

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

In the Matter of Kansas Gas Service)
Compliance Docket No. 11-KGSG-820-CPL, as) Docket No. 11-KGSG-820-CPL
Established in Docket No. 06-GIMX-181-GIV.)

**PUBLIC (REDACTED)
KANSAS GAS SERVICE'S ANNUAL RING-FENCING COMPLIANCE FILING**

Kansas Gas Service, a division of ONE Gas, Inc. (“Kansas Gas Service” or “Company”), in compliance with the State Corporation Commission of the State of Kansas’ (“Commission”) *Order Adopting Report of Staff and Active Participating Utilities and Approving Procedure for Filing Information*, issued on December 3, 2010 in Docket No. 06-GIMX-181-GIV (hereafter, “Order”), respectfully files its annual Ring-Fencing Compliance Report (“Report”). In support thereof, Kansas Gas Service states the following to the Commission:

1. Kansas Gas Service is a natural gas public utility operating in the State of Kansas pursuant to certificates of convenience and necessity issued by the Commission. Kansas Gas Service’s principal place of business within the State of Kansas is located at: 7421 West 129th Street, Overland Park, Kansas 66213.

2. Pursuant to the Order, annually on or before May 31st, Kansas Gas Service is required to submit certain documents and schedules in conformity with the agreed upon procedures set forth in the *Report of the Commission Staff and the Active Participating Utilities*, as filed on October 28, 2010, (hereafter referred to as “Recommendation”) and subsequently adopted by the Commission in its Order. Accordingly, please find Kansas Gas Service’s annual Report attached hereto as “KGS PUBLIC REDACTED Exhibit A.” Pursuant to K.S.A. 66-1220a and K.A.R. 82-1-221a, the Company has labeled parts of this Report as “Confidential” to protect the non-public proprietary business information contained within the Report in accordance with the Recommendation. Disclosure of this proprietary business information is not in the public interest

and may cause irreparable harm to the Company and/or its customers. Kansas Gas Service respectfully requests the Commission and its Staff deem and treat this information as Confidential as provided by Kansas law.

WHEREFORE, Kansas Gas Service respectfully requests the Commission accept this compliance filing, and for any other such relief as the Commission deems just and reasonable.

Respectfully submitted,

/s/ Robert Elliott Vincent
Robert Elliott Vincent, KS Bar #26028
Managing Attorney
Kansas Gas Service
A division of ONE Gas, Inc.
7421 West 129th Street
Overland Park, Kansas 66213-2634
(913) 319-8615, telephone
(913) 319-8622, facsimile
robert.vincent@onegas.com

Attorney for Kansas Gas Service, a division
of ONE Gas, Inc.

KANSAS GAS SERVICE'S
2024 ANNUAL RINGFENCING REPORT

Pursuant to the agreement of the parties as expressed in October 28, 2010, Report of the Commission Staff and the Active Participating Utilities, filed in Docket No. 06-GIMX-181-GIV, Kansas Gas Service, a division of ONE Gas, Inc., hereby submits its annual Ringfencing Report (“Report”) as follows:

KCC Requirement:

- A. To ensure proper allocation or assignment of joint or common costs for non-power goods and services, so a regulated utility bears only its fair share of costs, the public utility shall submit the following information on an annual basis by May 31st:
 1. A Cost Allocation Manual (CAM) on a calendar year basis that:
 - a. Explains the methodology used for all costs allocated or assigned for non-power goods and services provided by: (i) the regulated utility, (ii) a holding company, or (iii) a centralized corporate services subsidiary to any associate company that is a jurisdictional public utility;
 - b. Demonstrates that all costs are allocated or assigned justly and reasonably and that the allocation or assignment of costs is not unduly discriminatory or preferential; and,
 - c. If a fully distributed cost methodology is not used, an explanation supporting use of the alternative method of allocation.

With respect to the CAM, it should be filed in the individual utility compliance docket, but if no changes are made to the CAM, a letter in place of the CAM indicating no changes have been made may be filed by the May 31st annual filing date. If the annual filing reflects changes made in the CAM, those changes should be noted and fully described.

2. Any centralized corporate services subsidiary, within a holding company that includes a jurisdictional public utility, required to file FERC Form No. 60, shall file a copy with the Commission by May 31st of the calendar year following the year subject of the report.

KGS Response

A.

1. The Cost Allocation Manual (CAM) submitted within Docket No. 11-KGSG-820-CPL is incorporated herein, by reference. There have been no changes to the CAM since 2020.
2. Not Applicable

KCC Requirement

- B. Each jurisdictional public utility shall provide annually by May 31st the following information using diagrams, schedules or narrative discussion as may be appropriate:
1. A complete detailed organization chart identifying each regulated utility and each associate company;
 2. A detailed description of the activities and business conducted at each non-utility associate company;
 3. An organizational chart of personnel that includes a list of all directors, corporate officers, and other key personnel shared by any jurisdictional public utility and any non-utility associate company or holding company, if any, along with a description of each person's duties and responsibilities to each entity;
 4. Summaries of each mortgage, loan document and debt agreement, including a discussion of the type of collateral or security pledged to support the debt. The utility will also describe any loan or debt agreement taken out to finance an unregulated affiliate that encumbers utility property or cash-flow for security;
 5. To the extent financial separations are maintained for either legal or financial accounting purposes and at a level in which financial statements are reasonably capable of being produced by the utility's accounting system, each jurisdictional public utility shall file income statements, balance sheets and cash flow statements for (1) consolidated utility operations; (2) consolidated non-regulated operations; and (3) consolidated corporate financials; (this information is confidential) and
 6. To the extent financial separations are maintained for either legal or financial accounting purposes and at a level in which financial statements are reasonably capable of being produced by the utility's accounting system, each jurisdictional public utility shall file a summary of financial ratios as of the end of the last completed fiscal year, as described by way of example in the attachment to these rules and consistent with the method used to report such information to the principal bond rating agency or Standard & Poor's for (1) consolidated utility

operations; (2) consolidated non-regulated operations; and (3) consolidated corporate financials (this information is confidential).

KGS Response

B.

1. Please see the attached organization chart, containing KGS affiliated companies within ONE Gas, Inc. (ONE Gas) as of December 31, 2023, attached hereto as Attachment B-1.
2. Please see Attachment B-2 for a description of associated companies.
3. Please see Attachment B-3 for a list of Officers and Directors.
4. Please see Attachment B-4 for a summary of debt agreements. There is no utility debt that encumbers utility property used to finance unregulated affiliates.
5. Please see the attached income statements and balance sheet information for ONE Gas which were included in the Fiscal 2023 10-K filing, attached here as Attachment B-5.
6. Please see the attached financial ratios for the consolidated utility operation, attached here to as Attachment B-6.

KCC Requirement

- C. Each jurisdictional public utility shall provide to the Director of Utilities and the Chief of Accounting and Financial Analysis at the Commission concurrent with the filing of 8-K disclosures the following:
1. Written or verbal notice of any affiliate of the jurisdictional public utility or holding company, if any, that has an affiliate that has defaulted on a material obligation or debt for the purpose of 8-K reporting.
 2. Written or verbal notice of any requests by any jurisdictional public utility or holding company, if any, for material waivers or amendments as provided for the purpose of 8-K reporting to debt agreements that secure, encumber, or finance any jurisdictional public utility's assets.
 3. Each jurisdictional public utility shall file reports published by credit rating agencies and equity analysts regarding the utility's regulated and unregulated business within 10 days after publication of the report and its receipt by the utility. A public utility shall not be required to file reports that the utility has not received, or reports that cannot be disseminated or reproduced because of copyright or contractual restrictions.

4. A summary of any debt secured or encumbered, in any way, by the assets of any jurisdictional public utility on behalf of a non-utility affiliate or holding company, if any.

KGS Response

C.

1. KGS will provide written or verbal notice concurrently, in the event that any affiliate defaults on a material obligation or debt for the purpose of 8-K reporting. Neither ONE Gas, Inc. (ONE Gas) nor any of its affiliates, have defaulted on a material obligation or debt.
2. KGS will provide written or verbal notice of any requests by a jurisdictional public utility or holding company if it seeks a material waiver or amendments as provided for the purpose of 8-K reporting to debt agreements that secure, encumber, or finance any jurisdictional public utility's assets. No such requests have been made.
3. Please see CONFIDENTIAL Attachment C-3 for a copy of the credit reports. ONE Gas receives credit rating and equity analyst reports under an agreement with an outside vendor. According to the terms of the agreement, ONE Gas is prohibited from releasing these reports to third parties. ONE Gas obtained permission to provide a confidential copy of S&P Ratings Bulletins dated 08/03/2023, 08/17/2023 and 11/02/2023, a confidential copy of Fitch Ratings Rating Action for Kansas Gas Service Securitization I, L.L.C. dated 11/18/2022 and a confidential copy of Moody's Credit Opinion dated 02/12/2024.

Equity analysts covering ONE Gas include:

Bank of America Securities
Guggenheim Partners
Ladenburg Thalmann
Mizuho Securities USA
Morgan Stanley
Stifel
UBS Securities
Wells Fargo

4. ONE Gas does not have any debt issuances that are secured or encumbered with the assets of KGS.



**Kansas
Gas Service™**

A Division of ONE Gas

7421 W 129th St.

Overland Park, KS 66213

913-319-8696 • kansasgasservice.com

May 31, 2024

Lynn Retz, Executive Director
Kansas Corporation Commission
1500 Arrowhead Road
Topeka, Kansas 66604

Re: Docket No. 06-GIMX-181-GIV and Docket No. 11-KGSG-820-CPL

Dear Ms. Retz,

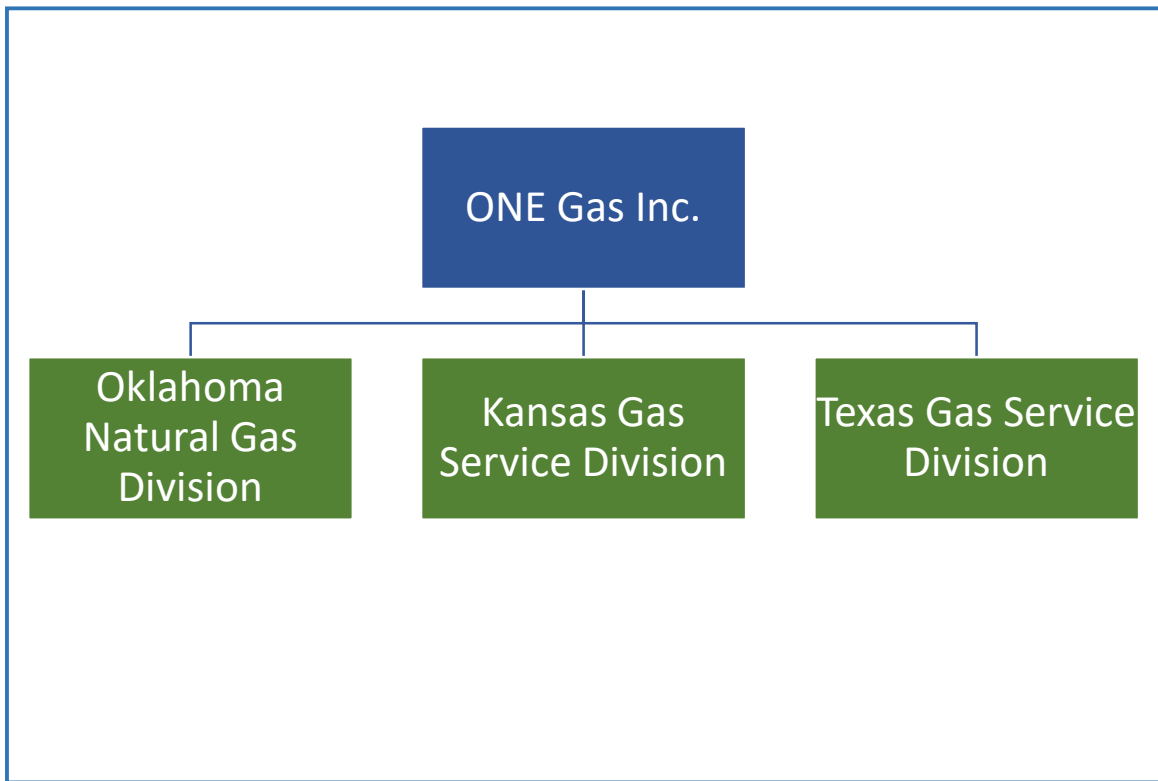
In accordance with the Commission's order in Docket No. 06-GIMX-181-GIV, KGS is confirming that for 2023, no changes were made to the cost allocation manual previously filed with the Kansas Corporation Commission.

Sincerely,

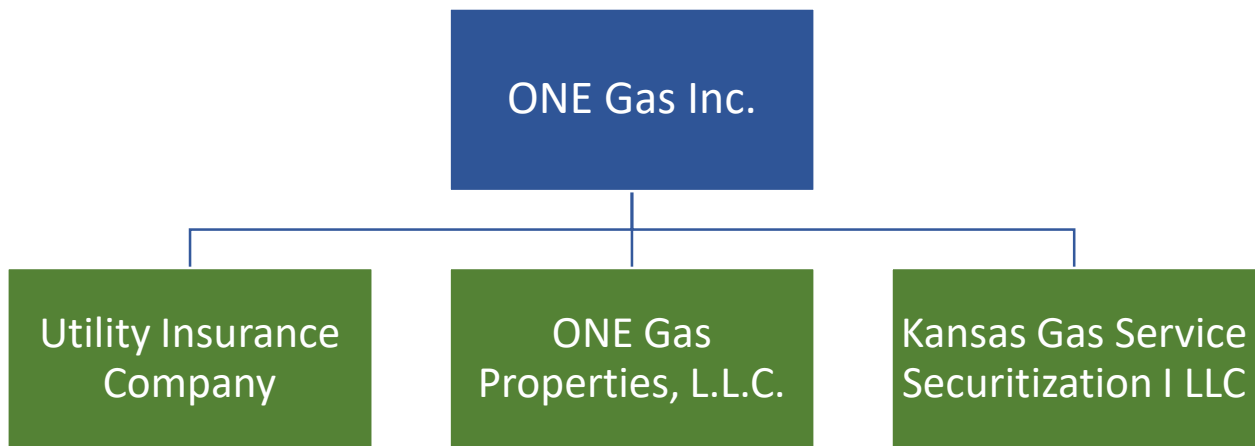
Victoria M. Noriega-Reyes
Rates Analyst, Rates and Regulatory Analysis

ONE Gas, Inc.

Regulated Operating Divisions



ONE Gas, Inc. Affiliated Companies



ONE Gas, Inc.
Company Descriptions

ONE Gas Associated Company Description:

ONE Gas Foundation, Inc. is an Oklahoma not-for-profit corporation. The entity is a charitable foundation exempt under Section 501(c)(3) of the Internal Revenue Code.

ONE Gas Affiliated Company Descriptions:

Utility Insurance Company is wholly owned by ONE Gas. UIC provides ONE Gas' distribution companies, Kansas Gas Service, Oklahoma Natural Gas and Texas Gas Service, insurance coverage. UIC is regulated by the Oklahoma Insurance Department.

ONE Gas Properties, L.L.C. is an Oklahoma limited liability company. The entity owns intellectual property including the ONE Gas logo and the trade names Kansas Gas Service, Oklahoma Natural Gas and Texas Gas Service. ONE Gas Properties, L.L.C. charges ONG, KGS and TGS a monthly royalty fee for the use of the intellectual properties it owns.

Kansas Gas Service Securitization I L.L.C. is a wholly owned special purpose limited liability company formed under the Delaware Limited Liability Company Act pursuant to a limited liability company agreement executed by Kansas Gas Service, a division of ONE Gas, and the filing of a certificate of formation with the Secretary of State of Delaware.

ONE GAS, INC.
DIRECTOR & OFFICER LIST
December 31, 2023

ONE Gas, Inc. (Oklahoma)
(Formed 8/30/13)

Directors

John W. Gibson, Chairman
Robert S. McAnnally
Robert B. Evans
Tracy E. Hart
Deborah A.P. Hersman
Michael G. Hutchinson
Patty L. Moore
Eduardo A. Rodriguez
Douglas H. Yaeger

Positions Appointed by OGS Board

Robert S. McAnnally	President and Chief Executive Officer
Angela E. Kouplen	Senior Vice President and Chief Human Resources Officer
Caron A. Lawhorn	Senior Vice President and Chief Financial Officer
Joseph L. McCormick	Senior Vice President, General Counsel and Assistant Secretary
Curtis L. Dinan	Senior Vice President and Chief Operating Officer
Mark A. Bender	Senior Vice President, Administration and Chief Information Officer
W. Kent Shortridge	Senior Vice President, Operations and Customer Service
Brian K. Shore	Vice President, Associate General Counsel and Secretary
Julie A. White	Vice President, Communications
Brian F. Brumfield	Vice President, Chief Accounting Officer and Controller
Mark W. Smith	Vice President, Treasurer

Positions Appointed by OGS CEO

Shantel H. Norman	Managing Vice President, Field Operations
Chris A. Carr	Vice President, Operations, Oklahoma Natural Gas
Sean C. Postlethwait	Vice President, Operations, Kansas Gas Service
Alejandro Limon	Vice President, Operations, Texas Gas Service
Ronald D. Bridgewater	Vice President, System Integrity
Todd R. Hohn	Vice President, Environmental, Safety & Health
Samette L. King	Vice President, Customer Service
Jeff W. Johns	Vice President, Resource Management
James E. Langster	Vice President, Information Technology and Cybersecurity
K. Jason Ketchum	Vice President, Commercial
Christopher P. Sighinolfi	Vice President, Corporate Development and Investor Relations
Jeffrey J. Husen	Vice President, Rates and Regulatory

ONE GAS PROPERTIES, L.L.C.

(Oklahoma Corp., Formed 10/30/13, OGS Sole Member)

Robert S. McAnnally	Chairman, President and Chief Executive Officer
Caron A. Lawhorn	Senior Vice President and Chief Financial Officer
Joseph L. McCormick	Senior Vice President, General Counsel and Assistant Secretary
Curtis L. Dinan	Senior Vice President and Chief Operating Officer
Mark A. Bender	Senior Vice President, Administration and Chief Information Officer
Angela E. Kouplen	Senior Vice President and Chief Human Resources Officer
W. Kent Shortridge	Senior Vice President, Operations and Customer Service
Brian F. Brumfield	Vice President, Chief Accounting Officer and Controller
Mark W. Smith	Vice President and Treasurer

**ONE GAS, INC.
DIRECTOR & OFFICER LIST
December 31, 2023**

Brian K. Shore	Vice President, Associate General Counsel and Secretary
Julie A. White	Vice President, Communications

ONE GAS FOUNDATION, INC.

(Oklahoma Not for Profit Corporation, Formed 11/18/13)

Directors/Trustees

Robert S. McAnnally	Director
Curtis L. Dinan	Director
Caron A. Lawhorn	Director
Joseph L. McCormick	Director
Mark A. Bender	Director
Angela E. Kouplen	Director
Brian K. Shore	Director
Julie A. White	Director

Officers:

Robert S. McAnnally	Chairman, Chief Executive Officer and President
Caron A. Lawhorn	Senior Vice President and Chief Financial Officer
Joseph L. McCormick	Senior Vice President, General Counsel and Assistant Secretary
Brian K. Shore	Vice President, Associate General Counsel & Secretary

UTILITY INSURANCE COMPANY

(Oklahoma Corporation, Formed 8/29/17)

Directors

Robert S. McAnnally	Director
Curtis L. Dinan	Director
Caron A. Lawhorn	Director
Joseph L. McCormick	Director

Officers:

Robert S. McAnnally	Chairman, Chief Executive Officer and President
Caron A. Lawhorn	Senior Vice President and Chief Financial Officer
Joseph L. McCormick	Senior Vice President, General Counsel and Assistant Secretary
Brian K. Shore	Vice President, Associate General Counsel & Secretary
Mark W. Smith	Vice President and Treasurer

**ONE GAS, INC.
DIRECTOR & OFFICER LIST
December 31, 2023**

KANSAS GAS SECURITIZATION I, L.L.C.

(Delaware Corporation, Formed 8/30/22, Kansas Gas Service, a division of ONE Gas, Inc., sole member)

Managers

Robert S. McAnnally
Caron A. Lawhorn
Bernard J. Angelo, independent manager

Officers:

Robert S. McAnnally	President and Chief Executive Officer
Caron A. Lawhorn	Senior Vice President and Chief Financial Officer
Joseph L. McCormick	Senior Vice President, General Counsel and Assistant Secretary
Brian F. Brumfield	Vice President, Chief Accounting Officer and Controller
Brian K. Shore	Vice President, Associate General Counsel & Secretary
Mark W. Smith	Vice President and Treasurer

Maturity	2029	2030	2032	2044	2048	5-Year Credit Agreement	Indenture - US Bank	KGSS1 - 2032
Issue Date	12/13/23	5/4/20	8/4/22	1/27/14	11/5/18	3/16/23	1/27/14	11/18/22
Maturity Date	4/1/29	5/15/30	9/1/32	2/1/44	11/1/48	3/16/28	-	8/1/32
Rate	5.10%	2.00%	4.25%	4.658%	4.50%	Term SOFR plus 1% Prime, or Fed Funds plus 0.5%	-	5.486%
Principal Outstanding	\$300,000,000	\$300,000,000	\$300,000,000	\$600,000,000	\$400,000,000	\$1,200,000,000	-	\$301,503,267
Annual Interest	\$15,300,000	\$6,000,000	\$12,750,000	\$27,948,000	\$18,000,000	\$1,200,000 (Facility Fee)	-	\$16,918,467
Payments	4/1, 10/1	5/1, 11/1	3/1, 9/1	2/1, 8/1	5/1, 11/1	-	-	8/1, 2/1
CUSIP	68235PAN8	68235PAH1	68235P AM0	68235PAF5	68235PAG3	-	-	484915AA1
Trustee	US Bank	US Bank	US Bank	US Bank	US Bank	BOA (Administrative Agent)	-	US Bank
Lead Bank(s)	JPM / Mizuho / US Bank	BOA Mizuho	US Bank / RBC / Truist / Wells Fargo / BOA / JPM / Mizuho / BOK	Morgan Stanley JPM / BOA / RBS	US Bank JPM	JPM / Mizuho / RBC / Truist / US Bank / Wells Fargo	US Bank	JPM / RBC / BOA / Wells Fargo
Callable	anytime prior to 3/1/29	anytime prior to 2/15/30	anytime prior to 6/1/32	anytime prior to 8/1/2043	anytime prior to 5/1/2048	-	-	Non-call
Premium	None	None	None	None	None	-	-	None
Indenture	12/13/23	5/4/20	8/4/22	1/27/14	11/5/18	-	-	11/18/22
Filing	Same as Indenture (Annual compliance cert)	Same as Indenture (Annual compliance cert)	Same as Indenture (Annual compliance cert)	Same as Indenture (Annual compliance cert)	Same as Indenture (Annual compliance cert)	Compliance Certificates	Comp Certificates Certain SEC filings	Same as Indenture (Annual compliance cert)
Events of Def	Fail to pay Int/Princ/Prem Interest: 30 days Covenants: 90 days Def on Agmt > \$100MM Bankruptcy, Reorganization	Fail to pay Int/Princ/Prem Interest: 30 days Covenants: 90 days Def on Agmt > \$100MM Bankruptcy, Reorganization	Fail to pay Int/Princ/Prem Interest: 30 days Covenants: 90 days Def on Agmt > \$100MM Bankruptcy, Reorganization	Fail to pay Int/Princ/Prem Interest: 30 days Covenants: 90 days Def on Agmt > \$100MM Bankruptcy, Reorganization	Fail to pay Int/Princ/Prem Interest: 30 days Covenants: 90 days Def on Agmt > \$100MM Bankruptcy, Reorganization	CF Events of Default (Sec 8.01)	See Indenture Events of Default	Fail to pay Int/Princ/Prem Interest: 5 days Covenants: 30 days Unpaid principal Bankruptcy, Reorganization Violation of KS pledge
Limitations on Liens	Liens Language 5	Liens Language 3	Liens Language 2	Liens Language 1	Liens Language 2	See CF Covenants (Sec 7.01)	See Indenture Limitation on Liens	N/A
Lim on S/L	S/L Language 5	S/L Language 3	S/L Language 4	S/L Language 1	S/L Language 2	None	See Indenture Limitation on Sale/Leaseback	N/A
Amendments, Supplements and Waivers	ASW 6	ASW 3	ASW 4	ASW 1	ASW 2	None	See each note	ASW 5
Defeasance	Defeasance Language 6	Defeasance Language 3	Defeasance Language 4	Defeasance Language 1	Defeasance Language 2	None	See each note	Defeasance Language 5
Covenants	See Covenants 6	See Covenants 3	See Covenants 4	See Covenants 1	See Covenants 2	See CF Covenants (Sec 6.01 - 7.09)	See Indenture Covenants	See Covenants 5

ITEM 8. CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Report of Independent Registered Public Accounting Firm

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

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of ONE Gas, Inc. and its subsidiaries (the “Company”) as of December 31, 2023 and 2022, and the related consolidated statements of income, of comprehensive income, of equity and of cash flows for each of the three years in the period ended December 31, 2023, 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, 2023, 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, 2023 and 2022, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2023 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, 2023, 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 under 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.

Critical Audit Matters

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that (i) relates to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Accounting for the Effects of Regulatory Matters

As described in Note 1 and 3 to the consolidated financial statements, the Company is subject to rate regulation and accounting requirements of regulatory authorities in the states in which it operates, and it follows the accounting and reporting guidance for regulated operations, including evaluating regulatory decisions to determine appropriate revenue recognition, cost deferrals, recoverability for regulatory assets and refund requirements for regulatory liabilities. As disclosed by management, regulatory assets are recorded for costs that have been deferred for which future recovery through customer rates is considered probable and regulatory liabilities are recorded 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 accounting principles generally accepted in the United States of America for non-regulated entities are capitalized or deferred on the balance sheet because it is probable they can be recovered through rates. The amounts to be recovered or recognized are based upon historical experience and management's understanding of regulations and may be affected by decisions of the regulatory authorities or the issuance of new regulations. Should recovery cease due to regulatory actions, certain regulatory assets may no longer meet the criteria for recognition, and accordingly, the Company may be required to write off the regulatory assets at that time. As described in Note 3, as of December 31, 2023, there were \$363 million of deferred costs included in regulatory assets and \$567 million of regulatory liabilities awaiting cash outflow or potential refund.

The principal considerations for our determination that performing procedures relating to the Company's accounting for the effects of regulatory matters is a critical audit matter are (i) the significant judgment by management in evaluating the impact of regulatory orders and accounting guidance on relevant transactions and (ii) a high degree of auditor judgment, subjectivity, and effort in performing procedures and evaluating audit evidence related to management's evaluation of revenue recognition, cost deferrals, and recoverability of regulatory assets, including the securitization of the costs related to the winter weather event and the recovery of the related regulatory assets, and refund requirements for regulatory liabilities.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to the impact of regulatory orders and accounting guidance on relevant transactions, including controls over management's process for evaluating and recording (i) deferred costs, including the amounts to be deferred and the future recovery, resulting in regulatory assets or (ii) a reduction to revenues for amounts that will be credited to customers, resulting in regulatory liabilities. These procedures also included, among others, (i) evaluating management's process for identifying relevant transactions which require application of regulatory accounting guidance; (ii) evaluating the reasonableness of management's assessment regarding revenue recognition, probability of recovery and establishment of regulatory assets, including the securitization of the costs related to the winter weather event and the recovery of the related regulatory assets, and the establishment of regulatory liabilities; and (iii) testing the regulatory assets and regulatory liabilities considering the provisions and formulas outlined in rate orders and other regulatory correspondence.

/s/ PricewaterhouseCoopers LLP

Tulsa, Oklahoma
February 22, 2024

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

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ONE Gas, Inc.

CONSOLIDATED STATEMENTS OF INCOME

	Years Ended December 31,		
	2023	2022	2021
	<i>(Thousands of dollars, except per share amounts)</i>		
Total revenues	\$ 2,371,990	\$ 2,578,005	\$ 1,808,597
Cost of natural gas	1,134,510	1,459,087	775,006
Operating expenses			
Operations and maintenance	508,399	472,265	449,676
Depreciation and amortization	279,830	228,479	207,233
General taxes	71,661	68,217	66,424
Total operating expenses	859,890	768,961	723,333
Operating income	377,590	349,957	310,258
Other income (expense), net	9,476	(4,183)	(3,207)
Interest expense, net	(115,339)	(77,506)	(60,301)
Income before income taxes	271,727	268,268	246,750
Income taxes	(40,495)	(46,526)	(40,316)
Net income	\$ 231,232	\$ 221,742	\$ 206,434
Earnings per share			
Basic	\$ 4.16	\$ 4.09	\$ 3.85
Diluted	\$ 4.14	\$ 4.08	\$ 3.85
Average shares (thousands)			
Basic	55,600	54,207	53,575
Diluted	55,860	54,338	53,674
Dividends declared per share of stock	\$ 2.60	\$ 2.48	\$ 2.32

See accompanying Notes to Consolidated Financial Statements.

ONE Gas, Inc.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31,		
	2023	2022	2021
	<i>(Thousands of dollars)</i>		
Net income	\$ 231,232	\$ 221,742	\$ 206,434
Other comprehensive income, net of tax			
Change in pension and other postemployment benefit plan liability, net of tax of \$140, \$(1,705), and \$(379), respectively	(478)	5,823	1,250
Total other comprehensive income (loss), net of tax	(478)	5,823	1,250
Comprehensive income	\$ 230,754	\$ 227,565	\$ 207,684

See accompanying Notes to Consolidated Financial Statements.

ONE Gas, Inc.

CONSOLIDATED BALANCE SHEETS

	December 31, 2023	December 31, 2022
Assets	<i>(Thousands of dollars)</i>	
Property, plant and equipment		
Property, plant and equipment	\$ 8,468,967	\$ 7,834,557
Accumulated depreciation and amortization	2,333,755	2,205,717
Net property, plant and equipment	6,135,212	5,628,840
Current assets		
Cash and cash equivalents	18,835	9,681
Restricted cash and cash equivalents	20,552	8,446
Total cash, cash equivalents and restricted cash and cash equivalents	39,387	18,127
Accounts receivable, net	347,864	553,834
Materials and supplies	77,649	70,873
Natural gas in storage	187,097	269,205
Regulatory assets	75,308	275,572
Other current assets	37,899	29,997
Total current assets	765,204	1,217,608
Goodwill and other assets		
Regulatory assets	287,906	330,831
Securitized intangible asset, net	293,619	323,838
Goodwill	157,953	157,953
Other assets	131,100	117,326
Total goodwill and other assets	870,578	929,948
Total assets	\$ 7,770,994	\$ 7,776,396

See accompanying Notes to Consolidated Financial Statements.

ONE Gas, Inc.

CONSOLIDATED BALANCE SHEETS

(Continued)

	December 31, 2023	December 31, 2022
Equity and Liabilities	<i>(Thousands of dollars)</i>	
Equity and long-term debt		
Common stock, \$0.01 par value: authorized 250,000,000 shares; issued and outstanding 56,545,924 shares at December 31, 2023; issued and outstanding 55,349,954 shares at December 31, 2022	\$ 565	\$ 553
Paid-in capital	2,028,755	1,932,714
Retained earnings	737,739	651,863
Accumulated other comprehensive loss	(1,182)	(704)
Total equity	2,765,877	2,584,426
Other long-term debt, excluding current maturities, net of issuance costs	1,877,895	2,352,400
Securitized utility tariff bonds, excluding current maturities, net of issuance costs	282,506	309,343
Total long-term debt, excluding current maturities, net of issuance costs	2,160,401	2,661,743
Total equity and long-term debt	4,926,278	5,246,169
Current liabilities		
Current maturities of other long-term debt	772,984	12
Current maturities of securitized utility tariff bonds	27,430	20,716
Notes payable	88,500	552,000
Accounts payable	278,056	360,493
Accrued taxes other than income	68,793	78,352
Regulatory liabilities	66,901	47,867
Customer deposits	62,187	57,854
Other current liabilities	112,370	72,125
Total current liabilities	1,477,221	1,189,419
Deferred credits and other liabilities		
Deferred income taxes	752,068	698,456
Regulatory liabilities	500,478	529,441
Employee benefit obligations	20,265	19,587
Other deferred credits	94,684	93,324
Total deferred credits and other liabilities	1,367,495	1,340,808
Commitments and contingencies		
Total liabilities and equity	\$ 7,770,994	\$ 7,776,396

See accompanying Notes to Consolidated Financial Statements.

ONE Gas, Inc.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31,		
	2023	2022	2021
	<i>(Thousands of dollars)</i>		
Operating activities			
Net income	\$ 231,232	\$ 221,742	\$ 206,434
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	279,830	228,479	207,233
Deferred income taxes	24,773	(22,034)	43,449
Share-based compensation expense	12,184	10,741	10,498
Provision for doubtful accounts	9,698	6,003	9,131
Proceeds from government securitization of winter weather event costs	197,366	1,330,582	—
Changes in assets and liabilities:			
Accounts receivable	196,272	(213,656)	(57,902)
Materials and supplies	(6,776)	(15,981)	(2,126)
Natural gas in storage	82,108	(89,559)	(85,700)
Asset removal costs	(62,023)	(47,032)	(49,029)
Accounts payable	(90,046)	85,915	107,207
Accrued taxes other than income	(9,559)	11,317	3,235
Customer deposits	4,333	(4,600)	(5,574)
Regulatory assets and liabilities - current	7,249	52,417	(1,562,574)
Regulatory assets and liabilities - noncurrent	38,869	53,992	(367,210)
Other assets and liabilities - current	26,070	(23,377)	18,461
Other assets and liabilities - noncurrent	(2,048)	(14,107)	(11,190)
Cash provided by (used in) operating activities	939,532	1,570,842	(1,535,657)
Investing activities			
Capital expenditures	(666,634)	(609,486)	(495,246)
Other investing expenditures	(8,508)	(8,632)	(7,554)
Other investing receipts	5,499	4,008	1,717
Cash used in investing activities	(669,643)	(614,110)	(501,083)
Financing activities			
Borrowings (repayments) of notes payable, net	(463,500)	58,000	75,775
Issuance of other long-term debt, net of discounts	299,583	297,591	2,498,895
Issuance of securitized utility tariff bonds, net of discounts	—	335,931	—
Long-term debt financing costs	(2,508)	(8,567)	(35,110)
Issuance of common stock	85,259	133,711	26,662
Repayment of other long-term debt	—	(1,627,000)	(400,000)
Repayment of securitized utility tariff bonds	(20,716)	—	—
Dividends paid	(144,094)	(133,954)	(123,912)
Tax withholdings related to net share settlements of stock compensation	(2,653)	(3,169)	(4,711)
Cash provided by (used in) financing activities	(248,629)	(947,457)	2,037,599
Change in cash, cash equivalents, restricted cash and restricted cash equivalents	21,260	9,275	859
Cash, cash equivalents, restricted cash and restricted cash equivalents at beginning of period	18,127	8,852	7,993
Cash, cash equivalents, restricted cash and restricted cash equivalents at end of period	\$ 39,387	\$ 18,127	\$ 8,852
Supplemental cash flow information:			
Cash paid for interest, net of amounts capitalized	\$ 80,726	\$ 84,871	\$ 70,066
Cash paid (received) for income taxes, net	\$ 20,844	\$ 67,421	\$ (10,809)

See accompanying Notes to Consolidated Financial Statements.

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ONE Gas, Inc.

CONSOLIDATED STATEMENTS OF EQUITY

	Common Stock Issued	Common Stock	Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income/(Loss)	Total Equity
	(Shares)			(Thousands of dollars)		
January 1, 2021	53,166,733	\$ 532	\$ 1,756,921	\$ 483,635	\$ (7,777)	\$ 2,233,311
Net income	—	—	—	206,434	—	206,434
Other comprehensive income	—	—	—	—	1,250	1,250
Common stock issued and other	466,477	4	32,445	—	—	32,449
Common stock dividends - \$2.32 per share	—	—	996	(124,908)	—	(123,912)
December 31, 2021	53,633,210	536	1,790,362	565,161	(6,527)	2,349,532
Net income	—	—	—	221,742	—	221,742
Other comprehensive income	—	—	—	—	5,823	5,823
Common stock issued and other	1,716,744	17	141,266	—	—	141,283
Common stock dividends - \$2.48 per share	—	—	1,086	(135,040)	—	(133,954)
December 31, 2022	55,349,954	553	1,932,714	651,863	(704)	2,584,426
Net income	—	—	—	231,232	—	231,232
Other comprehensive income	—	—	—	—	(478)	(478)
Common stock issued and other	1,195,970	12	94,779	—	—	94,791
Common stock dividends - \$2.60 per share	—	—	1,262	(145,356)	—	(144,094)
December 31, 2023	56,545,924	\$ 565	\$ 2,028,755	\$ 737,739	\$ (1,182)	\$ 2,765,877

See accompanying Notes to Consolidated Financial Statements.

ONE Gas, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Segments - We operate in one reportable business segment: regulated public utilities that deliver natural gas primarily to residential, commercial 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. 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-requested pipeline relocations, not geographic location or regulatory jurisdiction.

In 2023, 2022 and 2021, we had no single external customer from which we received 10 percent or more of our gross revenues.

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

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

For deliveries of natural gas, customers are billed on a monthly cycle. We recognize revenues upon the delivery of natural gas or services rendered to customers. The billing cycles for customers do not necessarily coincide with the accounting periods used for financial reporting purposes. We accrue unbilled revenues for natural gas that has been delivered but not yet billed at the end of an accounting period. We use the invoice method practical expedient, where we recognize revenue for volumes delivered for which we have a right to invoice. Our estimate of accrued unbilled revenue is based on a percentage estimate of amounts unbilled each month, which is dependent upon a number of factors, some of which require management’s judgment. These factors include customer consumption patterns and the impact of weather on usage. The accrued unbilled natural gas sales revenue is included in accounts receivable on our consolidated balance sheets.

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

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

We collect and remit other taxes on behalf of governmental authorities, and we record these amounts in accrued taxes other than income in our consolidated balance sheets. See Note 2 for additional discussion of revenues.

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.

Cost of Natural Gas - Cost of natural gas includes commodity purchases, fuel, storage, transportation, financial derivatives, and other gas purchase costs recovered through our cost of natural gas regulatory mechanisms and does not include an allocation of general operating costs or depreciation and amortization. These cost of natural gas regulatory mechanisms provide a method of recovering natural gas costs on an ongoing basis without a profit. See Note 3 for additional discussion of purchased gas cost recoveries.

Cash, Cash Equivalents and Restricted Cash and Restricted Cash Equivalents - Cash equivalents and restricted cash equivalents consist of highly liquid investments, which are readily convertible into cash and have original maturities of three months or less. Restricted cash consists of funds that are contractually or legally restricted as to usage or withdrawal and have been presented separately from cash and cash equivalents on our consolidated balance sheets. Restricted cash and restricted cash equivalents accounts were established for payment of Securitized Utility Tariff Bond issuance costs and payment of debt service on those bonds.

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 14 for additional information regarding our property, plant and equipment.

Accounts Receivable, Net - Accounts receivable represent valid claims against nonaffiliated customers for natural gas sold or services rendered. We assess the creditworthiness of our customers. Those customers who do not meet minimum standards may be required to provide security, including deposits and other forms of collateral, when appropriate and allowed by our tariffs. With approximately 2.3 million customers across three states, we are not exposed materially to a concentration of credit risk. We maintain an allowance for doubtful accounts based upon factors surrounding the credit risk of customers, historical trends, consideration of the current environment and other information. We recover natural gas costs related to accounts written off

when they are deemed uncollectible through the purchased-gas cost adjustment mechanisms in each of our jurisdictions. At December 31, 2023 and 2022, our allowance for doubtful accounts was \$16.1 million and \$16.7 million, respectively.

Inventories - Natural gas in storage is accounted for on the basis of weighted-average cost. Materials and supplies inventories are stated at the lower of weighted-average cost or net realizable value.

Leases - We determine if an arrangement is a lease at inception if the contract conveys the right to control the use and obtain substantially all the economic benefits from the use of an identified asset for a period of time in exchange for consideration. We identify a lease as a finance lease if the agreement includes any of the following criteria: transfer of ownership by the end of the lease term; an option to purchase the underlying asset that the lessee is reasonably certain to exercise; a lease term that represents 75 percent or more of the remaining economic life of the underlying asset; a present value of lease payments and any residual value guaranteed by the lessee that equals or exceeds 90 percent of the fair value of the underlying asset; or an underlying asset that is so specialized in nature that there is no expected alternative use to the lessor at the end of the lease term. A lease that does not meet any of these criteria is considered an operating lease.

Lease right-of-use assets represent our right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments arising from the lease. Right-of-use assets and liabilities are recognized at the commencement date of a lease based on the present value of lease payments over the lease term. Our lease terms may include options to extend or terminate the lease. We include these extension or termination options in the determination of the lease term when it is reasonably certain that we will exercise that option. We have lease agreements with lease and non-lease components, which are accounted for separately. Additionally, for certain office equipment leases, we apply a portfolio approach to effectively account for the operating lease right-of-use assets and liabilities. We do not recognize leases having a term of less than one year in our consolidated balance sheets.

For purposes of determining the present value of the lease payments, we use a lease's implicit interest rate when readily determinable. As most of our leases do not provide an implicit interest rate, we use an incremental borrowing rate based on available information at the commencement of the lease. Lease cost for operating leases is recognized on a straight-line basis over the lease term. See Note 6 for additional information regarding our leases.

Derivatives and Risk Management Activities - We record all derivative instruments at fair value, with the exception of certain commodity purchase contracts for which we have chosen the normal purchase normal sale election as they are expected to result in physical delivery. The accounting for changes in the fair value of a derivative instrument depends on whether it has been designated and qualifies as part of a hedging relationship and, if so, the reason for holding it, or if regulatory requirements impose a different accounting treatment.

If certain conditions are met, we may elect to designate a derivative instrument as a hedge of exposure to changes in fair values or cash flows. We have not elected to designate any of our derivative instruments as hedges.

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

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

See Note 16 for additional information regarding our economic hedging activities using derivatives.

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

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

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

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

Determining the appropriate classification of our fair value measurements within the fair value hierarchy requires management's judgment regarding the degree to which market data is observable or corroborated by observable market data. We categorize derivatives for which fair value is determined using multiple inputs within a single level, based on the lowest level input that is significant to the fair value measurement in its entirety. See Note 16 for additional information regarding our fair value measurements.

Impairment of Goodwill and Long-Lived Assets - We assess our goodwill for impairment at least annually as of July 1, unless events or a change in circumstances indicate an impairment may have occurred before that time. As part of our goodwill impairment test, we first assess qualitative factors (including macroeconomic conditions, industry and market considerations, cost factors and overall financial performance) to determine whether it is more likely than not that our fair value is less than the carrying amount of our net assets. If further testing is necessary or a quantitative test is elected to refresh our recurring qualitative assessment, we perform a quantitative impairment test for goodwill.

Our impairment assessment is performed by comparing our fair value with our book value, including goodwill. If the fair value is less than the book value, an impairment is measured by the amount of our carrying value that exceeds fair value, not to exceed the carrying amount of our goodwill.

To estimate 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.

Our goodwill impairment analysis performed in 2023 and 2022 utilized a qualitative assessment and did not result in any impairment indicators, nor did our analysis reflect our reporting unit at risk. Subsequent to July 1, 2023, no event has occurred indicating that it is more likely than not that our fair value is less than the carrying value of our net assets.

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 material asset impairments in 2023, 2022 or 2021.

Securitized Intangible Asset - On November 18, 2022, KGSS-I acquired the Securitized Utility Tariff Property from Kansas Gas Service for \$327.4 million. The Securitized Utility Tariff Property is classified as a securitized intangible asset on our consolidated balance sheets. This securitized intangible asset will be amortized over 10 years, the estimated period needed to collect the required amounts from Kansas Gas Service's customers to service the Securitized Utility Tariff Bonds. The amortization expense related to the securitized intangible asset will be included in depreciation and amortization expense in our consolidated statements of income. For the years ended December 31, 2023 and 2022, we recorded \$30.2 million and \$3.5 million, respectively, of amortization expense related to the securitized intangible asset. At the end of its life, this securitized intangible asset will have no residual value. See Note 5 for additional information about the Securitized Utility Tariff Bonds and Notes 3 and 7 for additional information about the securitization transactions.

Finite-lived intangible assets are stated at cost, net of accumulated amortization, which is recorded on a straight-line or accelerated basis over the life of the asset. We review amortizable intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. If such a review should indicate that

the carrying amount of amortizable intangible assets is not recoverable, we reduce the carrying amount of such assets to fair value.

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, including evaluating regulatory decisions to determine appropriate revenue recognition, cost deferrals and recoverability for regulatory assets and refund requirements for regulatory liabilities. 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, extraordinary costs associated with Winter Storm Uri, 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 customers. 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 our costs of providing regulated services; and
- set at levels that will recover our costs when considering the demand and competition for our services.

Should recovery cease due to regulatory actions, certain of these assets may no longer meet the criteria for recognition and accordingly, a write-off of regulatory assets and stranded costs may be required. There were no write-offs of regulatory assets resulting from the failure to meet the criteria for capitalization during 2023, 2022 and 2021.

See Note 3 for additional information regarding our regulatory assets and liabilities.

Pension and Other Postemployment Employee Benefits - We have defined benefit pension plans covering eligible employees, all of which are closed to new participants. 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, 2023 and 2022.

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, 2023 and 2022.

Changes in tax laws or tax rates are recognized in the financial reporting period that includes the enactment date.

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 for the foreseeable future. Based on our proximity to significant natural gas reserves and infrastructure and the widespread use of natural gas for heating and cooking activities by residential and commercial customers in our service areas, we expect 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 as a portion of the net salvage value component of our composite depreciation rates, 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. These costs are addressed prospectively in depreciation rates, rather than as a regulatory liability, in each general rate order.

For financial reporting purposes, if the removal costs collected have exceeded our removal costs incurred, we estimate a regulatory liability using current rates since the last general rate order in each of our jurisdictions. At December 31, 2023 and 2022, we have not recorded a regulatory liability, as our removal costs incurred have exceeded amounts collected through our depreciation rates. Significant uncertainty exists regarding the recording of these regulatory liabilities, pending, among other issues, clarification of regulatory intent. We continue to monitor the regulatory requirements, and any future regulatory liabilities incurred may be adjusted as more information is obtained. To the extent these estimated liabilities are adjusted, such amounts will be reclassified between accumulated depreciation and amortization and regulatory liabilities on our balance sheet 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 the estimated cost of environmental remediation obligations generally are recognized no later than the completion of a remediation feasibility study. Recoveries of environmental remediation costs from other parties are recorded as assets when their receipt is deemed probable. Actual results may differ from our estimates resulting in an impact, positive or negative, on earnings.

See Note 15 for additional information regarding contingencies.

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

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

Reclassifications - A reclassification has been made in the prior-year financial statements to conform to the current-year presentation. We have updated our consolidated balance sheet at December 31, 2022, to disaggregate "current maturities of other long-term debt," which had previously been included in "other current liabilities," to conform to our current-year presentation.

Recently Issued Accounting Standards Update - In December 2023, the FASB issued ASU 2023-09, "Income Taxes (Topic 740): Improvements to Income Tax Disclosures," which will enhance annual income tax disclosures to address investor requests for more information about the tax risks and opportunities present in an entity's operations. The amendments require disclosure of additional information in specified categories with respect to the reconciliation of the effective tax rate to the statutory rate (the rate reconciliation) for federal, state, and foreign income taxes. They also require greater detail about individual reconciling items in the rate reconciliation to the extent the impact of those items exceeds a specified threshold. In addition to new disclosures associated with the rate reconciliation, the amendments in this update require information pertaining to taxes paid (net of refunds received) to be disaggregated for federal, state, and foreign taxes and further disaggregated for

specific jurisdictions to the extent the related amounts exceed a quantitative threshold. The amendments in this update are effective for annual periods beginning after December 15, 2023, and early adoption is permitted. We are currently assessing the timing and impacts of adopting this standard.

In November 2023, the FASB issued ASU 2023-07, “Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures,” which will improve annual and interim reportable segment disclosure requirements, primarily through enhanced disclosures about significant segment expenses. The amendment enhances interim disclosure requirements, clarifies circumstances in which an entity can disclose multiple segment measures of profit or loss, provides new segment disclosure requirements for entities with a single reportable segment, and contains other disclosure requirements. The amendments in this update are effective for annual periods beginning after December 15, 2023, and interim periods within annual periods beginning after December 15, 2024. Early adoption is permitted. We are currently assessing the timing and impacts of adopting this standard.

In November 2021, the FASB issued ASU 2021-10, “Government Assistance (Topic 832): Disclosures by Business Entities about Government Assistance,” which will require disclosure about government assistance in the notes to the financial statements. The amendment requires annual disclosures about transactions with a government that are accounted for by applying a grant or contribution accounting model by analogy, including information about the nature of the transactions and the related accounting policy used to account for the transactions, the line items on the balance sheet and income statement that are affected by the transactions and the significant terms and conditions of the transactions, including commitments and contingencies. The amendment became effective for us beginning January 1, 2022. As the guidance is related only to disclosures in the notes to the financial statements, it did not impact our financial position, results of operations or cash flows. See Note 3 for additional discussion regarding our securitization transactions with the Oklahoma and Texas governments that are accounted for by applying a grant accounting model by analogy.

In March 2020, the FASB issued ASU 2020-04, “Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting,” which provides relief from the accounting analysis and impacts that may otherwise be required for modifications to agreements (e.g., loans, debt securities, derivatives, borrowings) necessitated by reference rate reform. It also provides optional expedients to enable companies to continue to apply hedge accounting to certain hedging relationships impacted by reference rate reform. In the first quarter 2020, we adopted this new guidance effective for contracts modified between March 12, 2020 and December 31, 2022. In March 2022, we amended the ONE Gas Credit Agreement to change the defined benchmark rate to SOFR from LIBOR. Our adoption and subsequent amendment of the ONE Gas Credit Agreement did not result in a material impact to our consolidated financial statements.

2. REVENUE

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

	Years Ended December 31,		
	2023	2022	2021
	<i>(Thousands of dollars)</i>		
Natural gas sales to customers	\$ 2,141,908	\$ 2,410,048	\$ 1,652,566
Transportation revenues	132,945	125,951	118,492
Securitization customer charges (Note 17)	48,677	5,769	—
Miscellaneous revenues	22,791	19,850	16,757
Total revenues from contracts with customers	2,346,321	2,561,618	1,787,815
Other revenues - natural gas sales related	12,764	3,403	9,650
Other revenues	12,905	12,984	11,132
Total other revenues	25,669	16,387	20,782
Total revenues	\$ 2,371,990	\$ 2,578,005	\$ 1,808,597

Accrued unbilled natural gas sales revenues at December 31, 2023 and December 31, 2022, were \$191.4 million and \$269.5 million, respectively, and are included in accounts receivable on our consolidated balance sheets.

3. REGULATORY ASSETS AND LIABILITIES

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

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

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

December 31, 2022				
	Remaining Recovery Period	Current	Noncurrent	Total
<i>(Thousands of dollars)</i>				
Winter weather event costs	(a)	\$ 221,926	\$ 36,291	\$ 258,217
Under-recovered purchased-gas costs	1 year	19,755	—	19,755
Pension and postemployment benefit costs	See Note 11	—	258,257	258,257
Reacquired debt costs	6 years	812	3,347	4,159
MGP remediation costs	15 years	98	29,743	29,841
Ad-valorem tax	1 year	13,359	—	13,359
WNA	1 year	8,474	—	8,474
Customer credit deferrals	1 year	9,504	—	9,504
Other	1 to 18 years	1,644	3,193	4,837
Total regulatory assets, net of amortization		275,572	330,831	606,403
Pension and other postemployment benefit costs	See Note 11	(8,228)	—	(8,228)
Income tax rate changes	(a)	—	(529,441)	(529,441)
Over-recovered purchased-gas costs	1 year	(39,639)	—	(39,639)
Total regulatory liabilities		(47,867)	(529,441)	(577,308)
Net regulatory assets and liabilities		\$ 227,705	\$ (198,610)	\$ 29,095

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

Regulatory assets in our consolidated balance sheets, as authorized by various regulatory authorities, are probable of recovery. Base rates and certain riders are designed to provide a recovery of costs during the period such rates are in effect, but do not generally provide for a return on investment for amounts we have deferred as regulatory assets. All of our regulatory assets are subject to review by the respective regulatory authorities during future regulatory proceedings.

Winter weather event costs - In February 2021, the U.S. experienced Winter Storm Uri, a historic winter weather event impacting supply, market pricing and demand for natural gas in a number of states, including our service territories of Oklahoma, Kansas, and Texas. During this time, the governors of Oklahoma, Kansas, and Texas each declared a state of

emergency, and certain regulatory agencies issued emergency orders that impacted the utility and natural gas industries, including statewide utility curtailment programs and orders requiring jurisdictional natural gas and electric utilities to do all things possible and necessary to ensure that natural gas and electricity utility services continued to be provided to their customers. Due to the historic nature of this winter weather event, we experienced unforeseeable and unprecedented market pricing for natural gas in our Oklahoma, Kansas, and Texas jurisdictions, which resulted in aggregated natural gas purchases for the month of February 2021 of approximately \$2.1 billion.

Oklahoma - In August 2022, the ODFA completed the issuance of \$1.4 billion in ratepayer-backed bonds with varying scheduled final maturities over 30 years, consistent with the OCC financing order. The bonds are limited and special revenue obligations of the ODFA, payable solely from the securitization bond collateral and are not an obligation of Oklahoma Natural Gas or any of its affiliates.

The proceeds received by Oklahoma Natural Gas were approximately \$1.3 billion, which represents the amount of the securitization bonds issued by the ODFA less issuance costs. The receipt of these proceeds represents Oklahoma Natural Gas' recovery of the approximately \$1.3 billion of authorized extraordinary natural gas purchase costs and other operational costs incurred during Winter Storm Uri, as well as carrying costs. Beginning September 1, 2022, Oklahoma Natural Gas acts as a servicer, with responsibility for collecting the securitization charges from Oklahoma customers that are then submitted to the ODFA to repay the securitization bonds. The collection and remittance of these funds on behalf of the ODFA are recorded in other current liabilities in our consolidated balance sheets.

Kansas - In November 2022, KGSS-I issued \$336 million of 5.486 percent Securitized Utility Tariff Bonds. KGSS-I used the proceeds from the issuance to purchase the Securitized Utility Tariff Property from Kansas Gas Service, pay for debt issuance costs, and reimburse Kansas Gas Service for upfront securitization costs paid by Kansas Gas Service on behalf of KGSS-I. See Notes 1 and 5 for additional information about the Securitized Utility Tariff Bonds and Note 17 for additional information about the securitization transaction in Kansas.

Texas - Pursuant to securitization legislation enacted in Texas as a result of Winter Storm Uri and a June 2021 RRC Notice to Gas Utilities, Texas Gas Service submitted an application to the RRC in July 2021, for an order authorizing the amount of extraordinary costs for recovery and other such specifications necessary for the issuance of securitized bonds.

In February 2022, the RRC issued a single financing order for Texas Gas Service and other natural gas utilities in Texas participating in the securitization process, which included a determination that the approved costs will be collected from customers over a period of not more than 30 years. The TPFA formed the TNG Corporation, a new independent public authority, to issue the securitized bonds.

In March 2023, the TNG Corporation completed the issuance of the Customer Rate Relief (Winter Storm Uri), Taxable Series 2023 Bonds and we received our portion of the net proceeds, which was approximately \$197 million. The proceeds were used to repay certain indebtedness and for general corporate purposes. Interest costs that exceeded the amount securitized have been deferred and will be addressed in the next general rate proceeding in each applicable jurisdiction in Texas.

At December 31, 2023, Texas Gas Service had deferred approximately \$26.6 million in extraordinary costs associated with Winter Storm Uri attributable to its former West Texas service area. Pursuant to the approved settlement order, Texas Gas Service began collecting the extraordinary costs, including carrying costs, from those customers in January 2022.

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

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

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

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

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

See Note 15 for additional information regarding our regulatory assets for MGP remediation costs.

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

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

The customer credit deferrals and the noncurrent regulatory liability for income tax rate changes represents deferral of the effects of enacted federal and state income tax rate changes on our ADIT and the effects of these changes on our rates. See Note 12 for additional information regarding the impact of income tax rate changes.

Recovery through rates resulted in amortization of regulatory assets of approximately \$14.7 million, \$9.4 million and \$5.5 million for the years ended December 31, 2023, 2022 and 2021, respectively.

4. CREDIT FACILITY AND SHORT-TERM DEBT

In October 2023, we entered into an agreement that increased the capacity of the ONE Gas Credit Agreement to \$1.2 billion from \$1.0 billion.

In March 2023, we entered into an extension agreement related to the ONE Gas Credit Agreement that extended the maturity date to March 16, 2028, from March 16, 2027.

Other than the increased commitments and term extension, all other terms and conditions of the ONE Gas Credit Agreement remain in full force and effect.

The ONE Gas Credit Agreement provides for a \$1.2 billion revolving unsecured credit facility and includes a \$20 million letter of credit subfacility and a \$60 million swingline subfacility. We can request an increase in commitments of up to an additional \$300 million upon satisfaction of customary conditions, including receipt of commitments from either new lenders or increased commitments from existing lenders. The ONE Gas Credit Agreement is available to provide liquidity for working capital, capital expenditures, acquisitions and mergers, the issuance of letters of credit and for other general corporate purposes.

The ONE Gas Credit Agreement contains certain financial, operational and legal covenants. Among other things, these covenants include maintaining ONE Gas' total debt-to-capital ratio of no more than 70 percent at the end of any calendar quarter. At December 31, 2023, our total debt-to-capital ratio was 52 percent and we were in compliance with all covenants under the ONE Gas Credit Agreement. We may reduce the unutilized portion of the ONE Gas Credit Agreement in whole or in part without premium or penalty. The ONE Gas Credit Agreement contains customary events of default. Upon the occurrence of certain events of default, the obligations under the ONE Gas Credit Agreement may be accelerated and the commitments may be terminated.

At December 31, 2023, we had \$1.4 million in letters of credit issued and no borrowings under the ONE Gas Credit Agreement, with approximately \$1.2 billion of remaining credit, which is available to repay our commercial paper borrowings.

In November 2023, we increased the capacity of our commercial paper program to \$1.2 billion from \$1.0 billion.

Under our commercial paper program, we may issue unsecured commercial paper up to a maximum amount of \$1.2 billion to fund short-term borrowing needs. The maturities of the commercial paper vary but may not exceed 270 days from the date of issue. Commercial paper is generally sold at par less a discount representing an interest factor. At December 31, 2023 and December 31, 2022, we had \$88.5 million and \$552.0 million of commercial paper outstanding with a weighted-average interest rate of 5.60 percent and 4.75 percent, respectively.

5. LONG-TERM DEBT

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

	Interest rate at December 31, 2023	December 31, 2023	December 31, 2022
<i>(Thousands of dollars)</i>			
Senior Notes due:			
February 2024	3.610%	\$ 300,000	\$ 300,000
March 2024	1.100%	473,000	473,000
April 2029	5.100%	300,000	—
May 2030	2.000%	300,000	300,000
September 2032	4.250%	300,000	300,000
February 2044	4.658%	600,000	600,000
November 2048	4.500%	400,000	400,000
Total Senior Notes		2,673,000	2,373,000
KGSS-I Securitized Utility Tariff Bonds	5.486%	315,284	336,000
Other	8.000%	1,238	1,250
Unamortized discounts on long-term debt		(7,615)	(7,636)
Debt issuance costs (a)		(21,092)	(20,143)
Total long-term debt, net		2,960,815	2,682,471
Less: current maturities of securitized utility tariff bonds, net		27,430	20,716
Less: current maturities of other long-term debt, net		772,984	12
Noncurrent portion of long-term debt, net		\$ 2,160,401	\$ 2,661,743

(a) Includes issuance costs for the KGSS-I Securitized Utility Tariff Bonds of \$5.3 million and \$5.9 million, respectively.

Senior Notes - In December 2023, we issued \$300 million of 5.10 percent senior notes due April 2029. The proceeds from the issuance were used to repay amounts outstanding under our commercial paper program and for general corporate purposes.

In August 2022, we issued \$300 million of 4.25 percent senior notes due September 2032. The proceeds from the issuance were used to repay amounts outstanding under our commercial paper program and for general corporate purposes.

In August 2022, we called \$750 million of the \$1.0 billion of 0.85 percent senior notes due March 2023, \$150 million of the \$700 million of 1.10 percent senior notes due March 2024 and the remaining \$400 million of outstanding floating-rate senior notes due March 2023, using the proceeds received from the Oklahoma government in our securitization transaction for Oklahoma Natural Gas.

In November 2022, we called the remaining \$250 million of the \$1.0 billion of 0.85 percent senior notes due March 2023 and \$77 million of the \$700 million of 1.10 percent senior notes due March 2024, using the proceeds from the securitization transaction for Kansas Gas Service.

The indenture governing our Senior Notes includes an event of default upon the acceleration of other indebtedness of \$100 million or more. Such events of default would entitle the trustee or the holders of 25 percent in aggregate principal amount of the outstanding Senior Notes to declare those Senior Notes immediately due and payable in full.

Depending on the series, we may redeem our Senior Notes at par, plus accrued and unpaid interest to the redemption date, starting three months or six months before their maturity dates. Prior to these dates, we may redeem these Senior Notes, in whole or in part, at a redemption price equal to the principal amount, plus accrued and unpaid interest and a make-whole

premium. The redemption price will never be less than 100 percent of the principal amount of the respective Senior Note plus accrued and unpaid interest to the redemption date. The remaining \$473 million of outstanding principal of our 1.10 percent senior notes due March 2024 can be called at par with a 30-day notice. Senior Notes are senior unsecured obligations, ranking equally in right of payment with all of our existing and future unsecured senior indebtedness.

Securitized Utility Tariff Bonds - On November 18, 2022, KGSS-I issued \$336 million of 5.486 percent Securitized Utility Tariff Bonds. The Securitized Utility Tariff Bonds have a term of 10 years with semi-annual principal repayments that began on August 1, 2023, and an expected weighted average life of 5.5 years. The bonds are governed by an indenture between KGSS-I and the indenture trustee. The indenture contains certain covenants that restrict KGSS-I's ability to sell, transfer, convey, exchange, or otherwise dispose of its assets. See Notes 3 and 17 for additional discussion of the securitization transactions.

The KGSS-I Securitized Utility Tariff Bonds are governed by an indenture between KGSS-I and the indenture trustee. The indenture contains certain covenants that restrict KGSS-I's ability to sell, transfer, convey, exchange, or otherwise dispose of its assets. See Note 17 for additional discussion of the Kansas securitization transaction.

6. LEASES

We have operating leases for office facilities, gas storage facilities, IT equipment and right-of-way contracts. Our leases have remaining lease terms of 1 to 6 years, some of which include options to extend the leases for up to 10 years, and some of which include options to terminate the leases within specified time frames. We have not entered into any finance leases.

Our right-of-use asset is \$21.0 million and \$23.3 million as of December 31, 2023 and 2022, respectively, and is reported within other assets in our consolidated balance sheets. Operating lease liabilities are reported within our other current liabilities and other liabilities in our consolidated balance sheets. Total operating lease cost including immaterial amounts attributable to short-term operating leases was \$7.7 million, \$7.8 million, and \$8.2 million in 2023, 2022 and 2021, respectively.

In 2023, we reassessed certain operating leases for office facilities and IT equipment which were extended or modified, resulting in an increase of \$3.9 million in our right-of-use asset and operating lease liability.

Other information related to operating leases	Year Ended December 31,		
	2023	2022	2021
	<i>(Millions of dollars)</i>		
Weighted-average remaining lease term	4 years	5 years	6 years
Weighted-average discount rate	4.28 %	4.04 %	2.78 %
Supplemental cash flows information			
Lease payments	\$ (8.3)	\$ (8.2)	\$ (8.0)
Right-of-use assets obtained in exchange for lease obligations	\$ 3.9	\$ 0.3	\$ 0.4

Future minimum lease payments under non-cancellable operating leases	December 31,	
	2023	
	<i>(Millions of dollars)</i>	
2024	\$	6.7
2025		4.9
2026		3.3
2027		3.1
2028		2.8
Thereafter		1.4
Total future minimum lease payments	\$	22.2
Imputed interest		(1.9)
Total operating lease liability	\$	20.3

Consolidated balance sheets as of December 31, 2023

Current operating lease liability	\$	6.0
Long-term operating lease liability		14.3
Total operating lease liability	\$	20.3

7. EQUITY

Preferred Stock - At December 31, 2023, 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, 2023, we had approximately 193.5 million shares of authorized common stock available for issuance.

Equity Issuances - On December 28, 2023, we settled under forward contracts 1,032,403 shares (289,403 from forwards related to an at-the-market equity distribution agreement and 743,000 from forwards related to underwriting agreements) of our common stock for net proceeds of \$79.0 million.

In December 2023, we amended the forward sale agreement we entered into in March 2023 to extend the maturity date of 657,000 shares to December 31, 2024 from December 29, 2023. The amended forward sale agreement provides for settlement on a date, or dates, to be specified at our discretion, but which will occur no later than December 31, 2024, for 1,257,000 shares of common stock.

In September 2023, we entered into an underwriting agreement and two forward sale agreements for 1.2 million and 180,000 shares of our common stock, respectively. The forward sale agreements provide for settlement on a date, or dates, to be specified at our discretion, but which will occur no later than December 31, 2024.

In June 2023, we executed forward sale agreements under our current at-the-market equity program for 926,465 shares of our common stock.

In March 2023, we entered into an underwriting agreement and a forward sale agreement for 2.0 million shares of our common stock. The forward sale agreement provided for settlement on a date, or dates, to be specified at our discretion, but which will occur no later than December 29, 2023, for 1.4 million shares of common stock and by December 31, 2024, for the remaining balance.

In February 2023, we entered into an at-the-market equity distribution agreement under which we may issue and sell shares of our common stock with an aggregate offering price up to \$300 million. This at-the-market equity program replaced our previous at-the-market equity program, which began in February 2020, and expired in February 2023. Sales of common stock are made by means of ordinary brokers' transactions on the NYSE, in block transactions or as otherwise agreed to between us and the sales agent. We are under no obligation to offer and sell common stock under the program. At December 31, 2023, we had \$225.5 million of equity available for issuance under the program.

The following table summarizes all of our outstanding forward sale agreements at December 31, 2023:

Maturity	Original Shares	Remaining Shares	Net Proceeds Available (in thousands)	Forward Price
December 31, 2024	926,465	926,465	\$ 74,396	\$ 80.30
December 31, 2024	2,000,000	1,257,000	96,709	76.94
December 31, 2024	1,200,000	1,200,000	88,823	74.02
December 31, 2024	180,000	180,000	13,315	73.97
Total forward sale agreements	4,306,465	3,563,465	\$ 273,243	\$ 76.68

For the year ended December 31, 2022, under our at-the-market equity distribution agreement we sold and issued 403,792 shares of our common stock for \$35.0 million, generating proceeds, net of issuance costs, of \$34.7 million.

For the year ended December 31, 2022, we executed forward sale agreements related to our at-the-market equity distribution agreement for 1,451,474 shares of our common stock. On December 30, 2022, we settled forward sales agreements with respect to 1,162,071 shares of our common stock for net proceeds of \$93.8 million.

Dividends Declared - For the years ended December 31, 2023 and 2022, we declared and paid dividends of \$2.60 per share (\$0.65 per share quarterly) and \$2.48 per share (\$0.62 per share quarterly), respectively. In January 2024, we declared a dividend of \$0.66 per share (\$2.64 per share on an annualized basis) for shareholders of record as of February 23, 2024, payable on March 8, 2024.

8. ACCUMULATED OTHER COMPREHENSIVE LOSS

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

	Accumulated Other Comprehensive Income (Loss)
	<i>(Thousands of dollars)</i>
January 1, 2022	\$ (6,527)
Pension and other postemployment benefit plans obligations	
Other comprehensive income before reclassification, net of tax of \$(1,669)	5,701
Amounts reclassified from accumulated other comprehensive income (loss), net of tax of \$(36)	122
Other comprehensive income	5,823
December 31, 2022	(704)
Pension and other postemployment benefit plans obligations	
Other comprehensive loss before reclassification, net of tax of \$140	(479)
Amounts reclassified from accumulated other comprehensive income, net of tax of \$—	1
Other comprehensive loss	(478)
December 31, 2023	\$ (1,182)

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

Details About Accumulated Other Comprehensive Loss Components	Years Ended December 31,			Affected Line Item in the Consolidated Statements of Income
	2023	2022	2021	
	<i>(Thousands of dollars)</i>			
Pension and other postemployment benefit plan obligations (a)				
Amortization of net loss	\$ 1,960	\$ 17,010	\$ 45,896	
Amortization of unrecognized prior service cost	525	289	(279)	
	<u>2,485</u>	<u>17,299</u>	<u>45,617</u>	
Regulatory adjustments (b)	<u>(2,484)</u>	<u>(17,141)</u>	<u>(44,055)</u>	
	1	158	1,562	Income before income taxes
	—	(36)	(390)	Income tax expense
Total reclassifications for the period	<u>\$ 1</u>	<u>\$ 122</u>	<u>\$ 1,172</u>	Net income

(a) These components of accumulated other comprehensive loss are included in the computation of net periodic benefit cost. See Note 11 for additional detail of our net periodic benefit cost.

(b) Regulatory adjustments represent pension and other postemployment benefit costs expected to be recovered through rates and are deferred as part of our regulatory assets. See Note 3 for additional disclosures of regulatory assets and liabilities.

9. EARNINGS PER SHARE

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

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

	Year Ended December, 31, 2023		
	Income	Shares	Per Share Amount
	<i>(Thousands, except per share amounts)</i>		
Basic EPS Calculation			
Net income available for common stock	\$ 231,232	55,600	\$ 4.16
Diluted EPS Calculation			
Effect of dilutive securities	—	260	
Net income available for common stock and common stock equivalents	\$ 231,232	55,860	\$ 4.14

	Year Ended December, 31, 2022		
	Income	Shares	Per Share Amount
	<i>(Thousands, except per share amounts)</i>		
Basic EPS Calculation			
Net income available for common stock	\$ 221,742	54,207	\$ 4.09
Diluted EPS Calculation			
Effect of dilutive securities	—	131	
Net income available for common stock and common stock equivalents	\$ 221,742	54,338	\$ 4.08

	Year Ended December, 31, 2021		
	Income	Shares	Per Share Amount
	<i>(Thousands, except per share amounts)</i>		
Basic EPS Calculation			
Net income available for common stock	\$ 206,434	53,575	\$ 3.85
Diluted EPS Calculation			
Effect of dilutive securities	—	99	
Net income available for common stock and common stock equivalents	\$ 206,434	53,674	\$ 3.85

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 non-employee directors. At December 31, 2023, we have 4.3 million shares of common stock reserved for issuance under the ECP. At December 31, 2023, we had approximately 1.8 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 the Code section 409A requirements.

Compensation expense for our ECP share-based payment plans was \$7.8 million, net of tax benefits of \$2.6 million, for 2023, \$6.8 million, net of tax benefits of \$2.3 million, for 2022, and \$7.5 million, net of tax benefits of \$2.5 million, for 2021.

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 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 forfeitures. A forfeiture rate of 3 percent per year based on historical forfeitures under our share-based payment plans is used.

Restricted Stock Unit Award Activity

Total unrecognized compensation expense related to the nonvested restricted stock unit awards was \$4.0 million and \$3.7 million as of December 31, 2023 and 2022, respectively, which is expected to be recognized over a weighted-average period of 1.8 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 Grant Date Fair Value
Nonvested at December 31, 2022	116,633	\$ 79.32
Granted	48,841	\$ 81.79
Vested	(31,328)	\$ 90.94
Forfeited	(7,198)	\$ 77.65
Nonvested at December 31, 2023	126,948	\$ 77.50

	2023	2022	2021
Weighted-average grant date fair value (per share)	\$ 81.79	\$ 76.96	\$ 72.69
Fair value of shares granted (thousands of dollars)	\$ 3,995	\$ 4,342	\$ 3,660

For the years ended December 31, 2023, 2022 and 2021, the fair value of restricted stock vested was \$2.8 million, \$2.9 million, and \$3.4 million, respectively.

Performance Stock Unit Award Activity

Total unrecognized compensation expenses related to the nonvested performance stock unit awards was \$9.7 million and \$8.0 million as of December 31, 2023 and 2022, respectively, which is expected to be recognized over a weighted-average period of 1.8 years. The following tables set forth activity and various statistics related to our performance stock unit awards and the assumptions used by us in the valuations of the 2023, 2022 and 2021 grants at the grant date:

	Number of Units	Weighted- Average Grant Date Fair Value
Nonvested at December 31, 2022	214,537	\$ 92.47
Granted	95,474	\$ 105.74
Vested	(50,188)	\$ 102.77
Forfeited	(12,497)	\$ 97.91
Nonvested at December 31, 2023	247,326	\$ 95.23

	2023	2022	2021
Volatility (a)	29.20%	34.00%	32.70%
Dividend yield	3.18%	3.22%	3.19%
Risk-free interest rate (b)	4.37%	1.65%	0.20%

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

(b) - Using 3-year treasury rate.

	2023	2022	2021
Weighted-average grant date fair value (per share)	\$ 105.74	\$ 95.80	\$ 82.51
Fair value of shares granted (thousands of dollars)	\$ 10,095	\$ 8,360	\$ 8,860

For the years ended December 31, 2023, 2022 and 2021, the fair value of performance stock vested was \$3.7 million, \$5.2 million, and \$7.2 million, respectively.

Employee Stock Purchase Plan

We have reserved a total of 1.25 million shares of common stock for issuance under our ESPP. Employees can choose to have up to 10 percent of their annual base pay withheld to purchase our common stock, subject to terms and limitations of the plan. The purchase price of the stock is 85 percent of the lower of the average market price of our common stock on the grant date or exercise date. Approximately 45 percent, 42 percent and 44 percent of employees participated in the plan in 2023, 2022 and 2021, respectively. For the years ended December 31, 2023, 2022 and 2021, employees purchased 108,875, 86,657, and 89,240 shares, respectively, at an average price of \$58.98, \$65.21 and \$63.41, respectively.

Compensation expense related to our ESPP, before taxes, was \$1.2 million, \$1.1 million and \$1.1 million for the years ended December 31, 2023, 2022 and 2021, respectively.

11. EMPLOYEE BENEFIT PLANS

Defined Benefit Pension and Other Postemployment Benefit Plans

Defined Benefit Pension Plans - We have a defined benefit pension plan and a supplemental executive retirement plan, both of which are closed to new participants. Certain employees of the Texas Gas Service division are entitled to benefits under a frozen cash-balance pension plan. We fund our defined benefit pension costs at a level needed to maintain or exceed the minimum funding levels required by the Employee Retirement Income Security Act of 1974, as amended, and the Pension Protection Act of 2006.

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

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

	December 31,	
	2023	2022
Discount rate - pension plans	5.30%	5.60%
Discount rate - other postemployment plans	5.40%	5.70%
Compensation increase rate	3.50% - 4.30%	3.60% - 5.00%

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

	Years Ended December 31,		
	2023	2022	2021
Discount rate - pension plans	5.60%	3.05%/4.55% (a)	2.80%
Discount rate - other postemployment plans	5.70%	3.00%	2.70%
Expected long-term return on plan assets - pension plans	6.75%	6.40%	7.15%
Expected long-term return on plan assets - other postemployment plans	5.55%	5.85%	7.50%
Compensation increase rate	3.60% - 5.00%	3.10% - 5.00%	3.10% - 3.90%

(a) Pension plans were remeasured as of April 30, 2022.

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.

We determine our overall expected long-term rate of return on plan assets based on our review of historical returns and economic growth models. We update our assumed mortality rates to incorporate new tables issued by the Society of Actuaries as needed.

Regulatory Treatment - The OCC, KCC and regulatory authorities in Texas have approved the recovery of pension 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 net periodic benefit cost, net of deferrals, and the amount recovered through rates are reflected in earnings.

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

We capitalize all eligible service cost and non-service cost components pursuant to the accounting requirements of ASC Topic 980 (Regulated Operations) for rate-regulated entities, as these costs are authorized by our regulators to be included in capitalized costs. Noncurrent regulatory assets in our consolidated balance sheets reflect the capitalized non-service cost components of \$2.2 million and \$2.8 million as of December 31, 2023 and 2022, respectively. See Note 3 for additional information.

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,	
	2023	2022	2023	2022
Changes in Benefit Obligation	<i>(Thousands of dollars)</i>			
Benefit obligation, beginning of period	\$ 784,633	\$ 1,049,990	\$ 168,342	\$ 222,806
Service cost	7,242	10,369	730	1,274
Interest cost	42,428	36,150	9,154	6,448
Plan participants' contributions	—	—	2,823	3,035
Actuarial loss (gain)	23,015	(259,261)	(5,551)	(48,609)
Benefits paid	(53,713)	(55,326)	(16,963)	(16,612)
Plan amendments	—	2,711	—	—
Benefit obligation, end of period	\$ 803,605	\$ 784,633	158,535	\$ 168,342
Change in Plan Assets				
Fair value of plan assets, beginning of period	\$ 768,961	\$ 1,013,244	\$ 181,877	\$ 231,994
Actual return (loss) on plan assets	78,827	(190,484)	11,325	(38,432)
Employer contributions	1,306	1,527	2,546	1,892
Plan participants' contributions	—	—	2,823	3,035
Benefits paid	(53,713)	(55,326)	(16,963)	(16,612)
Fair value of assets, end of period	795,381	768,961	181,608	181,877
Benefit Asset (Obligation), net at December 31	\$ (8,224)	\$ (15,672)	\$ 23,073	\$ 13,535
Other noncurrent assets	\$ 13,409	\$ 5,267	\$ 23,073	\$ 13,535
Current liabilities	(1,368)	(1,352)	—	—
Noncurrent liabilities	(20,265)	(19,587)	—	—
Benefit Asset (Obligation), net at December 31	\$ (8,224)	\$ (15,672)	\$ 23,073	\$ 13,535

The accumulated benefit obligation for our defined benefit pension plans was \$772.1 million and \$746.8 million at December 31, 2023 and 2022, respectively.

For the years ended December 31, 2023 and 2022, the pension benefit obligations experienced actuarial losses and gains of \$23.0 million and \$259.3 million, respectively, primarily due to the impact of increases in the discount rates used to calculate the benefit obligations.

In 2024, our contributions are expected to be \$1.4 million to our defined benefit pension plans, and no contributions are expected to be made to our other postemployment benefit plans.

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

	Pension Benefits		
	Year Ended December 31,		
	2023	2022	2021
	<i>(Thousands of dollars)</i>		
Components of net periodic benefit cost (credit)			
Service cost	\$ 7,242	\$ 10,369	\$ 13,811
Interest cost (a)	42,428	36,150	29,458
Expected return on assets (a)	(59,518)	(58,528)	(62,382)
Amortization of unrecognized prior service cost (a)	372	248	—
Amortization of net loss (a)	2,008	16,793	45,523
Net periodic benefit cost (credit)	\$ (7,468)	\$ 5,032	\$ 26,410

(a) These amounts, net of any amounts capitalized as a regulatory asset, have been recognized as other income (expense), net in the consolidated statement of income. See Note 13 for additional detail for our other income (expense), net.

	Other Postemployment Benefits		
	Year Ended December 31,		
	2023	2022	2021
	<i>(Thousands of dollars)</i>		
Components of net periodic benefit cost (credit)			
Service cost	\$ 730	\$ 1,274	\$ 1,587
Interest cost (a)	9,154	6,448	6,251
Expected return on assets (a)	(9,728)	(13,181)	(16,807)
Amortization of unrecognized prior service cost (credit) (a)	153	41	(279)
Amortization of net (gain) loss (a)	(48)	217	373
Net periodic benefit cost (credit)	\$ 261	\$ (5,201)	\$ (8,875)

(a) These amounts, net of any amounts capitalized as a regulatory asset, have been recognized as other income (expense), net in the consolidated statement of income. See Note 13 for additional detail for our other income (expense), net.

We use a December 31 measurement date for our plans. On April 30, 2022, we amended our defined benefit pension plans to change the variable cost of living adjustment for eligible participants to a fixed rate. Accordingly, we remeasured our net benefit obligations as of April 30, 2022, resulting in an adjustment of approximately \$7.2 million to our pension expense, net of capitalization and regulatory deferrals, for the year ended December 31, 2022.

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

	Pension Benefits		
	Year Ended December 31,		
	2023	2022	2021
	<i>(Thousands of dollars)</i>		
Net gain (loss) arising during the period	\$ (619)	\$ 7,369	\$ 67
Amortization of loss	1	159	1,562
Deferred income taxes	140	(1,705)	(379)
Total recognized in other comprehensive income (loss)	\$ (478)	\$ 5,823	\$ 1,250

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

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

	Pension Benefits	
	December 31,	
	2023	2022
	<i>(Thousands of dollars)</i>	
Prior service cost	\$ (2,091)	\$ (2,463)
Accumulated loss	(246,988)	(245,290)
Accumulated other comprehensive loss before regulatory assets	(249,079)	(247,753)
Regulatory asset for regulated entities	247,684	246,975
Accumulated other comprehensive loss after regulatory assets	(1,395)	(778)
Deferred income taxes	213	74
Accumulated other comprehensive loss, net of tax	\$ (1,182)	\$ (704)

	Other Postemployment Benefits	
	December 31,	
	2023	2022
	<i>(Thousands of dollars)</i>	
Prior service cost	\$ —	\$ (153)
Accumulated loss	(1,457)	(8,557)
Accumulated other comprehensive loss before regulatory assets	(1,457)	(8,710)
Regulatory asset for regulated entities	1,457	8,710
Accumulated other comprehensive loss after regulatory assets	\$ —	\$ —

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

	2023	2022
Health care cost-trend rate assumed for next year	6.00%	6.50%
Rate to which the cost-trend rate is assumed to decline (the ultimate trend rate)	4.50%	4.50%
Year that the rate reaches the ultimate trend rate	2030	2030

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 funded status of the defined benefit pension plan increases. 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	70.0 %
U.S. large-cap equities	13.0 %
Alternative investments	7.0 %
Developed foreign large-cap equities	5.0 %
Mid-cap equities	3.0 %
Emerging markets equities	1.0 %
Small-cap equities	1.0 %
Total	100.0 %

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 90 percent fixed income securities and 10 percent equity securities.

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

Asset Category	Pension Benefits December 31, 2023			
	Level 1	Level 2	Level 3	Total
	<i>(Thousands of dollars)</i>			
Investments:				
Equity securities (a)	\$ 88,477	\$ —	\$ —	\$ 88,477
Government obligations	—	204,669	—	204,669
Corporate obligations (b)	—	366,482	—	366,482
Cash and money market funds (c)	5,300	28,977	—	34,277
Insurance contracts and group annuity contracts	—	—	12,350	12,350
Other investments (d)	—	—	89,126	89,126
Total assets	\$ 93,777	\$ 600,128	\$ 101,476	\$ 795,381

(a) - This category represents securities of the various market sectors from diverse industries.

(b) - This category represents bonds from diverse industries.

(c) - This category primarily represents money market funds.

(d) - This category represents alternative investments such as hedge funds and other financial instruments.

Pension Benefits
December 31, 2022

Asset Category	Level 1	Level 2	Level 3	Total
<i>(Thousands of dollars)</i>				
Investments:				
Equity securities (a)	\$ 150,027	\$ —	\$ —	\$ 150,027
Government obligations	—	160,799	—	160,799
Corporate obligations (b)	—	329,973	—	329,973
Cash and money market funds (c)	4,466	22,185	—	26,651
Insurance contracts and group annuity contracts	—	—	14,480	14,480
Other investments (d)	—	—	87,031	87,031
Total assets	\$ 154,493	\$ 512,957	\$ 101,511	\$ 768,961

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

Other Postemployment Benefits
December 31, 2023

Asset Category	Level 1	Level 2	Level 3	Total
<i>(Thousands of dollars)</i>				
Investments:				
Equity securities (a)	\$ 7,031	\$ —	\$ —	\$ 7,031
Government obligations	—	41,863	—	41,863
Corporate obligations (b)	—	38,615	—	38,615
Cash and money market funds (c)	751	13,245	—	13,996
Insurance contracts and group annuity contracts (d)	—	80,102	—	80,102
Total assets	\$ 7,782	\$ 173,825	\$ —	\$ 181,607

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

Other Postemployment Benefits

December 31, 2022

Asset Category	Level 1	Level 2	Level 3	Total
<i>(Thousands of dollars)</i>				
Investments:				
Equity securities (a)	\$ 5,983	\$ —	\$ —	5,983
Government obligations	—	43,291	—	43,291
Corporate obligations (b)	—	38,095	—	38,095
Cash and money market funds (c)	750	7,621	—	8,371
Insurance contracts and group annuity contracts (d)	—	86,137	—	86,137
Total assets	\$ 6,733	\$ 175,144	\$ —	\$ 181,877

(a) - This category represents securities of the various market sectors from diverse industries.

(b) - This category represents bonds from diverse industries.

(c) - This category primarily represents money market funds.

(d) - This category includes equity securities and bonds held in a captive insurance product.

Insurance contracts and group annuity contracts include investments in the Immediate Participation Guarantee Fund (“IPG Fund”) with John Hancock and are valued at fair value. John Hancock invests the IPG Fund in its general fund portfolio. The contract value of the IPG Fund at the end of the year, which approximates fair value, is estimated. The difference between this estimated balance and the actual balance, as subsequently determined by John Hancock, is charged or credited to the net assets of the plans.

Certain investments that are categorized as money market funds in Level 2 and “Other investments” in Level 3 represent alternative investments such as hedge funds and other financial instruments measured using the net asset value per share (or its equivalent) practical expedient.

The following tables set forth additional information regarding commitments and redemption limitations of these other investments at the periods indicated:

December 31, 2023

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
	<i>(in thousands)</i>			<i>(in days)</i>
Grosvenor Registered Multi Limited Partnership	\$ 40,872	\$ —	quarterly	65
K2 Institutional Investors II Limited Partnership	\$ 48,254	\$ —	quarterly	91

December 31, 2022

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
	<i>(in thousands)</i>			<i>(in days)</i>
Grosvenor Registered Multi Limited Partnership	\$ 40,160	\$ —	quarterly	65
K2 Institutional Investors II Limited Partnership	\$ 46,871	\$ —	quarterly	91

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
	<i>(Thousands of dollars)</i>		
January 1, 2022	\$ 17,301	\$ 91,456	\$ 108,757
Unrealized gains	1,467	—	1,467
Unrealized losses	—	(7,458)	(7,458)
Purchases	182	3,033	3,215
Settlements	(4,470)	—	(4,470)
December 31, 2022	\$ 14,480	\$ 87,031	\$ 101,511
Unrealized gains	—	2,095	2,095
Unrealized losses	(618)	—	(618)
Purchases	1,562	—	1,562
Settlements	(3,074)	—	(3,074)
December 31, 2023	\$ 12,350	\$ 89,126	\$ 101,476

Pension and Other Postemployment Benefit Payments - Benefit payments for our defined benefit pension and other postemployment benefit plans for the year ended December 31, 2023 were \$55.3 million and \$16.6 million, respectively. The following table sets forth the pension benefits and other postemployment benefits payments expected to be paid in 2023-2032:

	Pension Benefits	Other Postemployment Benefits
	<i>(Thousands of dollars)</i>	
Benefits to be paid in:		
2024	\$ 55,391	\$ 14,127
2025	\$ 55,988	\$ 13,890
2026	\$ 56,422	\$ 13,505
2027	\$ 56,591	\$ 13,194
2028	\$ 57,296	\$ 12,848
2029 through 2033	\$ 286,471	\$ 59,299

The expected benefits to be paid are based on the same assumptions used to measure our benefit obligations at December 31, 2023, and include estimated future employee service.

Other Employee Benefit Plans

401(k) Plan - We have a 401(k) plan which covers all eligible employees. Employee contributions are discretionary and we match 100 percent of each participant's eligible contribution up to 6 percent of eligible compensation, subject to certain limits. Our contributions to the plan were \$16.7 million, \$15.3 million and \$14.3 million in 2023, 2022 and 2021, respectively.

Effective December 30, 2021, our profit sharing-plan was merged with and into our 401(k) Plan. We plan to make a profit-sharing contribution to the 401(k) Plan each quarter equal to 1 percent of each participant's eligible compensation during the quarter. Additional discretionary profit-sharing contributions may be made at the end of each year. Our profit-sharing contributions made to the plan were \$12.6 million, \$10.9 million and \$9.9 million in 2023, 2022 and 2021, respectively.

12. INCOME TAXES

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

	Years Ended December 31,		
	2023	2022	2021
	<i>(Thousands of dollars)</i>		
Current income tax provision (benefit)			
Federal	\$ 16,551	\$ 61,745	\$ (1,568)
State	(829)	6,815	(1,565)
Total current income tax provision (benefit)	15,722	68,560	(3,133)
Deferred income tax provision (benefit)			
Federal	21,905	(22,234)	37,810
State	2,868	200	5,639
Total deferred income tax provision (benefit)	24,773	(22,034)	43,449
Total provision for income taxes	\$ 40,495	\$ 46,526	\$ 40,316

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

	Years Ended December 31,		
	2023	2022	2021
	<i>(Thousands of dollars)</i>		
Income before income taxes	\$ 271,727	\$ 268,268	\$ 246,750
Federal statutory income tax rate	21 %	21 %	21 %
Provision for federal income taxes	57,063	56,335	51,817
State income taxes, net of federal tax benefit	3,834	7,016	4,074
Amortization of excess deferred federal income taxes	(20,565)	(17,986)	(17,289)
Amortization of excess deferred state income taxes	(1,795)	—	—
Tax (expense) benefit for employee share-based compensation	418	350	(469)
Other, net	1,540	811	2,183
Total provision for income taxes	\$ 40,495	\$ 46,526	\$ 40,316

As of December 31, 2023, we have no uncertain tax positions. Changes in tax laws or tax rates are recognized in the financial reporting period that includes the enactment date.

Income tax expense reflects credits for the amortization of the regulatory liability associated with EDIT that was returned to customers of \$22.4 million and \$18.0 million for the years ending December 31, 2023, and 2022, respectively.

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,	
	2023	2022
	<i>(Thousands of dollars)</i>	
Deferred tax assets		
Employee benefits and other accrued liabilities	\$ —	\$ 4,256
Regulatory adjustments for enacted tax rate changes	107,948	114,551
Net operating loss	93,255	161,320
Lease obligation basis	4,500	9,158
Purchased-gas cost adjustment	5,232	3,384
Other	—	3,014
Total deferred tax assets	210,935	295,683
Deferred tax liabilities		
Excess of tax over book depreciation	822,619	792,570
Winter weather event costs	56,914	121,347
Other regulatory assets and liabilities, net	70,384	71,180
Employee benefits and other accrued liabilities	205	—
Right-of-use asset basis	4,662	9,042
Other	8,219	—
Total deferred tax liabilities	963,003	994,139
Net deferred tax liabilities	\$ 752,068	\$ 698,456

We deduct our purchased gas costs for federal income tax purposes in the period they are paid. As a result of the impacts from government securitization of Winter Storm Uri, we recorded a \$64.4 million and \$299.7 million decrease in our deferred tax liability for the years ended December 31, 2023 and 2022, respectively. At December 31, 2023, we had \$87.6 million (tax effected) of federal net operating loss carryforwards and \$5.7 million (tax effected) of state net operating loss carryforwards available to offset future taxable income.

We have filed our consolidated federal and state income tax returns for years 2020, 2021 and 2022. We are no longer subject to income tax examination for years prior to 2019.

13. OTHER INCOME AND OTHER EXPENSE

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

	Year Ended December 31,		
	2023	2022	2021
	<i>(Thousands of dollars)</i>		
Net periodic benefit (cost) other than service cost	\$ 4,017	\$ 3,766	\$ (3,930)
Earnings (losses) on investments associated with nonqualified employee benefit plans	4,826	(7,197)	3,699
Other income (expense), net	633	(752)	(2,976)
Total other income (expense), net	\$ 9,476	\$ (4,183)	\$ (3,207)

14. PROPERTY, PLANT AND EQUIPMENT

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

	December 31, 2023	December 31, 2022
	<i>(Thousands of dollars)</i>	
Natural gas distribution pipelines and related equipment	\$ 6,716,074	\$ 6,240,236
Natural gas transmission pipelines and related equipment	713,505	661,379
General plant and other	907,946	782,870
Construction work in process	131,442	150,072
Property, plant and equipment	8,468,967	7,834,557
Accumulated depreciation and amortization	(2,333,755)	(2,205,717)
Net property, plant and equipment	\$ 6,135,212	\$ 5,628,840

We compute depreciation expense by applying composite, straight-line rates of approximately 2.5 percent to 3.5 percent as approved by various regulatory authorities.

We recorded capitalized interest of \$5.7 million, \$4.5 million and \$4.2 million for the years ended December 31, 2023, 2022 and 2021, respectively. We incurred liabilities for construction work in process that had not been paid at December 31, 2023, 2022 and 2021 of \$36.2 million, \$28.6 million and \$25.6 million, respectively. Such amounts are not included in capital expenditures or in the change of working capital items on our consolidated statements of cash flows.

ONE Gas, Inc.

Financial Ratios

For the Year Ended December 31, 2023

	<u>Utility Operations</u>
<u>Total debt to total capitalization</u>	
Notes payable (includes commercial paper)	88,500
Current maturities of long-term debt	800,414
Current portion of capitalized lease obligations	-
Long-term debt	2,178,873
Capitalized lease obligation	-
Total off balance sheet debt	<u>3,067,787</u>
Notes payable (includes commercial paper)	88,500
Current maturities of long-term debt	800,414
Current portion of capitalized lease obligations	-
Long-term debt	2,178,873
Capitalized lease obligation	-
Total equity	<u>2,765,877</u>
Total capitalization	<u>5,833,664</u>
Total debt to total capitalization	53%
<u>Funds from operations interest coverage</u>	
Net income from continuing operations	231,232
Depreciation & amortization	279,830
Deferred income taxes (excluding investment tax credit)	24,773
Investment tax credit	-
Allowance for debt funds used during construction	(5,673)
Allowance for equity funds used during construction	-
Equity earnings from investments	-
Distributions received	-
Gain (loss) on sale of assets	-
Deferred income tax adjustment	-
	<u>530,162</u>
Cash paid for interest, net of amounts capitalized	80,726
Allowance for debt funds used during construction	5,673
Interest expense adjustment	-
Interest on off balance sheet debt	-
	<u>86,399</u>
	616,561
Interest expense, net	115,339
Interest expense adjustment	-
Allowance for debt funds used during construction	5,673
Interest on off balance sheet debt	-
	<u>121,012</u>
Funds from operations interest coverage	5.10

Funds from operations as a percentage of total debt

Net income from continuing operations	231,232
Depreciation & amortization	279,830
Deferred income taxes (excluding investment tax credit)	24,773
Investment tax credit	-
Allowance for equity funds used during construction	-
Allowance for debt funds used during construction	(5,673)
Equity earnings from investments	-
Distributions received	-
Gain (loss) on sale of assets	-
Deferred income tax adjustment	-
	<hr/>
	530,162

Depreciation adj for operating leases -

Notes payable (includes commercial paper)	88,500
Current maturities of long-term debt	800,414
Current portion of capitalized lease obligations	-
Long-term debt	2,178,873
Capitalized lease obligations	-
Total off balance sheet debt	-
	<hr/>
	3,067,787

Funds from operations as a percentage of total debt 17%

**THIS DOCUMENT CONTAINS CONFIDENTIAL INFORMATION NOT
AVAILABLE TO THE PUBLIC**

VERIFICATION

STATE OF KANSAS)
) **ss:**
COUNTY OF JOHNSON)

The undersigned, upon oath first duly sworn, states that he is the attorney for Kansas Gas Service, a Division of ONE Gas, Inc., that he has read the foregoing *PUBLIC (Redacted) Annual Compliance Filing*, that he is familiar with the contents thereof, and that the statements contained therein are true and correct to the best of his knowledge and belief.



Robert Elliott Vincent

Affiant

SUBSCRIBED AND SWORN to before me on 5/23/24.


Notary public

My Appointment Expires:

6/5/26



CERTIFICATE OF SERVICE

I, Robert Elliott Vincent, hereby certify that a copy of the above and foregoing *Compliance Filing* was forwarded this 31 day of May, 2024, addressed to:

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/s/ Robert Elliott Vincent
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