



2022 Annual Report

# Delivering Reliable & Affordable Energy





## About Us

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

We provide natural gas distribution services to approximately 2.3 million customers in Kansas, Oklahoma and Texas. We are headquartered in Tulsa, Oklahoma.

## Mission

We deliver natural gas for a better tomorrow.



### Our Divisions

#### Kansas Gas Service

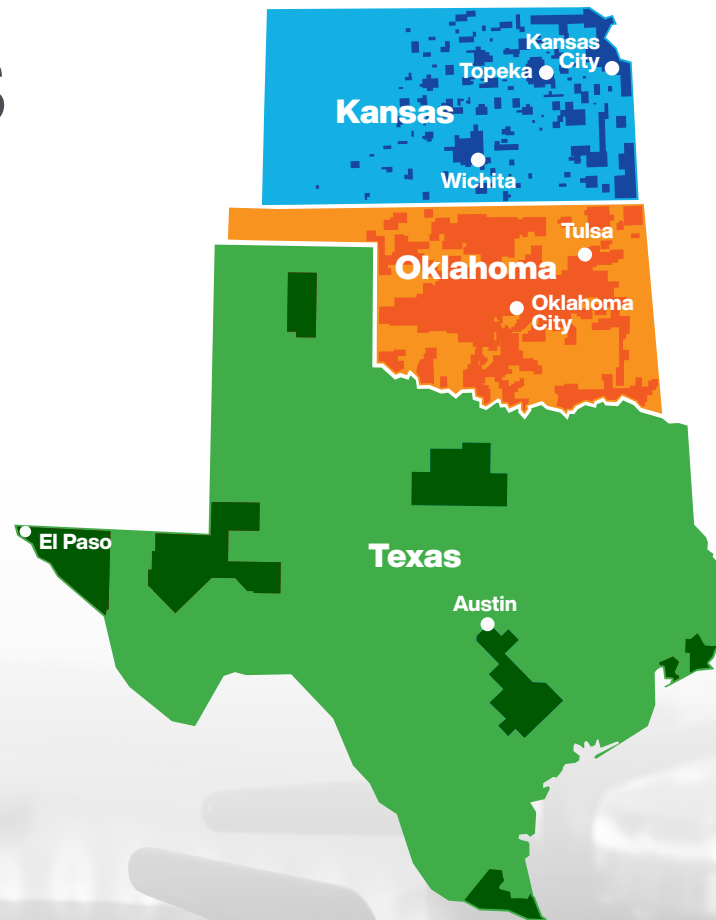
72% market share,  
the largest in Kansas

#### Oklahoma Natural Gas

88% market share,  
the largest in Oklahoma

#### Texas Gas Service

13% market share,  
the third largest in Texas



## Core Values



### Safety

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



### Ethics

We are accountable to the highest ethical standards and are committed to compliance.



### Inclusion & Diversity

We embrace an inclusive and diverse culture that encourages collaboration. Every employee makes a difference and contributes to our success.



### Service

We provide exceptional service to our customers and support each other.



### Value

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

## 2022 Highlights



Net income increased to **\$222 million** compared with \$206 million in 2021



**27,000 new customers**  
9% increase in meters over 2021



Earnings per share **\$4.08** compared with **\$3.85** in 2021



Contributed **\$3.4 million** in ONE Gas Foundation grants and community giving



**\$657 million** in capital investments; **~70%** for system integrity and reliability



**5th year** recognized by the American Gas Association for having the lowest incident rate for the number of days away from work, restricted or transferred (DART), the most serious types of injuries



**460 miles** of distribution mains, service lines and transmission lines replaced



# Creating Value for a Better Tomorrow

## To Our Fellow Shareholders:

Since our founding in 2014, ONE Gas has consistently delivered strong financial performance and excellence in operations and capital allocation. Our 3,800 dedicated co-workers are focused on the safety of our customers and the systems we operate while also maintaining exceptional service for our 2.3 million customers.

We remain focused on the prudent management of our assets, along with our commitment to the long-term execution of our core business and growth strategies. Our financial, operational and safety achievements this year underscore the success of executing these strategies, which we are pleased to share in this year's report.

## Safety and Reliable Energy

Safety is at the foundation of everything we do. Our co-workers drive our safety culture and are committed to a goal of zero harm. Our commitment to safety carries over into all areas of our work, resulting in pipeline safety improvements, reliable service to our customers and an improved emissions profile of our system.

Safe driving, personal injury prevention and public safety are essential aspects of our daily work. Our training, processes and procedures are designed to prevent incidents and harm to our co-workers, customers and communities.

We leverage data in all areas of our pipeline safety program to guide decision-making and improve our processes. Vintage distribution main and service pipeline replacement projects are optimized for risk mitigation by our asset integrity management technology and contribute to emissions reductions.

We also use data from impactful weather events for system reliability planning and to further reinforce our operations. After Winter Storm Uri in 2021, we applied the lessons learned and made additional investments in our system, which included adding additional leased natural gas storage capacity and further diversifying our gas supply portfolio, which have enhanced reliability and resiliency. The benefits of this approach were clear during Winter Storm Elliott in December 2022, which brought extreme cold, snow and ice to our service territories. Our systems, processes and co-workers performed well with no significant service disruptions.

Our safety focus also extends to physical security, information technology and operational technology to keep our customers, co-workers and systems safe and secure. The ONE Gas Cybersecurity and Physical Security teams operate 24/7, continuously analyzing our company's cybersecurity and physical security risks. We understand threats are ever-present and strive to remain vigilant in conducting drills and providing employee training.

## 2022 Financial Performance at a Glance

New revenues from system integrity investments and expansions to serve new customers contributed to our earnings growth. **In 2022, despite significant macroeconomic headwinds, net income increased to \$222 million compared with \$206 million in 2021.** Diluted earnings per share increased approximately 6% to \$4.08, compared with \$3.85 per diluted share last year. Dividends rose 7% in 2022 versus the prior year.

In 2022, we continued to address the impact of 2021's Winter Storm Uri successfully. **Securitized bonds were issued in Kansas and Oklahoma, and are expected to be issued soon in Texas.** Securitization proved to be the most effective tool in helping limit the monthly economic impact on customers from this devastating natural disaster.

## Resolution of the financial impact of Winter Storm Uri had positive implications for our credit ratings.

S&P upgraded our credit rating one notch to A-, and both S&P and Moody's returned our outlook to Stable.

In November 2022, we detailed our 2023 and five-year financial outlook, candidly discussing how altered macroeconomic conditions impacted our business and our company's actions in response. **We will be thoughtful about the sequence and timing of our regulatory activities to address the impacts of elevated inflation and interest rates as we continue to provide affordable service for customers.**

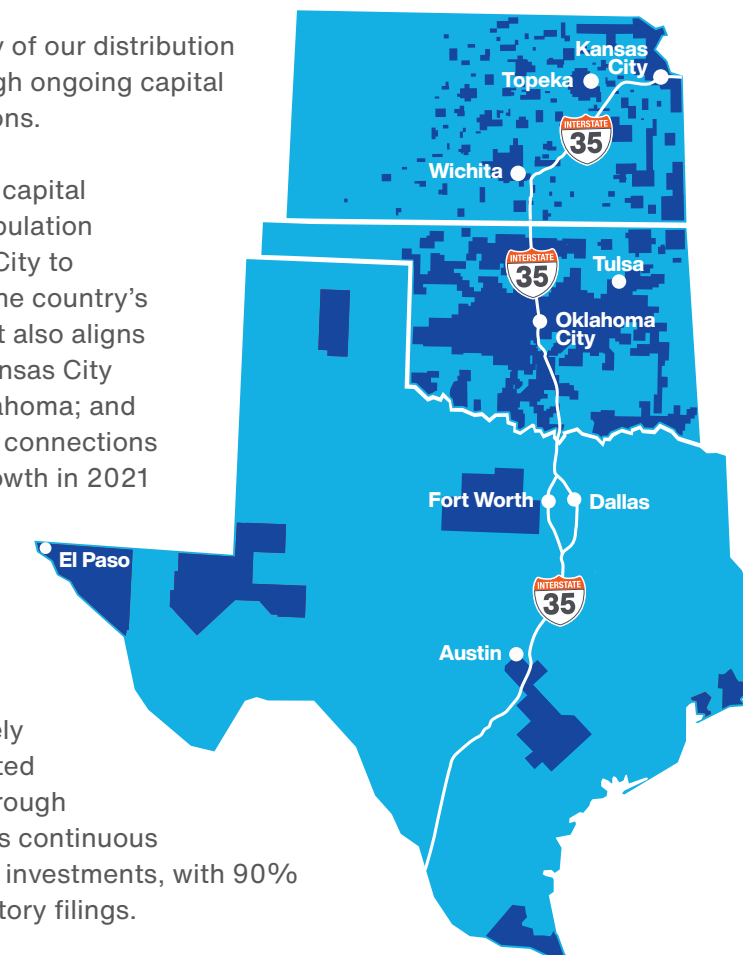
## Capital Demand Growth

We continue to enhance the reliability and resiliency of our distribution network and meet growing customer demand through ongoing capital investments in system integrity and service extensions.

Over the next several years, a portion of our growth capital will focus on expanding our system into growing population areas along the Interstate 35 corridor from Kansas City to Austin. This vibrant region is recognized as one of the country's fastest-growing population and job creation areas. It also aligns with five of our seven major metro service areas: Kansas City and Wichita, Kansas; Tulsa and Oklahoma City, Oklahoma; and Austin, Texas. We added over 27,000 new customer connections in 2022, up nearly 9% compared with customer growth in 2021 and marking a new record for annual meter sets at ONE Gas.

In 2022, we invested over \$650 million in capital projects, a 20% increase over 2021. Total capital spending for the next five years is anticipated to be \$3.6 billion, including growth capital of approximately \$1.1 billion. The capital forecast results in an estimated average rate base growth of 7% to 9% annually through 2027. A portfolio of regulatory mechanisms supports continuous improvements to our systems and recovery of those investments, with 90% of our capital investments included in annual regulatory filings.

## I-35 Corridor



## State-of-the-art Training Center

The ONE Gas Training Center marked a full year of operations in June 2022. The 17,000-square-foot specialized training center allows field service technicians across our three-state service area to experience standardized hands-on training for real-world, on-the-job scenarios. **Our co-workers logged more than 23,000 training hours in 2022, covering safe operations related to pressure and measurement, construction and maintenance, and customer service.**



## Industry-leading Safety Performance

**In 2022, the American Gas Association recognized ONE Gas for having the lowest incident rate among similar-sized natural gas distribution companies for the number of days away, restricted or transferred (DART), which reflects the most severe types of injuries.**

It was the fifth consecutive year that ONE Gas ranked among the safest natural gas distribution companies nationwide, based on safety scores.



## Clean Energy Solutions

A key component of our business strategy is reducing emissions. We believe our co-workers and assets will play an essential role in a cleaner energy future. We are actively evaluating opportunities for additional emissions reduction, including improving operational practices and expanding energy efficiency and education programs.

Energy choice is essential to a clean energy future, and a growing number of customers are looking for ways to reduce their carbon footprint. We continue to prepare for opportunities and technologies, such as supplementing the traditional natural gas in our system with renewable natural gas (RNG) and the utilization of low-carbon hydrogen. As of Dec. 31, 2022, we had more than 20 RNG projects in various stages of negotiation and development.

In 2022, ONE Gas filed an application with our Oklahoma regulators to approve a voluntary RNG tariff. This tariff is a proposed three-year pilot that would allow Oklahoma Natural Gas customers the opportunity to offset their natural gas carbon footprint for an additional charge. Additionally, we are authorized to spend up to \$5 million annually to purchase RNG as part of our natural gas supply portfolio and recover the cost through our purchased gas-cost mechanism. This tariff will go into effect in 2023 if approved by the Oklahoma Corporation Commission.

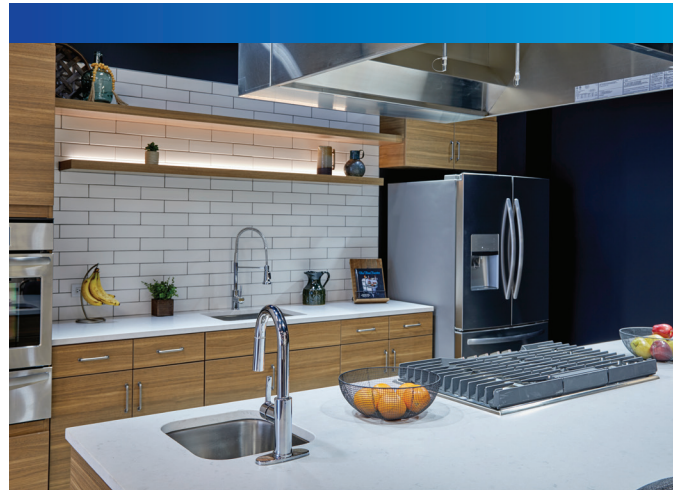
We invite you to learn more about our environmental milestones at [esg.onegas.com](https://www.esg.onegas.com).

## Serving Customers

Natural gas maintains a competitive price advantage of an average of 2.5-to-1 compared with electricity in our service areas. Cost savings are a crucial differentiator for our customers facing rising costs in all areas of their lives. The American Gas Association estimates households that use natural gas for heating, cooking and clothes drying save an average of \$1,068 per year compared with homes using electricity for those activities.

Part of serving our customers well is looking for innovative ways to keep their energy costs low, like expanding our energy efficiency programs, which help our customers use less energy, save money and reduce their environmental impact. We also continue to expand our low-income programs and assist customers with financial hardships.

In 2022, we filed a rate case requesting the consolidation of three service areas (West Texas, North Texas and Borger/Skellytown) into one West-North service area and a new rate design. Our regulators approved the requests, and residential customers in the new West-North service area may now choose a rateplan that aligns with their usage patterns and needs.



## Showcasing the Best of Natural Gas

In 2022, ONE Gas completed construction of the Education & Training Area, a 2,900-square-foot multi-use training and demonstration commercial kitchen in Tulsa, Oklahoma. Industry partners, commercial customers and community groups from across our service territory may use the space and learn about the latest natural gas technologies and innovations in the culinary field. The mission is for every guest to leave with a deeper appreciation for the reliability, affordability and efficiency of natural gas as they operate their food service businesses.

Designed with education in mind, culinary professionals can try top-of-the-line natural gas equipment and technologies in a state-of-the-art commercial test kitchen. Specialized software will show real-time energy use and operating cost comparisons. The residential filming kitchen is ideal for educational content creation and hands-on demonstrations. Food industry professionals, equipment retailers and culinary schools are already booking the space for use in 2023.

## High-performing Workforce

A high-performing workforce is the foundation of our strategic plan. We believe that every one of our co-workers makes a difference and contributes to our success. We create a safe, ethical and inclusive work culture welcoming all viewpoints. Our programs and policies help attract and develop diverse talent and support our co-workers' physical, social, emotional and financial well-being. The result is an engaged workforce and an environment where top talent wants to work.

Inclusion & Diversity is a Core Value for ONE Gas and a critical element of a high-performing workforce. 2022 saw an increase in the number of our co-workers participating in employee-led programs designed to strengthen our "speak-up" culture, an essential element of both engagement and our focus on safety.

Our safety metrics and annual employee engagement survey also provide insight into our company's culture and the effectiveness of our programs. Research shows engaged employees have fewer safety incidents, reduced turnover and increased productivity. In 2022, our engagement scores were in the top quartile of Gallup's Overall Company Database.



## In Closing

While external circumstances may change, our commitment to safely delivering reliable and affordable natural gas and creating value for our stakeholders will not waver.

We remain confident in our long-term strategy, bolstered by a desirable geographic footprint with proven growth potential, constructive regulatory frameworks and a long runway of capital investment opportunities.

Through ongoing investments in system integrity and extension to serve new customers, we continue to enhance the resiliency of our distribution network and fulfill our mission of delivering natural gas for a better tomorrow.

Thank you for your support and interest in ONE Gas.

**John W. Gibson**

Chairman  
ONE Gas, Inc.

**Robert S. McAnnally**

President and CEO  
ONE Gas, Inc.





# Financial Overview

We reported 2022 net income of \$222 million, or \$4.08 per diluted share, compared with \$206 million, or \$3.85 per diluted share, in 2021; and 2022 capital expenditures and asset removal costs of \$657 million, compared with \$544 million in 2021. Our 2022 operating income increased \$39.7 million compared with last year, which primarily is reflected by new rates along with an increase in our average residential customer count in our service territories.

In 2023, our diluted earnings per share performance is expected to be within a range of \$4.02 to \$4.26 per share.

Our 2023 capital expenditures and asset removal costs are expected to be approximately \$675 million.

On Jan. 24, 2023, the ONE Gas Board of Directors increased the quarterly dividend by 3 cents per share to 65 cents per share, effective for first-quarter 2023, resulting in an annualized dividend of \$2.60 per share.

Our average annual dividend growth rate is expected to increase 4% to 6% through 2027, with a targeted dividend payout ratio of 55% to 65% of net income, all subject to Board approval.

## Highlights

	2022	2021	2020
<b>Total Revenues and Net Income</b>			
Total Revenues (thousands)	\$2,578,005	\$1,808,597	\$1,530,268
Net Income (thousands)	\$221,742	\$206,434	\$196,412
<b>Earnings and Dividends</b>			
Basic	\$4.09	\$3.85	\$3.70
Diluted	\$4.08	\$3.85	\$3.68
Dividends Per Share	\$2.48	\$2.32	\$2.16
<b>Volumes and Weather</b>			
Total Volumes Delivered (Bcf)	401.3	387.8	385.1
Actual Heating Degree Days	10,350	9,025	9,241
Normal Heating Degree Days	9,832	9,717	9,765
<b>Customers and Employees</b>			
Average Number of Customers	2,256,000	2,241,000	2,220,000
Employees	3,800*	3,650	3,650
<b>Common Stock</b>			
Market Value Per Share: Year-end Closing Price	\$75.72	\$77.59	\$76.77
Average Shares of Common Stock, Outstanding (thousands):			
Basic	54,207	53,575	53,133
Diluted	54,338	53,674	53,370

\*As of Feb., 2023

# Board of Directors

The ONE Gas Board of Directors is responsible for oversight of the company's business and affairs, including the review and approval of the company's strategic and financial plan and the company's environmental, social and governance initiatives. For complete information on our corporate governance, including Board qualifications, committees and charters, visit [onegas.com](https://www.onegas.com).



**Michael G. Hutchinson**  
Retired Partner  
Deloitte & Touche



**John W. Gibson**  
Chairman  
ONE Gas, Inc.



**Tracy E. Hart**  
President and Chief  
Executive Officer  
Tarlton Corporation



**Pattye L. Moore**  
Retired Board Chair and  
Interim Chief Executive Officer  
Red Robin Gourmet Burgers



**Robert S. McAnnally**  
President and Chief  
Executive Officer  
ONE Gas, Inc.



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



**Eduardo A. Rodriguez**  
President  
Strategic Communication  
Consulting Group



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

## Executive Team

As of April 1, 2023

**Robert S. McAnnally, 59**  
President and  
Chief Executive Officer

**Curtis L. Dinan, 55**  
Senior Vice President and  
Chief Operating Officer

**W. Kent Shortridge, 56**  
Senior Vice President,  
Operations and Customer Service

**Caron A. Lawhorn, 62**  
Senior Vice President and  
Chief Financial Officer

**Mark A. Bender, 58**  
Senior Vice President,  
Administration and  
Chief Information Officer

**Julie A. White, 52**  
Vice President, Communications

**Joseph L. McCormick, 63**  
Senior Vice President, General Counsel  
and Assistant Secretary







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## Form 10-K

### **Forward-looking Statements**

Statements contained in this annual report that include company expectations, our business outlook, our future plans or predictions relating to any matters should be considered forward-looking statements that are covered by the safe harbor provisions of the Private Securities Litigation Reform Act of 1995, the Securities Act of 1933 and the Securities Exchange Act of 1934, each as amended.

It is important to note that the actual results could differ materially from those projected in such forward-looking statements.

For additional information that could cause actual results to differ materially from such forward-looking statements, refer to ONE Gas' Securities and Exchange Commission filings.

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### **Shareholder Information**

EQ Shareowner Services  
P.O. Box 64854  
St. Paul, MN 55164-0854  
P: 855-217-6403  
P: (Outside U.S.) 651-450-4064  
TDD number: 651-450-4144  
[shareowneronline.com](http://shareowneronline.com)

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### **Direct Stock Purchase & Dividend Reinvestment Plan**

ONE Gas' Direct Stock Purchase and Dividend Reinvestment Plan provides new investors and current shareholders a convenient way to purchase ONE Gas common stock without paying processing fees or service charges and to reinvest cash dividends.

For more information or to enroll in a plan, call EQ at 855-217-6403. The Prospectus is also available at [onegas.com](http://onegas.com).

### **Annual Meeting Details**

The 2023 annual meeting of shareholders will be held Thursday, May 25, 2023, at 9 a.m. Central Daylight Time as a virtual meeting only. The meeting will be held online, accessible through a live webcast.

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### **Auditors**

PricewaterhouseCoopers LLP  
Two Warren Place  
6120 South Yale Avenue, Suite 1850  
Tulsa, OK 74136

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### **Corporate Headquarters**

First Place Tower  
15 East Fifth Street  
Tulsa, OK 74103

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### **Credit Ratings**

Moody's: A3 (Stable)  
Standard & Poor's: A- (Stable)

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### **ONE Gas Investor Relations**

P.O. Box 21049  
Tulsa, OK 74121  
P: 855-496-0200  
E: [IR@onegas.com](mailto:IR@onegas.com)





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