—	(1,768)
Total regulatory liabilities		(11,922)	—	(11,922)
Net regulatory assets and liabilities		$ 71,224	$ 440,522	$ 511,746

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

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

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

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

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

Recovery through rates resulted in amortization of regulatory assets of approximately $1.0 million, $3.8 million and $1.6 million for the years ended December 31, 2017, 2016 and 2015, respectively.

We collect, through our rates, the estimated costs of removal on certain regulated properties through depreciation expense, with a corresponding credit to accumulated depreciation and amortization. These removal costs are nonlegal obligations; however, the amounts collected that are in excess of these nonlegal asset-removal costs incurred are accounted for as a regulatory liability. We have made an estimate of our regulatory liability using current rates since the last general rate order in each of our jurisdictions if the removal costs collected have exceeded our removal costs incurred. We record the estimated nonlegal asset-removal obligation in noncurrent liabilities in other deferred credits on our Consolidated Balance Sheets.

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

In January 2016, as a result of our rate case in Oklahoma, we recorded a regulatory asset of $2.4 million to recover certain information technology costs incurred as a result of our separation from ONEOK in 2014, which will be recovered over four years.

9. PROPERTY, PLANT AND EQUIPMENT

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

	December 31, 2017	December 31, 2016
	(Thousands of dollars)	
Natural gas distribution pipelines and related equipment	**$ 4,572,343**	$ 4,321,429
Natural gas transmission pipelines and related equipment	**497,791**	481,953
General plant and other	**513,445**	530,459
Construction work in process	**130,333**	70,327
Property, plant and equipment	**5,713,912**	5,404,168
Accumulated depreciation and amortization	**(1,706,327)**	(1,672,548)
Net property, plant and equipment	**$ 4,007,585**	$ 3,731,620

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

We recorded capitalized interest of $3.0 million, $3.6 million and $2.6 million for the years ended December 31, 2017, 2016 and 2015, respectively. We incurred liabilities for construction work in process and asset removal costs that had not been paid at December 31, 2017, 2016 and 2015 of $21.7 million, $11.9 million and $15.0 million, respectively. Such amounts are not included in capital expenditures on our Consolidated Statements of Cash Flows.

10. SHARE-BASED PAYMENTS

The ECP provides for the granting of stock-based compensation, including incentive stock options, nonstatutory stock options, stock bonus awards, restricted stock awards, restricted stock unit awards, performance stock awards and performance unit awards to eligible employees and the granting of stock awards to nonemployee directors. We have reserved 2.8 million shares of common stock for issuance under the ECP. At December 31, 2017, we had approximately 0.5 million shares available for issuance under the ECP, which reflect shares issued and estimated shares expected to be issued upon vesting of outstanding awards granted under the plan, less forfeitures. The plan allows for the deferral of awards granted in stock or cash, in accordance with Internal Revenue Code section 409A requirements.

Compensation cost expensed for our share-based payment plans was $4.9 million, net of tax benefits of $3.0 million, for 2017, $7.0 million, net of tax benefits of $4.3 million, for 2016, and $5.7 million, net of tax benefits of $3.5 million, for 2015.

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

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

If paid, the outstanding performance stock unit awards entitle the grantee to receive shares of our common stock. The outstanding performance stock unit awards are equity awards with a market-based condition, which results in the compensation expense for these awards being recognized on a straight-line basis over the requisite service period, provided that the requisite service period is fulfilled, regardless of when, if ever, the market condition is satisfied. The performance stock unit awards granted accrue dividend equivalents in the form of additional performance stock units prior to vesting. The fair value of these performance stock units was estimated on the grant date based on a Monte Carlo model. The compensation expense on these awards will only be adjusted for changes in forfeitures. A forfeiture rate of 3 percent per year based on historical forfeitures under our share-based payment plans was used.

Restricted Stock Unit Award Activity

As of December 31, 2017, there was $2.6 million of total unrecognized compensation costs related to the nonvested restricted stock unit awards, which is expected to be recognized over a weighted-average period of 1.7 years. The following tables set forth activity and various statistics for restricted stock unit awards outstanding under the respective plans for the period indicated:

	Number of Units	Weighted-Average Price
Nonvested at December 31, 2016	194,900	$ 41.68
Granted	**37,825**	**$ 63.97**
Vested	**(85,490)**	**$ 33.76**
Forfeited	**(6,570)**	**$ 52.65**
Nonvested at December 31, 2017	**140,665**	**$ 51.97**

	2017	2016	2015
Weighted-average grant date fair value (per share)	**$ 63.97**	$ 58.30	$ 41.40
Fair value of shares granted (thousands of dollars)	**$ 2,420**	$ 2,503	$ 3,141

The fair value of restricted stock vested was $5.5 million and $4.5 million in 2017 and 2016, respectively.

Performance Stock Unit Award Activity

As of December 31, 2017, there was $5.1 million of total unrecognized compensation cost related to the nonvested performance stock unit awards, which is expected to be recognized over a weighted-average period of 1.7 years. The following tables set forth activity and various statistics related to our performance stock unit awards and the assumptions used by us in the valuations of the 2017, 2016 and 2015 grants at the grant date:

	Number of Units		Weighted-Average Price
Nonvested at December 31, 2016	288,811	$	46.06
Granted	**74,120**	**$**	**68.94**
Vested	**(117,626)**	**$**	**35.98**
Forfeited	**(7,981)**	**$**	**58.58**
Nonvested at December 31, 2017	**237,324**	**$**	**57.78**

	2017	2016	2015
Volatility (a)	**20.70%**	18.20%	15.90%
Dividend yield	**2.63%**	2.40%	2.90%
Risk-free interest rate	**1.48%**	0.91%	1.10%

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

		2017		2016		2015
Weighted-average grant date fair value (per share)	**$**	**68.94**	$	64.06	$	44.48
Fair value of shares granted (thousands of dollars)	**$**	**5,110**	$	4,766	$	4,486

The fair value of performance stock vested was $15.6 million and $19.5 million in 2017 and 2016, respectively.

Employee Stock Purchase Plan

We have reserved a total of 700 thousand shares of common stock for issuance under our ESPP. Subject to certain exclusions, all employees who work more than 20 hours per week are eligible to participate in the ESPP. Employees can choose to have up to 10 percent of their annual base pay withheld to purchase our common stock, subject to terms and limitations of the plan. The purchase price of the stock is 85 percent of the lower of the average market price of our common stock on the grant date or exercise date. Approximately 43 percent, 41 percent and 40 percent of employees participated in the plan in 2017, 2016 and 2015, respectively, and purchased 78,472 shares at $56.80 in 2017, 83,431 shares at $54.51 in 2016, and 51,092 shares at $36.15 in 2015. Compensation expense, before taxes, was $1.2 million, $1.4 million and $1.3 million in 2017, 2016 and 2015, respectively.

Employee Stock Award Program

Under the Employee Stock Award Program, we issued, for no monetary consideration, one share of our common stock to all eligible employees when the per-share closing price of our common stock on the NYSE closed for the first time at or above each $1.00 increment above $34. The total number of shares of our common stock authorized for issuance under this program was 125,000. Shares issued to employees under this program during 2017, 2016 and 2015 totaled 13,791, 50,573 and 23,506, respectively, leaving 1,812 shares remaining. Compensation expense, before taxes, related to the Employee Stock Award Program was $0.9 million, $3.0 million and $1.1 million for 2017, 2016 and 2015, respectively. The Employee Stock Award Program will not be renewed.

11. EMPLOYEE BENEFIT PLANS

Retirement and Other Postemployment Benefit Plans

Retirement Plans - We have a defined benefit pension plan covering nonbargaining-unit employees hired before January 1, 2005, and certain bargaining-unit employees hired before December 15, 2011. Nonbargaining-unit employees hired after December 31, 2004; employees represented by Local No. 304 of the International Brotherhood of Electrical Workers ("IBEW") hired on or after July 1, 2010; employees represented by the United Steelworkers hired on or after December 15, 2011; and employees who accepted a one-time opportunity to opt out of the defined benefit pension plan are covered by a profit-sharing plan. Certain employees of the Texas Gas Service division are entitled to benefits under a frozen cash-balance pension plan. In addition, we have a supplemental executive retirement plan for the benefit of certain officers. No new participants in the supplemental executive retirement plan have been approved since 2005, and it was formally closed to new participants as of January 1, 2014. We fund our defined benefit pension costs at a level needed to maintain or exceed the minimum funding levels required by the Employee Retirement Income Security Act of 1974, as amended, and the Pension Protection Act of 2006. Pension expense was $30.2 million, $32.0 million and $38.0 million in 2017, 2016 and 2015, respectively.

Other Postemployment Benefit Plans - We sponsor health and welfare plans that provide postemployment medical and life insurance benefits to certain employees who retire with at least five years of service. The postemployment medical plan is contributory based on hire date, age and years of service, with retiree contributions adjusted periodically, and contains other cost-sharing features such as deductibles and coinsurance. Other postemployment benefit expense was $1.7 million, $2.6 million and $5.0 million in 2017, 2016 and 2015, respectively, prior to regulatory deferrals.

Plan Amendments - In September 2016, due to uncertain market conditions with health insurance exchange providers, we elected not to move the eligible pre-65 participants in our postemployment medical plans to a healthcare exchange. As a result, we remeasured the respective plan assets and benefit obligations, effective September 30, 2016. In the fourth quarter of 2016, we further amended our other postemployment medical plan to allow certain participants access to reimbursable retirement accounts. The net impact of these plan amendments in 2016 was a $483 thousand increase in our other postemployment benefit plan obligation.

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

	December 31,	
	2017	**2016**
Discount rate - pension plans	**3.80%**	4.30%
Discount rate - other postemployment plans	**3.70%**	4.20%
Compensation increase rate	**3.25% - 3.35%**	3.25% - 3.40%

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

	Years Ended December 31,		
	2017	**2016**	**2015**
Discount rate - pension plans	**4.30%**	4.75%	4.25%/4.75% (c)
Discount rate - other postemployment plans	**4.20%**	4.75%/3.75% (a)	4.25%/4.75% (c)
Expected long-term return on plan assets - pension plans	**7.75%**	7.75%	7.75%
Expected long-term return on plan assets - other postemployment plans	**7.60%**	8.00%/7.75% (b)	7.75%
Compensation increase rate	**3.25% - 3.40%**	3.35% - 3.40%	3.30% - 3.50%

(a) Discount rate for the nine months ended September 30, 2016, and three months ended December 31, 2016, respectively.
(b) Expected long-term return on plan assets for the nine months ended September 30, 2016, and three months ended December 31, 2016, respectively.
(c) Discount rate for the nine months ended September 30, 2015, and three months ended December 31, 2015, respectively.

We determine our overall expected long-term rate of return on plan assets, based on our review of historical returns and economic growth models. At December 31, 2017, we updated our assumed mortality rates to incorporate the new set of mortality tables issued by the Society of Actuaries in October 2017.

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

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

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

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

	Pension Benefits		Other Postemployment Benefits	
	December 31,		December 31,	
	2017	2016	2017	2016
Changes in Benefit Obligation	*(Thousands of dollars)*			
Benefit obligation, beginning of period	**$ 966,531**	$ 985,624	**$ 243,548**	$ 228,253
Service cost	**12,176**	12,055	**2,509**	2,675
Interest cost	**40,453**	45,550	**9,890**	10,235
Plan participants' contributions	**—**	—	**3,483**	3,043
Actuarial loss (gain)	**76,325**	25,886	**12,129**	14,309
Benefits paid	**(55,107)**	(71,066)	**(16,690)**	(15,450)
Plan amendment	**—**	—	**171**	483
Settlements	**(46,487)**	(31,518)	**—**	—
Benefit obligation, end of period	**993,891**	966,531	**255,040**	243,548
Change in Plan Assets				
Fair value of plan assets, beginning of period	**739,586**	785,161	**166,046**	155,495
Actual return on plan assets	**135,056**	48,768	**31,228**	9,733
Employer contributions	**111,936**	12,441	**6,159**	13,225
Plan participants' contributions	**—**	—	**3,483**	3,043
Benefits paid	**(55,107)**	(71,066)	**(16,690)**	(15,450)
Settlements	**(46,667)**	(35,718)	**—**	—
Fair value of assets, end of period	**884,804**	739,586	**190,226**	166,046
Balance at December 31	**$ (109,087)**	$ (226,945)	**$ (64,814)**	$ (77,502)
Current liabilities	**$ (963)**	$ (941)	**$ —**	$ —
Noncurrent liabilities	**(108,124)**	(226,004)	**(64,814)**	(77,502)
Balance at December 31	**$ (109,087)**	$ (226,945)	**$ (64,814)**	$ (77,502)

We made contributions to our pension plan of $111.9 million and $12.4 million during 2017 and 2016, respectively. During 2017 and 2016, we purchased group annuity contracts for approximately $46.7 million and $35.7 million, respectively, and transferred to a third-party insurance company liabilities of approximately $46.5 million and $31.5 million, respectively, related to certain participants in our defined benefit pension plan. Benefits paid includes $18.1 million of lump sum payments to certain terminated vested participants during 2016.

The accumulated benefit obligation for our defined benefit pension plans was $936.7 million and $912.4 million at December 31, 2017 and 2016, respectively.

There are no plan assets expected to be withdrawn and returned to us in 2018.

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

	Pension Benefits		
	Year Ended December 31,		
	2017	**2016**	**2015**
	(Thousands of dollars)		
Components of net periodic benefit cost			
Service cost	**$ 12,176**	$ 12,055	$ 13,660
Interest cost	**40,453**	45,550	43,542
Expected return on assets	**(58,496)**	(61,183)	(61,769)
Amortization of unrecognized prior service cost	**—**	—	266
Amortization of net loss	**36,107**	35,543	42,226
Settlements	**—**	—	27
Net periodic benefit cost	**$ 30,240**	$ 31,965	$ 37,952

	Other Postemployment Benefits		
	Year Ended December 31,		
	2017	**2016**	**2015**
	(Thousands of dollars)		
Components of net periodic benefit cost			
Service cost	**$ 2,509**	$ 2,675	$ 3,257
Interest cost	**9,890**	10,235	10,628
Expected return on assets	**(12,590)**	(12,370)	(11,892)
Amortization of unrecognized prior service cost	**(4,597)**	(3,316)	(2,228)
Amortization of net loss	**6,484**	5,369	5,268
Net periodic benefit cost	**$ 1,696**	$ 2,593	$ 5,033

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

	Pension Benefits		
	Year Ended December 31,		
	2017	**2016**	**2015**
	(Thousands of dollars)		
Net gain (loss) arising during the period	**$ (2,101)**	$ (1,262)	$ 339
Amortization of loss	**837**	751	917
Deferred income taxes	**486**	197	(483)
Total recognized in other comprehensive income (loss)	**$ (778)**	$ (314)	$ 773

There were no amounts recognized in other comprehensive income (loss) related to our other postemployment benefits for the periods presented.

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

	Pension Benefits	
	December 31,	
	2017	2016
	(Thousands of dollars)	
Prior service credit (cost)	$ —	$ —
Accumulated loss	**(378,595)**	(414,757)
Accumulated other comprehensive loss before regulatory assets	**(378,595)**	(414,757)
Regulatory asset for regulated entities	**369,647**	407,073
Accumulated other comprehensive loss after regulatory assets	**(8,948)**	(7,684)
Deferred income taxes	**3,455**	2,969
Accumulated other comprehensive loss, net of tax	**$ (5,493)**	$ (4,715)

	Other Postemployment Benefits	
	December 31,	
	2017	2016
	(Thousands of dollars)	
Prior service credit (cost)	**$ 5,442**	$ 10,211
Accumulated loss	**(49,030)**	(62,084)
Accumulated other comprehensive loss before regulatory assets	**(43,588)**	(51,873)
Regulatory asset for regulated entities	**43,588**	51,873
Accumulated other comprehensive loss after regulatory assets	**—**	—
Deferred income taxes	**—**	—
Accumulated other comprehensive loss, net of tax	**$ —**	$ —

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

	Pension Benefits	Other Postemployment Benefits
Amounts to be recognized in 2018	(Thousands of dollars)	
Prior service credit (cost)	$ —	$ (4,567)
Actuarial net loss	$ 39,913	$ 3,887

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

	2017	2016
Health care cost-trend rate assumed for next year	**7.00%**	7.25%
Rate to which the cost-trend rate is assumed to decline (the ultimate trend rate)	**5.00%**	5.00%
Year that the rate reaches the ultimate trend rate	**2023**	2022

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

	One Percentage Point Increase	One Percentage Point Decrease
	(Thousands of dollars)	
Effect on total of service and interest cost	**$ 239**	**$ (238)**
Effect on other postemployment benefit obligation	**$ 2,906**	**$ (3,006)**

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

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

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

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

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

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

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

Asset Category	Pension Benefits December 31, 2016			
	Level 1	**Level 2**	**Level 3**	**Total**
	(Thousands of dollars)			
Investments:				
Equity securities (a)	$ 371,655	$ 58,987	$ —	$ 430,642
Government obligations	—	47,445	—	47,445
Corporate obligations (b)	—	129,036	—	129,036
Cash and money market funds (c)	13,786	16,114	—	29,900
Insurance contracts and group annuity contracts	—	—	45,140	45,140
Other investments (d)	—	71	57,352	57,423
Total assets	$ 385,441	$ 251,653	$ 102,492	$ 739,586

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

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

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

Asset Category	Other Postemployment Benefits December 31, 2016 Level 1	Level 2	Level 3	Total
	(Thousands of dollars)			
Investments:				
Equity securities (a)	$ 39,817	$ 7,323	$ —	$ 47,140
Government obligations	—	75	—	75
Corporate obligations (b)	—	19,948	—	19,948
Cash and money market funds (c)	74	16,989	—	17,063
Insurance contracts and group annuity contracts	—	81,820	—	81,820
Total assets	$ 39,891	$ 126,155	$ —	$ 166,046

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

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

	Pension Benefits Insurance Contracts	Other Investments	Total
	(Thousands of dollars)		
January 1, 2016	$ 56,465	$ 57,972	$ 114,437
Net realized and unrealized gains (losses)	4,518	(620)	3,898
Settlements	(15,843)	—	(15,843)
December 31, 2016	$ 45,140	$ 57,352	$ 102,492
Net realized and unrealized gains (losses)	**2,569**	**5,055**	**7,624**
Purchases	**—**	**16,300**	**16,300**
Sales and settlements	**(12,551)**	**—**	**(12,551)**
December 31, 2017	**$ 35,158**	**$ 78,707**	**$ 113,865**

Contributions - During 2017, we contributed $111.9 million to our defined benefit pension plans and we contributed $6.2 million to our other postemployment benefit plans. In 2018, we expect to contribute $1.0 million to our defined benefit pension plans and expect to contribute $3.0 million to our other postemployment benefit plans.

Pension and Other Postemployment Benefit Payments - Benefit payments for our defined benefit pension and other postemployment benefit plans for the period ended December 31, 2017 were $55.1 million and $16.7 million, respectively. The following table sets forth the pension benefits and other postemployment benefits payments expected to be paid in 2018-2027:

		Pension Benefits		Other Postemployment Benefits
Benefits to be paid in:		*(Thousands of dollars)*		
2018	$	50,875	$	17,293
2019	$	51,635	$	17,383
2020	$	52,518	$	17,538
2021	$	53,516	$	17,485
2022	$	54,289	$	17,558
2023 through 2027	$	286,188	$	85,543

The expected benefits to be paid are based on the same assumptions used to measure our benefit obligation at December 31, 2017, and include estimated future employee service.

Other Employee Benefit Plans

401(k) Plan - We have a 401(k) Plan which covers all full-time employees, and employee contributions are discretionary. We match 100 percent of each participant's eligible contribution up to 6 percent of eligible compensation, subject to certain limits. Our contributions made to the plan were $11.7 million, $10.8 million and $10.2 million in 2017, 2016 and 2015, respectively.

Profit Sharing Plan - We have a profit sharing plan for all employees who do not participate in our defined benefit pension plan. We plan to make a contribution to the profit sharing plan each quarter equal to 1 percent of each participant's eligible compensation during the quarter. Additional discretionary employer contributions may be made at the end of each year. Employee contributions are not allowed under the plan. Our contributions made to the plan were $8.1 million, $6.0 million and $6.5 million in 2017, 2016 and 2015, respectively.

Employee Deferred Compensation Plan - Our Nonqualified Deferred Compensation Plan provides certain employees with the option to defer portions of their compensation and provides nonqualified deferred compensation benefits that are not available due to limitations on employer and employee contributions to qualified defined contribution plans under the federal tax laws. Contributions made to the plan were not material in 2017, 2016 and 2015.

12. INCOME TAXES

In December 2017, the Tax Cuts and Jobs Act of 2017 was signed into law. Substantially all of the provisions of the new law are effective for taxable years beginning after December 31, 2017. The new law includes significant changes to the Code, including amendments which significantly change the taxation of business entities and includes specific provisions related to regulated public utilities. The more significant changes that impact us include reductions in the corporate federal statutory income tax rate to 21 percent from 35 percent, and several technical provisions including, among others, the elimination of full expensing for tax purposes of certain property acquired after September 27, 2017, the continuation of certain rate normalization requirements for accelerated depreciation benefits and the general allowance for the continued deductibility of interest expense. Additionally, the new law limits the utilization of NOLs arising after December 31, 2017, to 80 percent of taxable income with an indefinite carryforward.

The staff of the SEC has recognized the complexity of reflecting the impacts of the Tax Cuts and Jobs Act of 2017 and issued guidance in Staff Accounting Bulletin 118 ("SAB 118") which clarifies accounting for income taxes under ASC 740 if information is not yet available or complete and provides for up to a one-year period in which to complete the required analyses and accounting. We have completed or made a reasonable estimate for the measurement and accounting of the effects of the Tax Cuts and Jobs Act of 2017, which have been reflected in our December 31, 2017, consolidated financial statements. We are still analyzing certain aspects of the Tax Cuts and Jobs Act of 2017, refining our calculations and expect additional guidance from the U.S. Department of the Treasury and the Internal Revenue Service. Any additional issued guidance or future actions of our regulators could potentially affect the final determination of the accounting effects arising from the implementation of the Tax Cuts and Jobs Act of 2017.

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

	Years Ended December 31,		
	2017	**2016**	**2015**
	(*Thousands of dollars*)		
Current income tax provision			
Federal	**$ —**	$ (2,016)	$ 7,135
State	**750**	471	2,055
Total current income tax provision	**750**	(1,545)	9,190
Deferred income tax provision			
Federal	**83,138**	76,247	56,440
State	**9,255**	10,541	7,349
Total deferred income tax provision	**92,393**	86,788	63,789
Total provision for income taxes	**$ 93,143**	$ 85,243	$ 72,979

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

	Years Ended December 31,		
	2017	**2016**	**2015**
	(*Thousands of dollars*)		
Income before income taxes	**$ 256,138**	$ 225,338	$ 192,009
Federal statutory income tax rate	**35%**	35%	35%
Provision for federal income taxes	**89,648**	78,868	67,203
State income taxes, net of federal tax benefit	**6,503**	7,158	6,114
Nonregulated deferred tax rate decrease	**2,162**	—	—
Tax benefit of employee share based compensation	**(5,162)**	—	—
Other, net	**(8)**	(783)	(338)
Total provision for income taxes	**$ 93,143**	$ 85,243	$ 72,979

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

	December 31,	
	2017	**2016**
	(*Thousands of dollars*)	
Deferred tax assets		
Employee benefits and other accrued liabilities	**$ 40,277**	$ 123,333
Regulatory adjustments for enacted tax rate changes	**129,421**	—
Net operating loss	**24,712**	23,094
Other	**2,984**	5,716
Total deferred tax assets	**197,394**	152,143
Deferred tax liabilities		
Excess of tax over book depreciation	**677,249**	990,682
Purchased-gas cost adjustment	**13,805**	13,822
Other regulatory assets and liabilities, net	**106,285**	186,207
Total deferred tax liabilities	**797,339**	1,190,711
Net deferred tax liabilities	**$ 599,945**	$ 1,038,568

As a result of the enactment of the Tax Cuts and Jobs Act of 2017, we remeasured our deferred income taxes based upon the new tax rate enacted in 2017. As a regulated entity, the change in deferred income taxes applicable to amounts previously recovered through rates is deferred as a regulatory liability. The effect on the net deferred income tax liability for the enacted decrease in the federal tax rate was $517.2 million, of which $519.4 million was recorded as a reduction to the deferred income tax liabilities and deferred as a regulatory liability for ratemaking purposes and offset by $2.2 million recorded as an increase in deferred income tax expense attributable to the remeasured deferred income taxes associated with certain expenses not currently recovered in our rates. These adjustments had no impact on our 2017 cash flows.

Reductions in our ADIT balances to reflect the reduced corporate income tax rate of 21 percent will result in amounts previously collected from utility customers for these deferred income taxes to be refundable to such customers. The Tax Cuts and Jobs Act of 2017 retains the provisions of the Code that stipulate how these excess deferred income taxes are to be passed back to customers for certain accelerated tax depreciation benefits. Potential refunds of these and other deferred income taxes will be determined by our regulators.

We are working with our regulators in each of the states that we operate to address the impact of the Tax Cuts and Jobs Act of 2017 on our rates. In each state, we have received or expect to receive accounting orders requiring us to establish a separate regulatory liability for the difference in taxes included in our rates that have been calculated based on a 35 percent statutory income tax rate and the new 21 percent statutory income tax rate beginning in January 2018. The establishment of this regulatory liability will result in a reduction to our revenues beginning in the first quarter of fiscal 2018. The amount, period and timing of the return of these liabilities to utility customers will be determined by our regulators in each of our jurisdictions.

As of December 31, 2017, we have federal and state income tax NOL carryforwards of $96.9 million and $96.6 million, respectively, which will expire at various dates from 2025 through 2037. We believe that it is more likely than not that the tax benefits of the NOL carryforwards will be utilized prior to their expirations; therefore, no valuation allowance is necessary.

We have filed our consolidated federal and state tax returns for years 2014, 2015 and 2016.

13. COMMITMENTS AND CONTINGENCIES

Commitments - Operating leases represent future minimum lease payments under noncancelable leases covering office space, facilities and information technology hardware and software. Rental expense was $8.7 million, $8.6 million and $5.0 million in 2017, 2016 and 2015, respectively. The following table sets forth our operating lease payments for the periods indicated:

	Operating Leases
(Millions of dollars)	
2018	$ 4.7
2019	3.9
2020	3.7
2021	3.3
2022	3.3
Thereafter	3.2
Total	$ 22.1

Environmental Matters - We are subject to multiple historical, wildlife preservation and environmental laws and/or regulations, which affect many aspects of our present and future operations. Regulated activities include, but are not limited to, those involving air emissions, storm water and wastewater discharges, handling and disposal of solid and hazardous wastes, wetland preservation, hazardous materials transportation, and pipeline and facility construction. These laws and regulations require us to obtain and/or comply with a wide variety of environmental clearances, registrations, licenses, permits and other approvals. Failure to comply with these laws, regulations, licenses and permits may expose us to fines, penalties and/or interruptions in our operations that could be material to our results of operations. In addition, emission controls and/or other regulatory or permitting mandates under the Clean Air Act and other similar federal and state laws could require unexpected capital expenditures. We cannot assure that existing environmental statutes and regulations will not be revised or that new regulations will not be adopted or become applicable to us. Revised or additional statutes or regulations that result in increased compliance costs or additional operating restrictions could have a material adverse effect on our business, financial condition and results of operations. Our expenditures for environmental investigation and remediation compliance to-date have not been significant in relation to our financial position, results of operations or cash flows, and our expenditures related to environmental matters had no material effects on earnings or cash flows during 2017, 2016 or 2015.

We own or retain legal responsibility for certain environmental conditions at 12 former MGP sites in Kansas. These sites contain contaminants generally associated with MGP sites and are subject to control or remediation under various environmental laws and regulations. A consent agreement with the KDHE governs all environmental investigation and remediation work at these sites. The terms of the consent agreement require us to investigate these sites and set remediation activities based upon the results of the investigations and risk analysis. Remediation typically involves the management of contaminated soils and may involve removal of structures and monitoring and/or remediation of groundwater.

We have completed or addressed removal of the source of soil contamination at 11 of the 12 sites, and continue to monitor groundwater at eight of the 12 sites according to plans approved by the KDHE. Regulatory closure has been achieved at three of the 12 sites, but these sites remain subject to potential future requirements that may result in additional costs. During 2016, we completed a site assessment at the twelfth site where no active soil remediation has occurred. We have submitted a work plan to the KDHE for approval to address a source of contamination and associated contaminated soil on a portion of this site. We are also conducting a study of the feasibility of various options to address the remainder of the site. Costs associated with the remediation at this site are not expected to be material to our results of operations or financial position.

With regard to one of our former MGP sites, periodic monitoring and a 2016 interim site investigation indicated elevated levels of contaminants generally associated with MGP sites. Additional testing and work plan development continued in 2017 to determine a remediation work plan to present to the KDHE for approval, which could impact our estimates of the cost of remediation at this site. In the fourth quarter of 2016, we estimated the potential costs associated with additional investigation and remediation to be in the range of $4.0 million to $7.0 million. A single reliable estimate of the remediation costs was not feasible due to the amount of uncertainty in the ultimate remediation approach that will be utilized. Accordingly, we recorded a reserve of $4.0 million for this site in the fourth quarter of 2016.

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

Our expenditures for environmental evaluation, mitigation, remediation and compliance to date have not been significant in relation to our financial position, results of operations or cash flows, and our expenditures related to environmental matters had no material effects on earnings or cash flows during 2017, 2016 or 2015. A number of environmental issues may exist with respect to MGP sites that are unknown to us. Accordingly, future costs are dependent on the final determination and regulatory approval of any remedial actions, the complexity of the site, level of remediation required, changing technology and governmental regulations, and to the extent not recovered by insurance or recoverable in rates from our customers, could be material to our financial condition, results of operations or cash flows.

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

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

- an evaluation of whether natural gas pipeline integrity-management requirements should be expanded beyond current high-consequence areas;

- a verification of records for pipelines in class 3 and 4 locations and high-consequence areas to confirm maximum allowable operating pressures; and
- a requirement to test previously untested pipelines operating above 30 percent yield strength in high-consequence areas.

In April 2016, PHMSA published a NPRM, the Safety of Gas Transmission & Gathering Lines Rule, in the Federal Register to revise pipeline safety regulations applicable to the safety of onshore natural gas transmission and gathering pipelines. Proposals include changes to pipeline integrity management requirements and other safety-related requirements. The NPRM comment period ended July 7, 2016, and comments are under review by PHMSA. As part of the comment review process, PHMSA is being advised by the Technical Pipeline Safety Standards Committee, informally known by PHMSA as the GPAC, a statutorily mandated advisory committee that advises PHMSA on proposed safety policies for natural gas pipelines. The GPAC reviews PHMSA's proposed regulatory initiatives to assure the technical feasibility, reasonableness, cost-effectiveness and practicality of each proposal. The potential capital and operating expenditures associated with compliance with the proposed rule are currently being evaluated and could be significant depending on the final regulations.

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

14. QUARTERLY FINANCIAL DATA (UNAUDITED)

Year Ended December 31, 2017	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
		(Thousands of dollars)		
Revenues	**$ 550,408**	**$ 279,689**	**$ 247,142**	**$ 462,394**
Operating income	**$ 125,132**	**$ 44,052**	**$ 40,780**	**$ 89,512**
Net income	**$ 76,456**	**$ 20,623**	**$ 18,797**	**$ 47,119**
Earnings per share				
Basic	**$ 1.45**	**$ 0.39**	**$ 0.36**	**$ 0.90**
Diluted	**$ 1.44**	**$ 0.39**	**$ 0.36**	**$ 0.89**

Year Ended December 31, 2016	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
		(Thousands of dollars)		
Revenues	$ 508,364	$ 245,923	$ 232,191	$ 440,754
Operating income	$ 116,073	$ 43,621	$ 30,892	$ 78,534
Net income	$ 64,743	$ 20,300	$ 12,737	$ 42,315
Earnings per share				
Basic	$ 1.23	$ 0.39	$ 0.24	$ 0.81
Diluted	$ 1.22	$ 0.38	$ 0.24	$ 0.80

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

None.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

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

Management's Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). Under the supervision and with the participation of our management, including our Principal Executive Officer and Principal Financial Officer, we evaluated the effectiveness of our internal control over financial reporting based on the framework in *Internal Control-Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Because of inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. Based on our evaluation under that framework and applicable SEC rules, our management concluded that our internal control over financial reporting was effective as of December 31, 2017.

The effectiveness of our internal control over financial reporting as of December 31, 2017, has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their reports which are included herein (Item 8).

Changes in Internal Control Over Financial Reporting

There have been no changes in our internal control over financial reporting during the quarter ended December 31, 2017, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

Not applicable.

PART III.

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Directors of the Registrant

Information concerning our directors is set forth in our 2018 definitive Proxy Statement and is incorporated herein by this reference.

Executive Officers of the Registrant

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

Compliance with Section 16(a) of the Exchange Act

Information on compliance with Section 16(a) of the Exchange Act is set forth in our 2018 definitive Proxy Statement and is incorporated herein by this reference.

Code of Ethics

Information concerning the code of ethics, or code of business conduct, is set forth in our 2018 definitive Proxy Statement and is incorporated herein by this reference.

Nominating Procedures

Information concerning the nominating procedures is set forth in our 2018 definitive Proxy Statement and is incorporated herein by this reference.

The Audit Committee

Information concerning the Audit Committee is set forth in our 2018 definitive Proxy Statement and is incorporated herein by this reference.

The Audit Committee Financial Experts

Information concerning the Audit Committee Financial Experts is set forth in our 2018 definitive Proxy Statement and is incorporated herein by this reference.

The Executive Compensation Committee

Information concerning the Executive Compensation Committee is set forth in our 2018 definitive Proxy Statement and is incorporated herein by this reference.

The Corporate Governance Committee

Information concerning the Corporate Governance Committee is set forth in our 2018 definitive Proxy Statement and is incorporated herein by this reference.

The Executive Committee

Information concerning the Executive Committee is set forth in our 2018 definitive Proxy Statement and is incorporated herein by this reference.

Committee Charters

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

ITEM 11. EXECUTIVE COMPENSATION

Information on executive compensation is set forth in our 2018 definitive Proxy Statement and is incorporated herein by this reference.

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

Security Ownership of Certain Beneficial Owners

Information concerning the ownership of certain beneficial owners is set forth in our 2018 definitive Proxy Statement and is incorporated herein by this reference.

Security Ownership of Management

Information on security ownership of directors and officers is set forth in our 2018 definitive Proxy Statement and is incorporated herein by this reference.

Equity Compensation Plan Information

The following table sets forth certain information concerning our equity compensation plans as of December 31, 2017:

Plan Category	Number of Securities Issued Upon Exercise of Outstanding Options, Warrants and Rights (a)		Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights (b)		Number of Securities Remaining Available For Future Issuance Under Equity Compensation Plans (Excluding Securities in Column (a)) (c)
Equity compensation plans approved by security holders (1)	—	$	—	(3)	1,700,287
Equity compensation plans not approved by security holders (2)	—	$	—		386,153
Total	—	$	—		2,086,440

(1) Includes restricted stock incentive units and performance-unit awards granted under our ECP and our Nonqualified Deferred Compensation Plan for Nonemployee Directors. For a brief description of the material features of this plan, see Note 10 of the Notes to Consolidated Financial Statements in this Annual Report.
(2) Includes shares granted under our ESPP and Employee Stock Award Program. For a brief description of the material features of these plans, see Note 10 of the Notes to Consolidated Financial Statements in this Annual Report. Column (c) includes 384,341 and 1,812 shares available for future issuance under our ESPP and Employee Stock Award Program, respectively.
(3) Compensation deferred into our common stock under our Non-Qualified Deferred Compensation Plan and Deferred Compensation Plan for Nonemployee Directors is distributed to participants at fair market value on the date of distribution. The price used for these plans to calculate the weighted-average exercise price in the table is $73.26, which represents the year-end closing price of our common stock on the NYSE.

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

Information on certain relationships and related transactions and director independence is set forth in our 2018 definitive Proxy Statement and is incorporated herein by this reference.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

Information on the principal accountant’s fees and services is set forth in our 2018 definitive Proxy Statement and is incorporated herein by this reference.

PART IV.

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(2) Consolidated Financial Statements Schedules

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

(3) Exhibits

2.1	Separation and Distribution Agreement, dated as of January 14, 2014, by and between ONE Gas, Inc. and ONEOK, Inc. (incorporated by reference to Exhibit 2.1 to ONE Gas, Inc.'s Current Report on Form 8-K filed on January 15, 2014 (File No. 1-36108)).
3.1	Amended and Restated Certificate of Incorporation of ONE Gas, Inc., dated January 31, 2014 (incorporated by reference to Exhibit 4.5 to ONE Gas, Inc.'s Registration Statement on Form S-8 filed on January 31, 2014 (File No. 333-193690)).
3.2	Amended and Restated By-Laws of ONE Gas, Inc. (incorporated by reference to Exhibit 3.1 to ONE Gas, Inc.'s Current Report on Form 8-K/A, Amendment No. 1 filed on July 26, 2016 (File No. 1-36108)).
4.1	Form of Common Stock Certificate (incorporated by reference to Exhibit 4.2 to ONE Gas, Inc.'s Registration Statement on Form 10, Amendment No. 2 filed on December 23, 2013 (File No. 1-36108)).
4.2	Indenture, dated January 27, 2014, between ONE Gas, Inc. and U.S. Bank National Association, as trustee (incorporated by reference to Exhibit 10.1 to ONE Gas, Inc.'s Current Report on Form 8-K filed on January 30, 2014 (File No. 1-36108)).
4.3	Supplemental Indenture No. 1, dated January 27, 2014, between ONE Gas, Inc. and U.S. Bank National Association, as trustee (incorporated by reference to Exhibit 10.2 to ONE Gas, Inc.'s Current Report on Form 8-K filed on January 30, 2014 (File No. 1-36108)).
10.1	Tax Matters Agreement, dated January 14, 2014, by and between ONE Gas, Inc. and ONEOK, Inc. (incorporated by reference to Exhibit 10.1 to ONE Gas, Inc.'s Current Report on Form 8-K filed on January15, 2014 (File No. 1-36108)).

10.2	Employee Matters Agreement, dated January 14, 2014, by and between ONE Gas, Inc. and ONEOK, Inc. (incorporated by reference to Exhibit 10.3 to ONE Gas, Inc.'s Current Report on Form 8-K filed on January 15, 2014 (File No. 1-36108)).
10.3	Form of ONE Gas, Inc. Indemnification Agreement between ONE Gas, Inc. and ONE Gas, Inc. officers and directors (incorporated by reference to Exhibit 10.5 to ONE Gas, Inc.'s Registration Statement on Form 10 filed on October 1, 2013 (File No. 1-36108)).
10.4	ONE Gas, Inc. Annual Officer Incentive Plan (incorporated by reference to Appendix A to ONE Gas, Inc.'s Definitive Proxy Statement on Schedule 14A filed on April 5, 2017 (File No. 1-36108)).
10.5	ONE Gas, Inc. Pre-2005 Nonqualified Deferred Compensation Plan (incorporated by reference to Exhibit 10.7 to ONE Gas, Inc.'s Registration Statement on Form 10, Amendment No. 2 filed on December 23, 2013 (File No. 1-36108)).
10.6	ONE Gas, Inc. Nonqualified Deferred Compensation Plan (incorporated by reference to Exhibit 10.8 to ONE Gas, Inc.'s Registration Statement on Form 10, Amendment No. 2 filed on December 23, 2013 (File No. 1-36108)).
10.7	ONE Gas, Inc. Pre-2005 Supplemental Executive Retirement Plan (incorporated by reference to Exhibit 10.9 to ONE Gas, Inc.'s Registration Statement on Form 10, Amendment No. 2 filed on December 23, 2013 (File No. 1-36108)).
10.8	ONE Gas, Inc. Supplemental Executive Retirement Plan, as amended and restated effective December 1, 2017.
10.9	Credit Agreement, dated as of December 20, 2013, among ONE Gas, Inc., Bank of America, N.A., as administrative agent, swingline lender and a letter of credit issuer, and the other lenders and letter of credit issuers parties thereto (incorporated by reference to Exhibit 10.2 to ONEOK, Inc.'s Current Report on Form 8-K filed on December 23, 2013 (File No. 1-13643)).
10.10	ONE Gas, Inc. Officer Change in Control Severance Plan (incorporated by reference to Exhibit 10.12 to ONE Gas, Inc.'s Registration Statement filed on Form 10, Amendment No. 2 filed on December 23, 2013 (File No. 1-36108)).
10.11	ONE Gas, Inc. Equity Compensation Plan, as amended and restated effective December 1, 2017.
10.12	Form of 2014 Restricted Unit Award Agreement (incorporated by reference to Exhibit 10.13 to ONE Gas, Inc.'s Annual Report on Form 10-K filed on February 25, 2014 (File No. 1-36108)).
10.13	Form of 2014 Performance Unit Award Agreement (incorporated by reference to Exhibit 10.14 to ONE Gas, Inc.'s Annual Report on Form 10-K filed on February 25, 2014 (File No. 1-36108)).
10.14	Form of 2018 Restricted Unit Award Agreement.
10.15	Form of 2018 Performance Unit Award Agreement.
10.16	Not used.
10.17	ONE Gas, Inc. Employee Stock Purchase Plan (incorporated by reference to Exhibit 10.16 to ONE Gas, Inc.'s Registration Statement on Form 10, Amendment No. 2 filed on December 23, 2013 (File No. 1-36108)).
10.18	ONE Gas, Inc. Deferred Compensation Plan for Non-Employee Directors (incorporated by reference to Exhibit 10.19 to ONE Gas, Inc.'s Annual Report on Form 10-K filed on February 23, 2017 (File No. 1-36108)).

10.19	ONE Gas, Inc. 401(k) Plan of ONE Gas Employees and Former ONE Gas Employees effective as of January 1, 2014 (incorporated by reference to Exhibit 4.4 to ONE Gas, Inc.'s Registration Statement on Form S-8 filed on January 31, 2014 (File No. 333-193690)).
10.20	Form of Commercial Paper Dealer Agreement (incorporated by reference to Exhibit 10.1 to ONE Gas, Inc.'s Current Report on Form 8-K filed on September 10, 2014 (File No. 1-36108)).
10.21	Form of 2015 Performance Unit Award Agreement (incorporated by reference to Exhibit 10.2 to ONE Gas, Inc.'s Quarterly Report on Form 10-Q filed on April 30, 2015 (File 1-36108)).
10.22	Form of 2015 Restricted Unit Award Agreement (incorporated by reference to Exhibit 10.3 to ONE Gas, Inc.'s Quarterly Report on Form 10-Q filed on April 30, 2015 (File 1-36108)).
10.23	Form of 2016 Performance Unit Award Agreement (incorporated by reference to Exhibit 10.24 to ONE Gas, Inc.'s Annual Report on Form 10-K filed on February 18, 2016 (File No. 1-36108)).
10.24	Form of 2016 Restricted Unit Award Agreement (incorporated by reference to Exhibit 10.25 to ONE Gas, Inc.'s Annual Report on Form 10-K filed on February 18, 2016 (File No. 1-36108)).
10.25	Form of 2017 Restricted Unit Award Agreement (incorporated by reference to Exhibit 10.15 to ONE Gas, Inc.'s Annual Report on Form 10-K filed on February 23, 2017 (File No. 1-36108)).
10.26	Form of 2017 Performance Unit Award Agreement (incorporated by reference to Exhibit 10.16 to ONE Gas, Inc.'s Annual Report on Form 10-K filed on February 23, 2017 (File No. 1-36108)).
10.27	Amended and Restated Credit Agreement, dated as of October 5, 2017, among ONE Gas, Inc., Bank of America, N.A., as administrative agent, swingline lender and a letter of credit issuer, and the other lenders and letter of credit issuers parties thereto (incorporated by reference to Exhibit 10.1 to ONE Gas, Inc.'s Current Report on Form8-K filed on October 6, 2017 (File No. 1-36108)).
10.28	ONE Gas, Inc. Nonqualified Deferred Compensation Plan, as amended and restated effective January 1, 2018.
12.1	Computation of Ratio of Earnings to Fixed Charges for the years ended December 31, 2017, 2016, 2015, 2014 and 2013.
21.1	Subsidiaries of ONE Gas, Inc.
23.1	Consent of Independent Registered Public Accounting Firm - PricewaterhouseCoopers LLP.
31.1	Certification of Pierce H. Norton II pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Curtis L. Dinan pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Pierce H. Norton II pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906of the Sarbanes-Oxley Act of 2002 (furnished only pursuant to Rule 13a-14(b)).
32.2	Certification of Curtis L. Dinan pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906of the Sarbanes-Oxley Act of 2002 (furnished only pursuant to Rule 13a-14(b)).

101.INS	XBRL Instance Document.
101.SCH	XBRL Schema Document.
101.CAL	XBRL Calculation Linkbase Document.
101.LAB	XBRL Label Linkbase Document.
101. PRE	XBRL Presentation Linkbase Document.
101.DEF	XBRL Extension Definition Linkbase Document.

Attached as Exhibit 101 to this Annual Report are the following XBRL-related documents: (i) Document and Entity Information; (ii) Consolidated Statements of Income for the years ended December 31, 2017, 2016 and 2015; (iii) Consolidated Statements of Comprehensive Income for the years ended December 31, 2017, 2016 and 2015; (iv) Consolidated Balance Sheets as of December 31, 2017 and 2016; (v) Consolidated Statements of Cash Flows for the years ended December 31, 2017, 2016 and 2015; (vi) Consolidated Statements of Equity for the years ended December 31, 2017, 2016 and 2015; and (vii) Notes to Consolidated Financial Statements.

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

ITEM 16. FORM 10-K SUMMARY

None.

Signatures

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

Date: February 22, 2018	ONE Gas, Inc. Registrant
	By: /s/ Curtis L. Dinan Curtis L. Dinan Senior Vice President, Chief Financial Officer and Treasurer

Pursuant to the requirements of the Exchange Act, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated on this 22nd day of February 2018.

/s/ John W. Gibson John W. Gibson Chairman of the Board	/s/ Pierce H. Norton II Pierce H. Norton II President, Chief Executive Officer and Director
/s/ Curtis L. Dinan Curtis L. Dinan Senior Vice President, Chief Financial Officer and Treasurer (Principal Accounting Officer)	/s/ Robert B. Evans Robert B. Evans Director
/s/ Michael G. Hutchinson Michael G. Hutchinson Director	/s/ Pattye L. Moore Pattye L. Moore Director
/s/ Eduardo A. Rodriguez Eduardo A. Rodriguez Director	/s/ Douglas H. Yaeger Douglas H. Yaeger Director

FORWARD-LOOKING STATEMENTS

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

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

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

SHAREHOLDER INFORMATION

EQ Shareowner Services
P.O. Box 64874
St. Paul, MN 55164-0856
P: 855-217-6403
P: (Outside U.S.) 651-450-4064
TDD number: 651-450-4144
www.shareowneronline.com

DIRECT STOCK PURCHASE & DIVIDEND REINVESTMENT PLAN

ONE Gas' Direct Stock Purchase and Dividend Reinvestment Plan provides new investors and current shareholders a convenient way to purchase ONE Gas common stock without paying processing fees or service charges and to reinvest cash dividends. For more information or to enroll in a plan, call EQ at 855-217-6403. The Prospectus is also available at www.onegas.com.

Annual Meeting Details
First Place Tower
15 East Fifth Street
Tulsa, OK 74103

May 24, 2018 – 9 a.m. CDT

Auditors
PricewaterhouseCoopers LLP
Two Warren Place
6120 South Yale Avenue, Suite 1850
Tulsa, OK 74136

Corporate Headquarters
First Place Tower
15 East Fifth Street
Tulsa, OK 74103

Credit Ratings
Moody's: A2 (Negative)
Standard & Poor's: A (Stable)

ONE Gas Investor Relations
P.O. Box 21049
Tulsa, OK 74121
P: 855-496-0200
E: IR@onegas.com

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Paper
FSC® C103375

ONE Gas

15 East Fifth Street, Tulsa, OK 74103
918-947-7000 • www.onegas.com

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FINANCIAL STATEMENTS ARE PROVIDED IN SECTION 13

KANSAS GAS SERVICE, A DIVISION OF ONE Gas, INC.
Summary of Revenue by General Customer Classification
Test Year Ended December 31, 2017

Line No.	Description	Pro Forma Revenue Existing Tariffs	Revenue Increase	Pro Forma Revenue Proposed Tariffs
	Col. 1	Col. 2	Col. 3	Col. 4
	Operating Revenues			
	Sales service revenue			
1	Residential sales service	$207,476,388	$41,675,375	$249,151,763
2	General sales service small	20,966,173	0	20,966,173
3	General sales service large	15,089,713	3,063,248	18,152,961
4	General sales service transport eligible	1,971,472	407,623	2,379,095
5	Small generator sales service	431,160	0	431,160
6	Gas irrigation service	323,524	66,579	390,103
7	Kansas Gas Supply sales service D	22,246	4,843	27,089
8	Sales service for resale	80,217	0	80,217
9	Total sales revenue	$246,360,893	$45,217,668	$291,578,561
	Transportation service revenue			
10	Small transportation service	$15,663,313	$16	$15,663,329
11	Compressed natural gas general transportation service	214,085	11,599	225,684
12	Gas irrigation transportation service	1,647,416	339,016	1,986,432
13	Large volume transportation service	18,214,187	24	18,214,211
14	Wholesale transportation service	1,165,699	1	1,165,700
15	Total transportation revenue	$36,904,700	$350,656	$37,255,356
16	Other operating revenue	$16,348,424	$0	16,348,424
17	Total operating revenues	$299,614,017	$45,568,324	$345,182,341
18	Proposed target revenue			345,180,480
19	Rate design difference			$1,861

Line No.	Description	Reference	Residential Sales Service Tariff Schedule - RS Sales	Residential Sales Service Tariff Schedule - RS Transport
	Col. 1	Col. 2	Col. 3	Col. 4
	Customers			
1	Average number of customers per books	8-F	582,341	0
2	Pro forma adjustments		709	0
3	Pro forma average number of customers		583,050	0
	Deliveries			
4	Deliveries (Mcf) per books	8-F	36,505,605	0
5	Pro forma adjustments		4,106,375	0
6	Pro forma deliveries (Mcf)		40,611,980	0
	Revenue			
7	Base revenue		$212,426,237	$0
8	Cost of Gas		177,711,973	0
9	Total revenue per books	8-F	$390,138,210	$0
10	Pro forma revenue adjustments		(182,661,822)	0
11	Pro forma revenue		$207,476,388	$0
12	Revenue per unit (line 11 / line 6)		$5.1087	$0.0000

Line No.	Description	Reference	General Sales Service Small Tariff Schedule - GSS Sales	General Sales Service Small Tariff Schedule - GSS Transport
	Col. 1	Col. 2	Col. 3	Col. 4
	Customers			
1	Average number of customers per books	8-F	36,889	0
2	Pro forma adjustments		7	0
3	Pro forma average number of customers		36,896	0
	Deliveries			
4	Deliveries (Mcf) per books	8-F	3,140,666	0
5	Pro forma adjustments		387,829	0
6	Pro forma deliveries (Mcf)		3,528,494	0
	Revenue			
7	Base revenue		$21,270,690	$0
8	Cost of Gas		15,113,445	0
9	Total revenue per books	8-F	$36,384,135	$0
10	Pro forma revenue adjustments		(15,417,963)	0
11	Pro forma revenue		$20,966,173	$0
12	Revenue per unit (line 11 / line 6)		$5.9420	$0.0000

Line No.	Description	Reference	General Sales Service Large Tariff Schedule - GSL	
			Sales	Transport
	Col. 1	Col. 2	Col. 3	Col. 4
	Customers			
1	Average number of customers per books	8-F	11,670	0
2	Pro forma adjustments		(49)	0
3	Pro forma average number of customers		11,621	0
	Deliveries			
4	Deliveries (Mcf) per books	8-F	5,150,651	0
5	Pro forma adjustments		503,172	0
6	Pro forma deliveries (Mcf)		5,653,823	0
	Revenue			
7	Base revenue		$16,267,787	$0
8	Cost of Gas		25,233,693	0
9	Total revenue per books	8-F	$41,501,481	$0
10	Pro forma revenue adjustments		(26,411,767)	0
11	Pro forma revenue		$15,089,713	$0
12	Revenue per unit (line 11 / line 6)		$2.6689	$0.0000

Line No.	Description	Reference	General Sales Service Transport Eligible Tariff Schedule - GSTE Sales	Transport
	Col. 1	Col. 2	Col. 3	Col. 4
	Customers			
1	Average number of customers per books	8-F	512	0
2	Pro forma adjustments		(12)	0
3	Pro forma average number of customers		500	0
	Deliveries			
4	Deliveries (Mcf) per books	8-F	987,621	$0
5	Pro forma adjustments		66,212	0
6	Pro forma deliveries (Mcf)		1,053,833	$0
	Revenue			
7	Base revenue		$2,286,594	$0
8	Cost of Gas		4,914,798	0
9	Total revenue per books	8-F	$7,201,392	$0
10	Pro forma revenue adjustments		(5,229,920)	0
11	Pro forma revenue		$1,971,472	$0
12	Revenue per unit (line 11 / line 6)		$1.8708	$0.0000

Line No.	Description	Reference	Small Generator Sales Service Tariff Schedule - SGS Sales	Transport
	Col. 1	Col. 2	Col. 3	Col. 4
	Customers			
1	Average number of customers per books	8-F	669	0
2	Pro forma adjustments		7	0
3	Pro forma average number of customers		676	0
	Deliveries			
4	Deliveries (Mcf) per books	8-F	11,010	0
5	Pro forma adjustments		1,154	0
6	Pro forma deliveries (Mcf)		12,164	0
	Revenue			
7	Base revenue		$426,378	$0
8	Cost of Gas		53,790	0
9	Total revenue per books	8-F	$480,168	$0
10	Pro forma revenue adjustments		(49,008)	0
11	Pro forma revenue		$431,160	$0
12	Revenue per unit (line 11 / line 6)		$35.4456	$0.0000

Line No.	Description	Reference	Gas Irrigation Service Tariff Schedule - GIS Sales	Transport
	Col. 1	Col. 2	Col. 3	Col. 4
	Customers			
1	Average number of customers per books	8-F	216	0
2	Pro forma adjustments		(3)	0
3	Pro forma average number of customers		214	0
	Deliveries			
4	Deliveries (Mcf) per books	8-F	135,363	0
5	Pro forma adjustments		2,052	0
6	Pro forma deliveries (Mcf)		137,416	0
	Revenue			
7	Base revenue		$318,442	$0
8	Cost of Gas		657,759	0
9	Total revenue per books	8-F	$976,200	$0
10	Pro forma revenue adjustments		(652,677)	0
11	Pro forma revenue		$323,524	$0
12	Revenue per unit (line 11 / line 6)		$2.3543	$0.0000

Line No.	Description	Reference	Kansas Gas Supply Sales Service D Tariff Schedule - KGSSD Sales	Transport
	Col. 1	Col. 2	Col. 2	Col. 3
	Customers			
1	Average number of customers per books	8-F	1	0
2	Pro forma adjustments		0	0
3	Pro forma average number of customers		1	0
	Deliveries			
4	Deliveries (Mcf) per books	8-F	17,787	0
5	Pro forma adjustments		3,021	0
6	Pro forma deliveries (Mcf)		20,808	0
	Revenue			
7	Base revenue		$19,389	$0
8	Cost of Gas		84,552	0
9	Total revenue per books	8-F	$103,941	$0
10	Pro forma revenue adjustments		(81,694)	0
11	Pro forma revenue		$22,246	$0
12	Revenue per unit (line 11 / line 6)		$1.0691	$0.0000

Line No.	Description	Reference	Sales Service for Resale Tariff Schedule - SSR Sales	Sales Service for Resale Tariff Schedule - SSR Transport
	Col. 1	Col. 2	Col. 2	Col. 3
	Customers			
1	Average number of customers per books	8-F	17	0
2	Pro forma adjustments		(9)	0
3	Pro forma average number of customers		8	0
	Deliveries			
4	Deliveries (Mcf) per books	8-F	50,764	0
5	Pro forma adjustments		6,096	0
6	Pro forma deliveries (Mcf)		56,861	0
	Revenue			
7	Base revenue		$71,472	$0
8	Cost of Gas		245,715	0
9	Total revenue per books	8-F	$317,187	$0
10	Pro forma revenue adjustments		(236,969)	0
11	Pro forma revenue		$80,217	$0
12	Revenue per unit (line 11 / line 6)		$1.4108	$0.0000

Line No.	Description	Reference	Small Transportation Service Tariff Schedule - STk Sales	Small Transportation Service Tariff Schedule - STk Transport
	Col. 1	Col. 2	Col. 2	Col. 3
	Customers			
1	Average number of customers per books	8-F	0	3,454
2	Pro forma adjustments		0	29
3	Pro forma average number of customers		0	3,483
	Deliveries			
4	Deliveries (Mcf) per books	8-F	0	5,465,040
5	Pro forma adjustments		0	517,279
6	Pro forma deliveries (Mcf)		0	5,982,320
	Revenue			
7	Base revenue		$0	$10,410,407
8	Cost of Gas		0	125
9	Total revenue per books	8-F	$0	$10,410,532
10	Pro forma revenue adjustments		0	877,262
11	Pro forma revenue		$0	$11,287,794
12	Revenue per unit (line 11 / line 6)		$0.0000	$1.8869

Line No.	Description	Reference	Small Transportation Service Tariff Schedule - STt Sales	Transport
	Col. 1	Col. 2	Col. 2	Col. 3
	Customers			
1	Average number of customers per books	8-F	0	1,185
2	Pro forma adjustments		0	18
3	Pro forma average number of customers		0	1,203
	Deliveries			
4	Deliveries (Mcf) per books	8-F	0	1,639,760
5	Pro forma adjustments		0	183,211
6	Pro forma deliveries (Mcf)		0	1,822,971
	Revenue			
7	Base revenue		$0	$3,984,521
8	Cost of Gas		0	0
9	Total revenue per books	8-F	$0	$3,984,521
10	Pro forma revenue adjustments		0	390,998
11	Pro forma revenue		$0	$4,375,519
12	Revenue per unit (line 11 / line 6)		$0.0000	$2.4002

Line No.	Description	Reference	Compressed Natural Gas General Transportation Service Tariff Schedule - CNGk Sales	Transport
	Col. 1	Col. 2	Col. 2	Col. 3
	Customers			
1	Average number of customers per books	8-F	0	8
2	Pro forma adjustments		0	1
3	Pro forma average number of customers		0	9
	Deliveries			
4	Deliveries (Mcf) per books	8-F	0	180,360
5	Pro forma adjustments		0	7,837
6	Pro forma deliveries (Mcf)		0	188,197
	Revenue			
7	Base revenue		$0	$151,438
8	Cost of Gas		0	0
9	Total revenue per books	8-F	$0	$151,438
10	Pro forma revenue adjustments		0	10,948
11	Pro forma revenue		$0	$162,386
12	Revenue per unit (line 11 / line 6)		$0.0000	$1.1107

Line No.	Description	Reference	Compressed Natural Gas General Transportation Service Tariff Schedule - CNGt Sales	Transport
	Col. 1	Col. 2	Col. 2	Col. 3
	Customers			
1	Average number of customers per books	8-F	0	2
2	Pro forma adjustments		0	0
3	Pro forma average number of customers		0	2
	Deliveries			
4	Deliveries (Mcf) per books	8-F	0	50,612
5	Pro forma adjustments		0	9,864
6	Pro forma deliveries (Mcf)		0	60,476
	Revenue			
7	Base revenue		$0	$42,190
8	Cost of Gas		0	0
9	Total revenue per books	8-F	$0	$42,190
10	Pro forma revenue adjustments		0	9,509
11	Pro forma revenue		$0	$51,699
12	Revenue per unit (line 11 / line 6)		$0.0000	$0.9790

Line No.	Description	Reference	Gas Irrigation Transportation Service Tariff Schedule - GITt Sales	Transport
	Col. 1	Col. 2	Col. 2	Col. 3
	Customers			
1	Average number of customers per books	8-F	0	513
2	Pro forma adjustments		0	0
3	Pro forma average number of customers		0	513
	Deliveries			
4	Deliveries (Mcf) per books	8-F	0	828,932
5	Pro forma adjustments		0	18,869
6	Pro forma deliveries (Mcf)		0	847,802
	Revenue			
7	Base revenue		$0	$1,602,286
8	Cost of Gas		0	0
9	Total revenue per books	8-F	$0	$1,602,286
10	Pro forma revenue adjustments		0	45,130
11	Pro forma revenue		$0	$1,647,416
12	Revenue per unit (line 11 / line 6)		$0.0000	$1.9432

Line No.	Description	Reference	Large Volume Transportation Service Tariff Schedule - LVTk Tier 1 Sales	Transport
	Col. 1	Col. 2	Col. 3	Col. 4
	Customers			
1	Average number of customers per books	8-F	0	221
2	Pro forma adjustments		0	(7)
3	Pro forma average number of customers		0	214
	Deliveries			
4	Deliveries (Mcf) per books	8-F	0	1,097,090
5	Pro forma adjustments		0	57,206
6	Pro forma deliveries (Mcf)		0	1,154,296
	Revenue			
7	Base revenue		$0	$1,701,643
8	Cost of Gas		0	0
9	Total revenue per books	8-F	$0	$1,701,643
10	Pro forma revenue adjustments		0	(126,866)
11	Pro forma revenue		$0	$1,574,777
12	Revenue per unit (line 11 / line 6)		$0.0000	$1.3643

Line No.	Description	Reference	Large Volume Transportation Service Tariff Schedule - LVTk Tier 2 Sales	Transport
	Col. 1	Col. 2	Col. 3	Col. 4
	Customers			
1	Average number of customers per books	8-F	0	98
2	Pro forma adjustments		0	(4)
3	Pro forma average number of customers		0	94
	Deliveries			
4	Deliveries (Mcf) per books	8-F	0	1,444,519
5	Pro forma adjustments		0	34,636
6	Pro forma deliveries (Mcf)		0	1,479,155
	Revenue			
7	Base revenue		$0	$1,548,034
8	Cost of Gas		0	0
9	Total revenue per books	8-F	$0	$1,548,034
10	Pro forma revenue adjustments		0	53,449
11	Pro forma revenue		$0	$1,601,483
12	Revenue per unit (line 11 / line 6)		$0.0000	$1.0827

Line No.	Description	Reference	Large Volume Transportation Service Tariff Schedule - LVTk Tier 3 Sales	Transport
	Col. 1	Col. 2	Col. 3	Col. 4
	Customers			
1	Average number of customers per books	8-F	0	52
2	Pro forma adjustments		0	(8)
3	Pro forma average number of customers		0	44
	Deliveries			
4	Deliveries (Mcf) per books	8-F	0	1,540,008
5	Pro forma adjustments		0	(192,545)
6	Pro forma deliveries (Mcf)		0	1,347,463
	Revenue			
7	Base revenue		$0	$1,466,126
8	Cost of Gas		0	0
9	Total revenue per books	8-F	$0	$1,466,126
10	Pro forma revenue adjustments		0	(104,846)
11	Pro forma revenue		$0	$1,361,280
12	Revenue per unit (line 11 / line 6)		$0.0000	$1.0103

Line No.	Description	Reference	Large Volume Transportation Service Tariff Schedule - LVTk Tier 4 Sales	Transport
	Col. 1	Col. 2	Col. 3	Col. 4
	Customers			
1	Average number of customers per books	8-F	0	81
2	Pro forma adjustments		0	(20)
3	Pro forma average number of customers		0	61
	Deliveries			
4	Deliveries (Mcf) per books	8-F	0	14,127,707
5	Pro forma adjustments		0	(7,237,040)
6	Pro forma deliveries (Mcf)		0	6,890,667
	Revenue			
7	Base revenue		$0	$8,207,642
8	Cost of Gas		0	0
9	Total revenue per books	8-F	$0	$8,207,642
10	Pro forma revenue adjustments		0	(1,897,628)
11	Pro forma revenue		$0	$6,310,013
12	Revenue per unit (line 11 / line 6)		$0.0000	$0.9157

Line No.	Description	Reference	Large Volume Transportation Service Tariff Schedule - LVTt Tier 1 Sales	Transport
	Col. 1	Col. 2	Col. 3	Col. 4
	Customers			
1	Average number of customers per books	8-F	0	44
2	Pro forma adjustments		0	0
3	Pro forma average number of customers		0	44
	Deliveries			
4	Deliveries (Mcf) per books	8-F	0	714,448
5	Pro forma adjustments		0	(398,369)
6	Pro forma deliveries (Mcf)		0	316,079
	Revenue			
7	Base revenue		$0	$600,041
8	Cost of Gas		0	0
9	Total revenue per books	8-F	$0	$600,041
10	Pro forma revenue adjustments		0	(24,899)
11	Pro forma revenue		$0	$575,142
12	Revenue per unit (line 11 / line 6)		$0.0000	$1.8196

Line No.	Description	Reference	Large Volume Transportation Service Tariff Schedule - LVTt Tier 2	
			Sales	Transport
	Col. 1	Col. 2	Col. 3	Col. 4
	Customers			
1	Average number of customers per books	8-F	0	31
2	Pro forma adjustments		0	(1)
3	Pro forma average number of customers		0	30
	Deliveries			
4	Deliveries (Mcf) per books	8-F	0	432,428
5	Pro forma adjustments		0	16,347
6	Pro forma deliveries (Mcf)		0	448,775
	Revenue			
7	Base revenue		$0	$705,974
8	Cost of Gas		0	0
9	Total revenue per books	8-F	$0	$705,974
10	Pro forma revenue adjustments		0	25,178
11	Pro forma revenue		$0	$731,151
12	Revenue per unit (line 11 / line 6)		$0.0000	$1.6292

Line No.	Description	Reference	Large Volume Transportation Service Tariff Schedule - LVTt Tier 3 Sales	Transport
	Col. 1	Col. 2	Col. 3	Col. 4
	Customers			
1	Average number of customers per books	8-F	0	16
2	Pro forma adjustments		0	(2)
3	Pro forma average number of customers		0	14
	Deliveries			
4	Deliveries (Mcf) per books	8-F	0	464,723
5	Pro forma adjustments		0	(80,221)
6	Pro forma deliveries (Mcf)		0	384,502
	Revenue			
7	Base revenue		$0	$676,584
8	Cost of Gas		0	0
9	Total revenue per books	8-F	$0	$676,584
10	Pro forma revenue adjustments		0	(87,765)
11	Pro forma revenue		$0	$588,820
12	Revenue per unit (line 11 / line 6)		$0.0000	$1.5314

Line No.	Description	Reference	Large Volume Transportation Service Tariff Schedule - LVTt Tier 4 Sales	Transport
	Col. 1	Col. 2	Col. 3	Col. 4
	Customers			
1	Average number of customers per books	8-F	0	47
2	Pro forma adjustments		0	(15)
3	Pro forma average number of customers		0	32
	Deliveries			
4	Deliveries (Mcf) per books	8-F	0	27,327,634
5	Pro forma adjustments		0	(23,342,817)
6	Pro forma deliveries (Mcf)		0	3,984,817
	Revenue			
7	Base revenue		$0	$13,508,005
8	Cost of Gas		0	0
9	Total revenue per books	8-F	$0	$13,508,005
10	Pro forma revenue adjustments		0	(8,036,484)
11	Pro forma revenue		$0	$5,471,521
12	Revenue per unit (line 11 / line 6)		$0.0000	$1.3731

Line No.	Description	Reference	Wholesale Transportation Service Tariff Schedule - WTt	
			Sales	Transport
	Col. 1	Col. 2	Col. 2	Col. 3
	Customers			
1	Average number of customers per books	8-F	0	28
2	Pro forma adjustments		0	(1)
3	Pro forma average number of customers		0	27
	Deliveries			
4	Deliveries (Mcf) per books	8-F	0	2,410,366
5	Pro forma adjustments		0	(1,506,026)
6	Pro forma deliveries (Mcf)		0	904,340
	Revenue			
7	Base revenue		$0	$1,320,988
8	Cost of Gas		0	0
9	Total revenue per books	8-F	$0	$1,320,988
10	Pro forma revenue adjustments		0	(155,289)
11	Pro forma revenue		$0	$1,165,699
12	Revenue per unit (line 11 / line 6)		$0.0000	$1.2890

Line No.	Description	Reference	Residential Sales Service Tariff Schedule - RS Sales	Transport
	Col. 1	Col. 2	Col. 3	Col. 4
	Customers			
1	Pro forma average number of customers	17-B	583,050	0
	Deliveries			
2	Pro forma deliveries (Mcf)	17-B	40,611,980	0
	Revenue			
3	Proposed revenue		$249,151,763	$0
4	Pro forma revenue - existing tariffs	17-B	207,476,388	0
5	Additional revenue from proposed tariffs (line 3 - line 4)		$41,675,375	$0
6	COGR revenue		$197,778,856	$0
7	Percent increase (line 5 / (line 4+6))		10.28%	0.00%
8	Revenue per unit - proposed tariffs (line 3 / line 2)		$6.1349	$0.0000

Line No.	Description	Reference	General Sales Service Small Tariff Schedule - GSS Sales	Transport
	Col. 1	Col. 2	Col. 3	Col. 4
	Customers			
1	Pro forma average number of customers	17-B	36,896	0
	Deliveries			
2	Pro forma deliveries (Mcf)	17-B	3,528,494	0
	Revenue			
3	Proposed revenue		$20,966,173	$0
4	Pro forma revenue - existing tariffs	17-B	20,966,173	0
5	Additional revenue from proposed tariffs (line 3 - line 4)		$0	$0
6	COGR revenue		$17,183,639	$0
7	Percent increase (line 5 / (line 4+6))		0.00%	0.00%
8	Revenue per unit - proposed tariffs (line 3 / line 2)		$5.9420	$0.0000

Line No.	Description	Reference	General Sales Service Large Tariff Schedule - GSL	
			Sales	Transport
	Col. 1	Col. 2	Col. 3	Col. 4
	Customers			
1	Pro forma average number of customers	17-B	11,621	0
	Deliveries			
2	Pro forma deliveries (Mcf)	17-B	5,653,823	0
	Revenue			
3	Proposed revenue		$18,152,961	$0
4	Pro forma revenue - existing tariffs	17-B	15,089,713	0
5	Additional revenue from proposed tariffs (line 3 - line 4)		$3,063,248	$0
6	COGR revenue		$27,533,910	$0
7	Percent increase (line 5 / (line 4+6))		7.19%	0.00%
8	Revenue per unit - proposed tariffs (line 3 / line 2)		$3.2107	$0.0000

Line No.	Description	Reference	General Sales Service Transport Eligible Tariff Schedule - GSTE	
			Sales	Transport
	Col. 1	Col. 2	Col. 3	Col. 4
	Customers			
1	Pro forma average number of customers	17-B	500	0
	Deliveries			
2	Pro forma deliveries (Mcf)	17-B	1,053,833	0
	Revenue			
3	Proposed revenue		$2,379,095	$0
4	Pro forma revenue - existing tariffs	17-B	1,971,472	0
5	Additional revenue from proposed tariffs (line 3 - line 4)		$407,623	$0
6	COGR revenue		$5,132,129	$0
7	Percent increase (line 5 / (line 4+6))		5.74%	0.00%
8	Revenue per unit - proposed tariffs (line 3 / line 2)		$2.2576	$0.0000

Line No.	Description	Reference	Small Generator Sales Service Tariff Schedule - SGS Sales	Transport
	Col. 1	Col. 2	Col. 3	Col. 4
	Customers			
1	Pro forma average number of customers	17-B	676	0
	Deliveries			
2	Pro forma deliveries (Mcf)	17-B	12,164	0
	Revenue			
3	Proposed revenue		$431,160	$0
4	Pro forma revenue - existing tariffs	17-B	431,160	0
5	Additional revenue from proposed tariffs (line 3 - line 4)		$0	$0
6	COGR revenue		$59,238	$0
7	Percent increase (line 5 / (line 4+6))		0.00%	0.00%
8	Revenue per unit - proposed tariffs (line 3 / line 2)		$35.4456	$0.0000

Line No.	Description	Reference	Gas Irrigation Service Tariff Schedule - GIS Sales	Transport
	Col. 1	Col. 2	Col. 3	Col. 4
	Customers			
1	Pro forma average number of customers	17-B	214	0
	Deliveries			
2	Pro forma deliveries (Mcf)	17-B	137,416	0
	Revenue			
3	Proposed revenue		$390,103	$0
4	Pro forma revenue - existing tariffs	17-B	323,524	0
5	Additional revenue from proposed tariffs (line 3 - line 4)		$66,579	$0
6	COGR revenue		$669,211	$0
7	Percent increase (line 5 / (line 4+6))		6.71%	0.00%
8	Revenue per unit - proposed tariffs (line 3 / line 2)		$2.8388	$0.0000

Line No.	Description	Reference	Kansas Gas Supply Sales Service D Tariff Schedule - KGSSD Sales	Transport
	Col. 1	Col. 2	Col. 3	Col. 4
	Customers			
1	Pro forma average number of customers	17-B	1	0
	Deliveries			
2	Pro forma deliveries (Mcf)	17-B	20,808	0
	Revenue			
3	Proposed revenue		$27,089	$0
4	Pro forma revenue - existing tariffs	17-B	22,246	0
5	Additional revenue from proposed tariffs (line 3 - line 4)		$4,843	$0
6	COGR revenue (b)		$101,334	$0
7	Percent increase (line 5 / (line 4+6))		3.92%	0.00%
8	Revenue per unit - proposed tariffs (line 3 / line 2)		$1.3019	$0.0000

Line No.	Description	Reference	Sales Service for Resale Tariff Schedule - SSR Sales	Sales Service for Resale Tariff Schedule - SSR Transport
	Col. 1	Col. 2	Col. 3	Col. 4
	Customers			
1	Pro forma average number of customers	17-B	8	0
	Deliveries			
2	Pro forma deliveries (Mcf)	17-B	56,861	0
	Revenue			
3	Proposed revenue		$80,217	$0
4	Pro forma revenue - existing tariffs	17-B	80,217	0
5	Additional revenue from proposed tariffs (line 3 - line 4)		$0	$0
6	COGR revenue		$276,911	$0
7	Percent increase (line 5 / (line 4+6))		0.00%	0.00%
8	Revenue per unit - proposed tariffs (line 3 / line 2)		$1.4108	$0.0000

Line No.	Description	Reference	Small Transportation Service Tariff Schedule - STk Sales	Small Transportation Service Tariff Schedule - STk Transport
	Col. 1	Col. 2	Col. 3	Col. 4
	Customers			
1	Pro forma average number of customers	17-B	0	3,483
	Deliveries			
2	Pro forma deliveries (Mcf)	17-B	0	5,982,320
	Revenue			
3	Proposed revenue		$0	$11,287,759
4	Pro forma revenue - existing tariffs	17-B	0	11,287,794
5	Additional revenue from proposed tariffs (line 3 - line 4)		$0	($35)
6	COGR revenue		$0	$0
7	Percent increase (line 5 / (line 4+6))		0.00%	0.00%
8	Revenue per unit - proposed tariffs (line 3 / line 2)		$0.0000	$1.8869

Line No.	Description	Reference	Small Transportation Service Tariff Schedule - STt Sales	Transport
	Col. 1	Col. 2	Col. 3	Col. 4
	Customers			
1	Pro forma average number of customers	17-B	0	1,203
	Deliveries			
2	Pro forma deliveries (Mcf)	17-B	0	1,822,971
	Revenue			
3	Proposed revenue		$0	$4,375,570
4	Pro forma revenue - existing tariffs	17-B	0	4,375,519
5	Additional revenue from proposed tariffs (line 3 - line 4)		$0	$51
6	COGR revenue		$0	$0
7	Percent increase (line 5 / (line 4+6))		0.00%	0.00%
8	Revenue per unit - proposed tariffs (line 3 / line 2)		$0.0000	$2.4002

Line No.	Description	Reference	Compressed Natural Gas General Transportation Service Tariff Schedule - CNGk	
			Sales	Transport
	Col. 1	Col. 2	Col. 3	Col. 4
	Customers			
1	Pro forma average number of customers	17-B	0	9
	Deliveries			
2	Pro forma deliveries (Mcf)	17-B	0	188,197
	Revenue			
3	Proposed revenue		$0	$162,385
4	Pro forma revenue - existing tariffs	17-B	0	162,386
5	Additional revenue from proposed tariffs (line 3 - line 4)		$0	($1)
6	COGR revenue (b)		$0	$0
7	Percent increase (line 5 / (line 4+6))		0.00%	0.00%
8	Revenue per unit - proposed tariffs (line 3 / line 2)		$0.0000	$0.8628

Line No.	Description	Reference	Compressed Natural Gas General Transportation Service Tariff Schedule - CNGt	
			Sales	Transport
	Col. 1	Col. 2	Col. 3	Col. 4
	Customers			
1	Pro forma average number of customers	17-B	0	2
	Deliveries			
2	Pro forma deliveries (Mcf)	17-B	0	60,476
	Revenue			
3	Proposed revenue		$0	$63,299
4	Pro forma revenue - existing tariffs	17-B	0	51,699
5	Additional revenue from proposed tariffs (line 3 - line 4)		$0	$11,600
6	COGR revenue (b)		$0	$0
7	Percent increase (line 5 / (line 4+6))		0.00%	0.00%
8	Revenue per unit - proposed tariffs (line 3 / line 2)		$0.0000	$1.0467

Line No.	Description	Reference	Gas Irrigation Transportation Service Tariff Schedule - GITt	
			Sales	Transport
	Col. 1	Col. 2	Col. 3	Col. 4
	Customers			
1	Pro forma average number of customers	17-B	0	513
	Deliveries			
2	Pro forma deliveries (Mcf)	17-B	0	847,802
	Revenue			
3	Proposed revenue		$0	$1,986,432
4	Pro forma revenue - existing tariffs	17-B	0	1,647,416
5	Additional revenue from proposed tariffs (line 3 - line 4)		$0	$339,016
6	COGR revenue (b)		$0	$0
7	Percent increase (line 5 / (line 4+6))		0.00%	20.58%
8	Revenue per unit - proposed tariffs (line 3 / line 2)		$0.0000	$2.3430

Line No.	Description	Reference	Large Volume Transportation Service Tariff Schedule - LVTk Tier 1 Sales	Transport
	Col. 1	Col. 2	Col. 3	Col. 4
	Customers			
1	Pro forma average number of customers	17-B	0	214
	Deliveries			
2	Pro forma deliveries (Mcf)	17-B	0	1,154,296
	Revenue			
3	Proposed revenue		$0	$1,590,799
4	Pro forma revenue - existing tariffs	17-B	0	1,574,777
5	Additional revenue from proposed tariffs (line 3 - line 4)		$0	$16,022
6	COGR revenue		$0	$0
7	Percent increase (line 5 / (line 4+6))		0.00%	1.02%
8	Revenue per unit - proposed tariffs (line 3 / line 2)		$0.0000	$1.3782

Line No.	Description	Reference	Large Volume Transportation Service Tariff Schedule - LVTk Tier 2 Sales	Transport
	Col. 1	Col. 2	Col. 3	Col. 4
	Customers			
1	Pro forma average number of customers	17-B	0	94
	Deliveries			
2	Pro forma deliveries (Mcf)	17-B	0	1,479,155
	Revenue			
3	Proposed revenue		$0	$1,594,742
4	Pro forma revenue - existing tariffs	17-B	0	1,601,483
5	Additional revenue from proposed tariffs (line 3 - line 4)		$0	($6,741)
6	COGR revenue		$0	$0
7	Percent increase (line 5 / (line 4+6))		0.00%	-0.42%
8	Revenue per unit - proposed tariffs (line 3 / line 2)		$0.0000	$1.0781

Line No.	Description	Reference	Large Volume Transportation Service Tariff Schedule - LVTk Tier 3 Sales	Transport
	Col. 1	Col. 2	Col. 3	Col. 4
	Customers			
1	Pro forma average number of customers	17-B	0	44
	Deliveries			
2	Pro forma deliveries (Mcf)	17-B	0	1,347,463
	Revenue			
3	Proposed revenue		$0	$1,356,912
4	Pro forma revenue - existing tariffs	17-B	0	1,361,280
5	Additional revenue from proposed tariffs (line 3 - line 4)		$0	($4,368)
6	COGR revenue		$0	$0
7	Percent increase (line 5 / (line 4+6))		0.00%	-0.32%
8	Revenue per unit - proposed tariffs (line 3 / line 2)		$0.0000	$1.0070

Line No.	Description	Reference	Large Volume Transportation Service Tariff Schedule - LVTk Tier 4 Sales	Transport
	Col. 1	Col. 2	Col. 3	Col. 4
	Customers			
1	Pro forma average number of customers	17-B	0	61
	Deliveries			
2	Pro forma deliveries (Mcf)	17-B	0	6,890,667
	Revenue			
3	Proposed revenue		$0	$6,305,119
4	Pro forma revenue - existing tariffs	17-B	0	6,310,013
5	Additional revenue from proposed tariffs (line 3 - line 4)		$0	($4,894)
6	COGR revenue		$0	$0
7	Percent increase (line 5 / (line 4+6))		0.00%	-0.08%
8	Revenue per unit - proposed tariffs (line 3 / line 2)		$0.0000	$0.9150

Line No.	Description	Reference	Large Volume Transportation Service Tariff Schedule - LVTt Tier 1 Sales	Transport
	Col. 1	Col. 2	Col. 3	Col. 4
	Customers			
1	Pro forma average number of customers	17-B	0	44
	Deliveries			
2	Pro forma deliveries (Mcf)	17-B	0	316,079
	Revenue			
3	Proposed revenue		$0	$577,477
4	Pro forma revenue - existing tariffs	17-B	0	575,142
5	Additional revenue from proposed tariffs (line 3 - line 4)		$0	$2,335
6	COGR revenue		$0	$0
7	Percent increase (line 5 / (line 4+6))		0.00%	0.41%
8	Revenue per unit - proposed tariffs (line 3 / line 2)		$0.0000	$1.8270

Line No.	Description	Reference	Large Volume Transportation Service Tariff Schedule - LVTt Tier 2	
			Sales	Transport
	Col. 1	Col. 2	Col. 3	Col. 4
	Customers			
1	Pro forma average number of customers	17-B	0	30
	Deliveries			
2	Pro forma deliveries (Mcf)	17-B	0	448,775
	Revenue			
3	Proposed revenue		$0	$730,417
4	Pro forma revenue - existing tariffs	17-B	0	731,151
5	Additional revenue from proposed tariffs (line 3 - line 4)		$0	($734)
6	COGR revenue		$0	$0
7	Percent increase (line 5 / (line 4+6))		0.00%	-0.10%
8	Revenue per unit - proposed tariffs (line 3 / line 2)		$0.0000	$1.6276

Line No.	Description	Reference	Large Volume Transportation Service Tariff Schedule - LVTt Tier 3 Sales	Transport
	Col. 1	Col. 2	Col. 3	Col. 4
	Customers			
1	Pro forma average number of customers	17-B	0	14
	Deliveries			
2	Pro forma deliveries (Mcf)	17-B	0	384,502
	Revenue			
3	Proposed revenue		$0	$588,360
4	Pro forma revenue - existing tariffs	17-B	0	588,820
5	Additional revenue from proposed tariffs (line 3 - line 4)		$0	($460)
6	COGR revenue		$0	$0
7	Percent increase (line 5 / (line 4+6))		0.00%	-0.08%
8	Revenue per unit - proposed tariffs (line 3 / line 2)		$0.0000	$1.5302

Line No.	Description	Reference	Large Volume Transportation Service Tariff Schedule - LVTt Tier 4 Sales	Transport
	Col. 1	Col. 2	Col. 3	Col. 4
	Customers			
1	Pro forma average number of customers	17-B	0	32
	Deliveries			
2	Pro forma deliveries (Mcf)	17-B	0	3,984,817
	Revenue			
3	Proposed revenue		$0	$5,470,385
4	Pro forma revenue - existing tariffs	17-B	0	5,471,521
5	Additional revenue from proposed tariffs (line 3 - line 4)		$0	($1,136)
6	COGR revenue		$0	$0
7	Percent increase (line 5 / (line 4+6))		0.00%	-0.02%
8	Revenue per unit - proposed tariffs (line 3 / line 2)		$0.0000	$1.3728

Line No.	Description	Reference	Wholesale Transportation Service Tariff Schedule - WTt Sales	Transport
	Col. 1	Col. 2	Col. 3	Col. 4
	Customers			
1	Pro forma average number of customers	17-B	0	27
	Deliveries			
2	Pro forma deliveries (Mcf)	17-B	0	904,340
	Revenue			
3	Proposed revenue		$0	$1,165,700
4	Pro forma revenue - existing tariffs	17-B	0	1,165,699
5	Additional revenue from proposed tariffs (line 3 - line 4)		$0	$1
6	COGR revenue		$0	$0
7	Percent increase (line 5 / (line 4+6))		0.00%	0.00%
8	Revenue per unit - proposed tariffs (line 3 / line 2)		$0.0000	$1.2890