ONE Gas Announces Third Quarter 2020 Financial Results

November 02, 2020

Declares Fourth Quarter Dividend; Updates 2020 Financial Guidance
TULSA, Okla., Nov. 2, 2020 /PRNewswire/ -- ONE Gas, Inc. (NYSE: OGS) today announced its third quarter 2020 financial results, declared its quarterly dividend and updated its 2020 financial guidance.

2020 FINANCIAL GUIDANCE

ONE Gas updated its 2020 financial guidance, with net income and earnings per diluted share now expected to be near the upper end of the ranges of $186 million to $198 million for net income and $3.44 to $3.68 for earnings per share. Capital expenditures, including asset removal costs, are still expected to be in the range of $500 million to $525 million for 2020.

THIRD QUARTER HIGHLIGHTS

- Third quarter 2020 net income was $21.1 million, or $0.39 per diluted share, compared with $17.5 million, or $0.33 per diluted share, in the third quarter 2019;
- Year to date 2020 net income was $138.1 million, or $2.59 per diluted share, compared with $135.6 million, or $2.55 per diluted share, in the same period last year; and
- The board of directors declared a quarterly dividend of $0.54 per share, or $2.16 per share on an annualized basis, payable on Dec. 1, 2020, to shareholders of record at the close of business on Nov. 16, 2020.

"New rates and residential customer growth contributed to our third quarter results," said Pierce H. Norton II, president and chief executive officer. "Our employees continue to show their resilience in these unprecedented times while remaining focused on safety. Protecting our workforce, customers and assets remains our top priority as we execute on our proven strategy of modernizing our infrastructure to provide clean, reliable natural gas to customers."

THIRD QUARTER 2020 FINANCIAL PERFORMANCE

ONE Gas reported operating income of $40.7 million in the third quarter 2020, compared with $38.8 million in the third quarter 2019.

Net margin, which is comprised of total revenues less cost of natural gas, increased by $5.2 million compared with third quarter 2019, which primarily reflects:

- A $3.7 million increase from new rates primarily in Oklahoma and Kansas;
- A $2.7 million increase attributed primarily to net residential customer growth; and
- A $1.3 million increase due to the beneficial impact of a retroactive compressed natural gas federal excise tax credit; offset partially by
- A $0.9 million decrease due to lower fees associated with collection activities and late payments primarily related to the moratoriums on disconnects for nonpayment in response to the COVID-19 pandemic in each of the company's rate jurisdictions.

Third quarter 2020 operating costs were $115.4 million, compared with $114.6 million in the third quarter 2019, which primarily reflects:

- A $1.8 million increase in expenses related to the company's response to the COVID-19 pandemic; and
- A $1.5 million increase in employee-related costs; offset partially by
- A $1.6 million decrease in expenses for travel and employee training costs that have been impacted by the COVID-19 pandemic.

Depreciation and amortization expense for the third quarter 2020 was $48.0 million, compared with $45.5 million in the third quarter 2019, due primarily to an increase in depreciation expense from capital investments placed in service and an increase in the amortization of the ad- valorem surcharge rider in Kansas.

For the third quarter 2020, other income (expense), net, increased $1.6 million compared with the same period last year, due to a $1.6 million increase in the value of investments associated with nonqualified employee benefit plans.

Income tax expense includes a credit for amortization of the regulatory liability related to excess accumulated deferred income taxes (EDIT) of $2.2 million and $1.4 million for the three- month periods ended Sept. 30, 2020, and 2019, respectively.

Capital expenditures and asset removal costs were $123.9 million for the third quarter 2020 compared with $135.3 million in the same period last year. The $11.4 million decrease was due primarily to differences in the timing of capital projects between the two periods.

YEAR TO DATE 2020 FINANCIAL PERFORMANCE

Operating income for the nine-month 2020 period was $218.5 million, compared with $213.3 million for the same period last year.

Net margin increased by $14.2 million compared with the same period last year, which primarily reflects:

- A $15.0 million increase from new rates;
- A $7.2 million increase attributed primarily to net residential customer growth;
- A $1.5 million increase in rider and surcharge recoveries due to a higher ad-valorem surcharge in Kansas, which is offset by higher regulatory amortization expense; and
- A $1.3 million increase due to the beneficial impact of a retroactive compressed natural gas federal excise tax credit; offset partially by
- A $4.6 million decrease due to lower sales volumes, net of weather normalization, primarily in Kansas and Oklahoma from warmer weather in 2020 compared with the same period in 2019. For the nine months ended Sept. 30, 2020, heating degree days in Kansas and Oklahoma were 12% and 14% lower, respectively, compared with the same period in 2019;

- A $3.7 million decrease due to lower fees associated with collection activities and late payments primarily related to the moratoriums on disconnects for nonpayment in response to the COVID-19 pandemic in each of the company's rate jurisdictions; and
- A $2.1 million decrease due to lower transportation volumes primarily in Kansas.

Operating costs for the nine-month 2020 period were $355.6 million, compared with $355.2 million for the same period last year, which primarily reflects:

- A $4.2 million increase in bad debt expense;
- A $4.0 million increase in expenses related to the company's response to the COVID-19 pandemic; and
- A $1.6 million increase in ad-valorem taxes; offset partially by
- A $3.6 million decrease in expenses for travel and employee training costs that have been impacted by the COVID-19 pandemic;
- A $2.3 million decrease in legal-related expenses;
- A $1.3 million decrease in materials for pipeline repair and maintenance activities; and
- A $1.2 million decrease in employee-related costs, which reflects a $4.2 million decrease in expense associated with the change in the value of the liabilities for nonqualified employee benefit plans offset partially by a $2.7 million increase in labor and benefit costs.

Depreciation and amortization expense for the nine-month 2020 period was $142.9 million, compared with $134.3 million for the same period last year, due primarily to an increase in depreciation expense from capital investments placed in service and an increase in the amortization of the ad-valorem surcharge rider in Kansas.

For the nine-month 2020 period, other income (expense), net, decreased $1.4 million compared with the same period last year, due primarily to a $2.2 million decrease in the value of investments associated with nonqualified employee benefit plans.

Income tax expense includes a credit for amortization of EDIT of $11.6 million and $10.3 million for the nine-month periods ended Sept. 30, 2020, and 2019, respectively.

Capital expenditures and asset removal costs for the nine-month period ended Sept. 30, 2020, were $377.9 million, compared with $343.9 million in the same period last year. The $34.0 million increase was due primarily to system integrity activities, extension of service to new areas and government relocation projects.

REGULATORY UPDATE

Accounting orders have been received in each of our jurisdictions authorizing us to accumulate and defer for regulatory purposes certain incremental costs incurred, including bad debt expenses, and certain lost revenues, net of offsetting expense reductions associated with COVID-19. Pursuant to these orders, the recovery of any deferred net incremental costs and lost revenue will be determined in future rate cases or alternative rate recovery filings in each jurisdiction. For financial reporting purposes, any amounts deferred as a regulatory asset for future recovery under these accounting orders must be probable of recovery. At Sept. 30, 2020, no regulatory assets have been recorded.

Kansas

In August 2020, Kansas Gas Service submitted an application to the Kansas Corporation Commission (KCC) requesting an increase of approximately $7.8 million related to its Gas System Reliability Surcharge (GSRS). In September 2020, Kansas Gas Service submitted an errata to the application, which modified the requested increase to approximately $7.5 million. An order from the KCC is expected in December 2020, with new rates going into effect on Jan. 1, 2021.

In May 2020, a bill amending the Kansas state income tax code was signed into law that exempts public utilities regulated by the KCC from paying Kansas state income taxes beginning Jan. 1, 2021, and authorizes the KCC to adjust utility rates for the elimination of Kansas state income tax beginning Jan. 1, 2021. As a regulated entity, the reduction in accumulated deferred income taxes (ADIT) of $81.5 million was recorded as an EDIT regulatory liability and will be refunded to customers. This adjustment had no material impact on income tax expense and no impact on cash flows for the three and nine months ended Sept. 30, 2020. The bill stipulates, if requested by the utility, this EDIT will be returned to Kansas customers over a period of no less than 30 years, with the exact timing to be determined in Kansas Gas Service's next general rate proceeding. In August 2020, Kansas Gas Service submitted an application to the KCC to reduce its base rates to reflect the elimination of Kansas state income taxes by approximately $4.9 million. An order from the KCC is expected in December 2020, with new rates going into effect on Jan. 1, 2021.

Texas

Central-Gulf Service Area

In 2019, Texas Gas Service filed a rate case for all customers in the Central Texas and Gulf Coast service areas. In August 2020, the Railroad Commission of Texas (RRC) approved all terms of a $10.3 million settlement, as well as consolidation of the Central Texas service area and the Gulf Coast service area into a new Central-Gulf service area. The RRC also approved an $8.5 million credit to customers associated with EDIT. The settlement included a 9.5% return on equity and a 59% equity ratio. New rates became effective in August 2020.

EARNINGS CONFERENCE CALL AND WEBCAST

The ONE Gas executive management team will conduct a conference call on Tuesday, Nov. 3, 2020, at 11 a.m. Eastern Standard Time (10 a.m. Central Standard Time). The call also will be carried live on the ONE Gas website.

To participate in the telephone conference call, dial 800-289-0571, pass code 9712962, or log on to www.onegas.com/investors and select Events and Presentations.

If you are unable to participate in the conference call or the webcast, a replay will be available on the ONE Gas website, www.onegas.com, for 30 days. A recording will be available by phone for seven days. The playback call may be accessed at 888-203-1112, pass code 9712962.

NON-GAAP INFORMATION

ONE Gas has disclosed net margin in this news release, which is considered a non-GAAP financial metric used to measure the company's financial performance. Net margin is comprised of total revenues less cost of natural gas. Cost of natural gas includes commodity purchases, fuel, storage, transportation and other gas purchase costs recovered through our cost of natural gas regulatory mechanisms and does not include an allocation of general operating costs or depreciation and amortization. In addition, these regulatory mechanisms provide a method of recovering natural gas costs on an ongoing basis without a profit. Therefore, although our revenues will fluctuate with the cost of natural gas that we pass through to our customers, net margin is not affected by fluctuations in the cost of natural gas. Accordingly, we routinely use net margin in the analysis of our financial performance. We believe that net margin provides investors a more relevant and useful measure to analyze our financial performance as a 100% regulated natural gas utility than total revenues because the change in the cost of natural gas from period to period does not impact our operating income. A reconciliation of net margin to the most directly comparable GAAP measure is included as a table at the end of the earnings tables accompanying this release.

ONE Gas, Inc. (NYSE: OGS) 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.

ONE Gas, headquartered in Tulsa, Oklahoma, provides natural gas distribution services to more than 2 million customers in Kansas, Oklahoma and Texas. Its divisions include Kansas Gas Service, the largest natural gas distributor in Kansas; Oklahoma Natural Gas, the largest in Oklahoma; and Texas Gas Service, the third largest in Texas, in terms of customers.

For more information, visit the website at www.onegas.com.

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

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

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

- our ability to recover operating costs, income taxes and amounts equivalent to the cost of property, plant and equipment, regulatory assets and our allowed rate of return in our regulated rates;
- our ability to manage our operations and maintenance costs;
- changes in regulation of natural gas distribution services, particularly those in Oklahoma, Kansas and Texas;
- the economic climate and, particularly, its effect on the natural gas requirements of our residential and commercial customers;
- the length and severity of a pandemic or other health crisis, such as the recent outbreak of COVID-19, including its impacts to our operations, customers, contractors, vendors and employees, and the measures that international, federal, state and local governments, agencies, law enforcement and/or health authorities implement to address it, which may (as with COVID-19) precipitate or exacerbate one or more of the above- mentioned and/or other risks, and significantly disrupt or prevent us from operating our business in the ordinary course for an extended period;
- competition from alternative forms of energy, including, but not limited to, electricity, solar power, wind power, geothermal energy and biofuels;
- conservation and energy storage efforts of our customers;
- variations in weather, including seasonal effects on demand, the occurrence of storms and disasters, and climate change;
- indebtedness could make us more vulnerable to general adverse economic and industry conditions, limit our ability to borrow additional funds and/or place us at competitive disadvantage compared with competitors;
- our ability to secure reliable, competitively priced and flexible natural gas transportation and supply, including decisions by natural gas producers to reduce production or shut-in producing natural gas wells and expiration of existing supply and transportation and storage arrangements that are not replaced with contracts with similar terms and pricing;
- the mechanical integrity of facilities operated;
- operational hazards and unforeseen operational interruptions;
- adverse labor relations;
- the effectiveness of our strategies to reduce earnings lag, margin protection strategies and risk mitigation strategies, which may be affected by risks beyond our control such as commodity price volatility and counterparty creditworthiness;
- the availability of and access to, in general, funds to meet our debt obligations prior to or when they become due and to fund our operations and capital expenditures, either through (i) cash on hand, (ii) operating cash flow, or (iii) access to the capital markets;
- changes in the financial markets during the periods covered by the forward-looking statements, particularly those affecting the availability of capital and our ability to refinance existing debt and fund investments and acquisitions;
- actions of rating agencies, including the ratings of debt, general corporate ratings and changes in the rating agencies' ratings criteria;
- changes in inflation and interest rates;
- our ability to recover the costs of natural gas purchased for our customers;
- impact of potential impairment charges;
- volatility and changes in markets for natural gas;
- possible loss of local distribution company franchises or other adverse effects caused by the actions of municipalities;
- payment and performance by counterparties and customers as contracted and when due;
- changes in existing or the addition of new environmental, safety, tax and other laws to which we and our subsidiaries are subject;
- the uncertainty of estimates, including accruals and costs of environmental remediation;
- advances in technology, including technologies that increase efficiency or that improve electricity's competitive position relative to natural gas;
- population growth rates and changes in the demographic patterns of the markets we serve, and conditions in these areas' housing markets;
- acts of nature and the potential effects of threatened or actual terrorism and war;
- cyber-attacks, which, according to experts, have increased in volume and sophistication since the beginning of the COVID-19 pandemic, or breaches of technology systems that could disrupt our operations or result in the loss or exposure of confidential or sensitive customer, employee or Company information; further, increased remote working arrangements as a result of the pandemic have required enhancements and modifications to our IT infrastructure (e.g. Internet, Virtual Private Network, remote collaboration

systems, etc.), and any failures of the technologies, including third-party service providers, that facilitate working remotely could limit our ability to conduct ordinary operations or expose us to increased risk or effect of an attack;
- the sufficiency of insurance coverage to cover losses;
- the effects of our strategies to reduce tax payments;
- the effects of litigation and regulatory investigations, proceedings, including our rate cases, or inquiries and the requirements of our regulators as a result of the Tax Cuts and Jobs Act of 2017;
- changes in accounting standards;
- changes in corporate governance standards;
- discovery of material weaknesses in our internal controls;
- our ability to comply with all covenants in our indentures, the ONE Gas Credit Agreement and the ONE Gas 364- day Credit Agreement, a violation of which, if not cured in a timely manner, could trigger a default of our obligations;
- our ability to attract and retain talented employees, management and directors;
- unexpected increases in the costs of providing health care benefits, along with pension and postretirement health care benefits, as well as declines in the discount rates on, declines in the market value of the debt and equity securities of, and increases in funding requirements for, our defined benefit plans;
- the ability to successfully complete merger, acquisition or divestiture plans, regulatory or other limitations imposed as a result of a merger, acquisition or divestiture, and the success of the business following a merger, acquisition or divestiture; and
- the costs associated with increased regulation and enhanced disclosure and corporate governance requirements pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010.

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

APPENDIX

ONE Gas, Inc.
CONSOLIDATED STATEMENTS OF INCOME

	Three Months Ended September 30,		Nine Months Ended September 30,	
(Unaudited)	2020	2019	2020	2019
	(Thousands of dollars, except per share amounts)			
Total revenues	$ 244,640	$ 248,563	$ 1,046,095	$ 1,200,123
Cost of natural gas	40,485	49,607	329,134	497,271
Operating expenses				
Operations and maintenance	100,285	100,486	308,641	310,243
Depreciation and amortization	47,998	45,471	142,898	134,260
General taxes	15,193	14,222	46,931	45,062
Total operating expenses	163,476	160,179	498,470	489,565
Operating income	40,679	38,777	218,491	213,287
Other income (expense), net	198	(1,397)	(3,196)	(1,833)
Interest expense, net	(15,542)	(15,783)	(47,078)	(46,968)
Income before income taxes	25,335	21,597	168,217	164,486
Income taxes	(4,256)	(4,140)	(30,136)	(28,899)
Net income	$ 21,079	$ 17,457	$ 138,081	$ 135,587
Earnings per share				
Basic	$ 0.40	$ 0.33	$ 2.60	$ 2.56
Diluted	$ 0.39	$ 0.33	$ 2.59	$ 2.55
Average shares *(thousands)*				
Basic	53,190	52,933	53,084	52,883
Diluted	53,408	53,267	53,313	53,229
Dividends declared per share of stock	$ 0.54	$ 0.50	$ 1.62	$ 1.50

ONE Gas, Inc.
CONSOLIDATED BALANCE SHEETS

	September 30,	December 31,
(Unaudited)	2020	2019
	(Thousands of dollars)	
Assets		
Property, plant and equipment		
Property, plant and equipment	$ 6,735,032	$ 6,433,119
Accumulated depreciation and amortization	1,955,200	1,867,893
Net property, plant and equipment	4,779,832	4,565,226
Current assets		
Cash and cash equivalents	6,184	17,853
Accounts receivable, net	106,777	260,012
Materials and supplies	55,492	55,732
Natural gas in storage	105,377	104,259
Regulatory assets	71,748	47,440

Other current assets	24,126	20,906
Total current assets	369,704	506,202
Goodwill and other assets		
Regulatory assets	364,117	391,036
Goodwill	157,953	157,953
Other assets	92,158	87,883
Total goodwill and other assets	614,228	636,872
Total assets	$ 5,763,764	$ 5,708,300

ONE Gas, Inc.
CONSOLIDATED BALANCE SHEETS
(Continued)

(Unaudited)	September 30, 2020	December 31, 2019
Equity and Liabilities	*(Thousands of dollars)*	
Equity and long-term debt		
Common stock, $0.01 par value: authorized 250,000,000 shares; issued and outstanding 53,096,893 shares at September 30, 2020; issued and outstanding 52,771,749 shares at December 31, 2019	$ 531	$ 528
Paid-in capital	1,751,350	1,733,092
Retained earnings	454,205	402,509
Accumulated other comprehensive loss	(6,069)	(6,739)
Total equity	2,200,017	2,129,390
Long-term debt, excluding current maturities and net of issuance costs of $13,341 and $10,936, respectively	1,582,193	1,286,064
Total equity and long-term debt	3,782,210	3,415,454
Current liabilities		
Notes payable	308,000	516,500
Accounts payable	65,311	120,490
Accrued taxes other than income	57,732	47,956
Regulatory liabilities	20,454	45,201
Customer deposits	55,319	57,987
Other current liabilities	68,898	84,603
Total current liabilities	575,714	872,737
Deferred credits and other liabilities		
Deferred income taxes	642,309	682,632
Regulatory liabilities	555,258	503,518
Employee benefit obligations	98,257	115,657
Other deferred credits	110,016	118,302
Total deferred credits and other liabilities	1,405,840	1,420,109
Commitments and contingencies		
Total liabilities and equity	$ 5,763,764	$ 5,708,300

ONE Gas, Inc.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Nine Months Ended September 30,	
(Unaudited)	2020	2019
	(Thousands of dollars)	
Operating activities		
Net income	$ 138,081	$ 135,587
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	142,898	134,260
Deferred income taxes	11,175	9,099
Share-based compensation expense	7,439	7,153
Provision for doubtful accounts	8,836	4,600
Changes in assets and liabilities:		
Accounts receivable	144,399	160,053
Materials and supplies	240	(12,455)
Natural gas in storage	(1,118)	(11,155)
Asset removal costs	(29,019)	(38,101)
Accounts payable	(50,848)	(113,665)
Accrued taxes other than income	9,776	(435)
Customer deposits	(2,668)	(3,652)
Regulatory assets and liabilities	(24,478)	20,196
Other assets and liabilities	(29,384)	(2,942)
Cash provided by operating activities	325,329	288,543
Investing activities		
Capital expenditures	(348,915)	(305,797)
Other investing expenditures	(1,379)	(4,056)
Other investing receipts	2,482	1,036
Cash used in investing activities	(347,812)	(308,817)
Financing activities		
Borrowings (repayments) on notes payable, net	(208,500)	95,500

Issuance of debt, net of discounts	297,750	—
Long-term debt financing costs	(2,885)	—
Issuance of common stock	16,325	2,536
Dividends paid	(85,698)	(79,055)
Tax withholdings related to net share settlements of stock compensation	(6,178)	(7,468)
Cash used in financing activities	10,814	11,513
Change in cash and cash equivalents	(11,669)	(8,761)
Cash and cash equivalents at beginning of period	17,853	21,323
Cash and cash equivalents at end of period	$ 6,184	$ 12,562

ONE Gas, Inc.
INFORMATION AT A GLANCE

	Three Months Ended September 30,		Nine Months Ended September 30,	
(*Unaudited*)	2020	2019	2020	2019
Financial (*in millions*) Net margin	$ 204.1	$ 198.9	$ 717.0	$ 702.8
Operating costs	$ 115.4	$ 114.6	$ 355.6	$ 355.2
Depreciation and amortization	$ 48.0	$ 45.5	$ 142.9	$ 134.3
Operating income	$ 40.7	$ 38.8	$ 218.5	$ 213.3
Capital expenditures and asset removal costs	$ 123.9	$ 135.3	$ 377.9	$ 343.9
Net margin on natural gas sales	$ 172.2	$ 167.0	$ 613.9	$ 596.6
Transportation revenues	$ 24.3	$ 23.8	$ 82.8	$ 82.9
Other revenues	$ 7.6	$ 8.1	$ 20.3	$ 23.3
Volumes (*Bcf*)				
Natural gas sales				
Residential	8.3	7.8	79.1	86.9
Commercial and industrial	3.6	4.0	24.6	28.4
Other	0.3	0.2	1.6	1.8
Total sales volumes delivered	12.1	12.0	105.4	117.1
Transportation	49.6	47.9	165.9	164.9
Total volumes delivered	61.7	59.9	271.3	282.0
Average number of customers (*in thousands*)				
Residential	2,038	2,008	2,042	2,019
Commercial and industrial	158	157	161	160
Other	3	3	3	3
Transportation	12	12	12	12
Total customers	2,211	2,180	2,218	2,194
Heating Degree Days				
Actual degree days	87	—	5,576	6,412
Normal degree days	48	48	5,931	5,996
	*	*		
Percent colder (warmer) than normal weather			(6.0)%	6.9 %
Statistics by State				
Oklahoma				
Average number of customers (*in thousands*)	890	877	893	883
Actual degree days	22	—	1,947	2,265
Normal degree days	2	2	1,968	1,968
	*	*		
Percent colder (warmer) than normal weather			(1.1)%	15.1 %
Kansas				
Average number of customers (*in thousands*)	640	634	645	641
Actual degree days	55	—	2,719	3,093
Normal degree days	46	46	2,901	2,970
	*	*		
Percent colder (warmer) than normal weather			(6.3)%	4.1 %
Texas				
Average number of customers (*in thousands*)	681	669	680	670
Actual degree days	10	—	910	1,054
Normal degree days	—	—	1,062	1,058
	*	*		
Percent colder (warmer) than normal weather			(14.3)%	(0.4)%

**Not meaningful*

RECONCILIATION OF NON-GAAP FINANCIAL MEASURE

Reconciliation of total revenues to net margin (non-GAAP)

	Three Months Ended September 30,		Nine Months Ended September 30,	
(*Unaudited*)	2020	2019	2020	2019
	(*Thousands of dollars*)			
Total revenues	$ 244,640	$ 248,563	$1,046,095	$1,200,123
Cost of natural gas	40,485	49,607	329,134	497,271
Net margin	$ 204,155	$ 198,956	$ 716,961	$ 702,852

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