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Morgan Stanley MLP/Diversified Natural Gas, Utilities & Clean Tech Conference



Forward-Looking Statements

Statements contained in this presentation that include company expectations or predictions should be considered forward-looking statements that are covered by the safe harbor provisions of the Securities Act of 1933 and the Securities and Exchange Act of 1934.

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.

All future cash dividends (declared or paid) discussed in this presentation are subject to the approval of the ONE Gas board of directors.

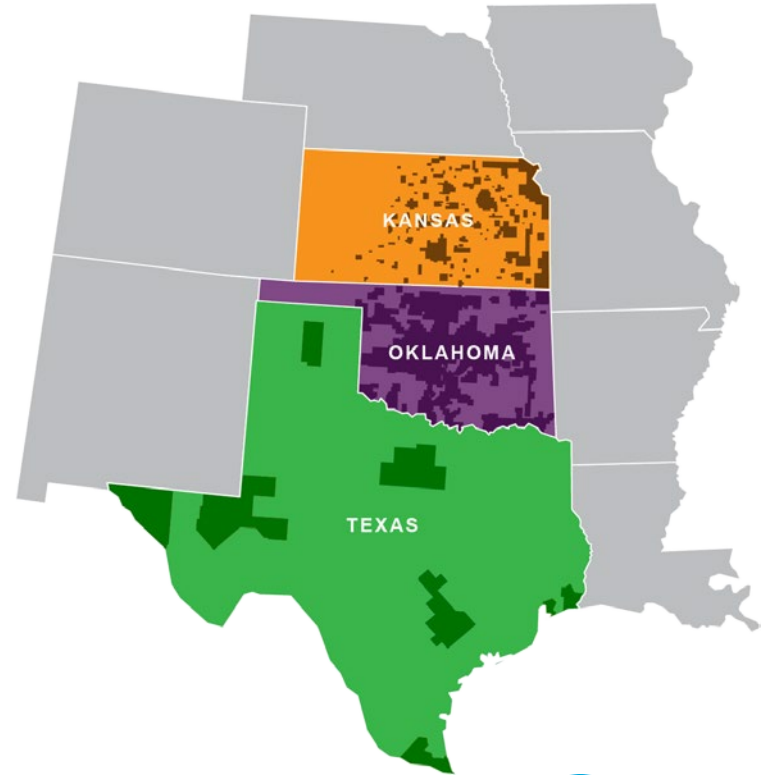
All references in this presentation to guidance are based on news releases issued on Dec. 1, 2014, and Feb. 18, 2015, and are not being updated or affirmed by this presentation.

Company Overview

Key Statistics

- Third largest publicly traded natural gas distribution company
 - 2.1 million customers
- 42,500 miles of distribution and transmission pipeline
- Estimated 2015 average rate base: \$2.7 billion*
 - 41% in Oklahoma
 - 34% in Kansas
 - 25% in Texas
- ~3,300 employees

** Calculation consistent with utility ratemaking in each jurisdiction*

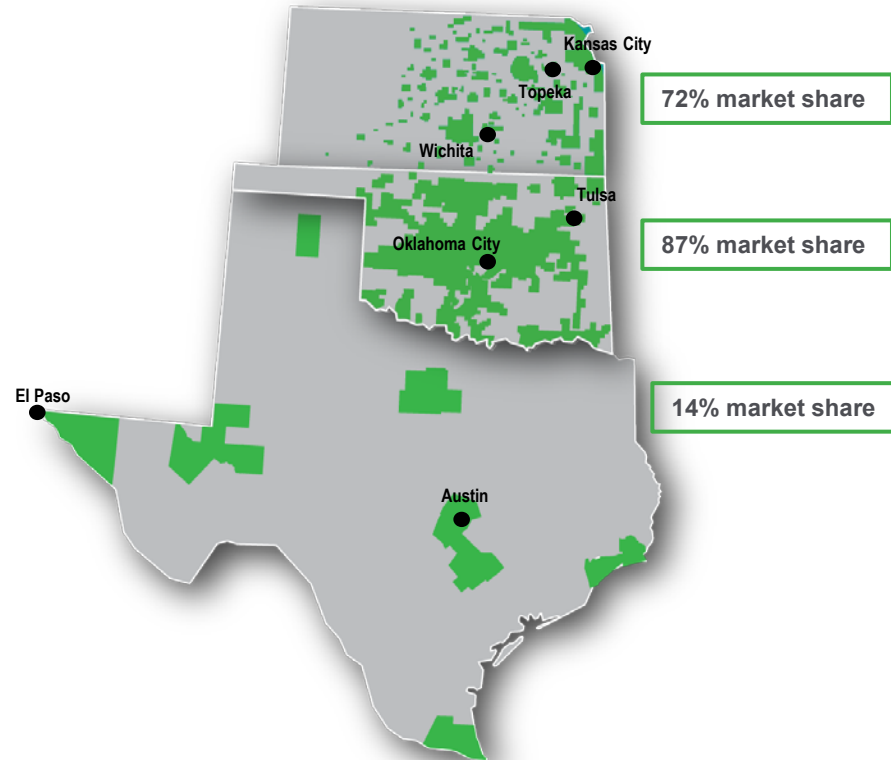


Competitive Strengths

Competitive Strengths

Sustainable Business

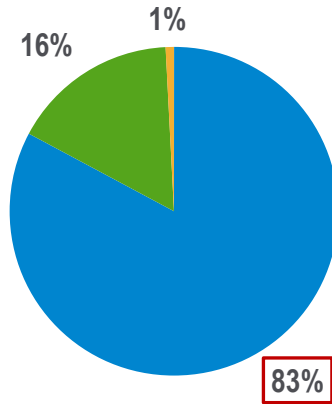
- Focused business strategy
 - 100% regulated natural gas distribution utility
 - Third largest publicly traded natural gas distributor
- Significant scale
 - 2.1 million customers
 - High percentage of residential customers and fixed charges
- Proximity to natural gas resources
- Constructive regulatory environment
 - Multiple mechanisms and riders
- Conservative financial profile
 - Commitment to “A-level” investment-grade credit ratings



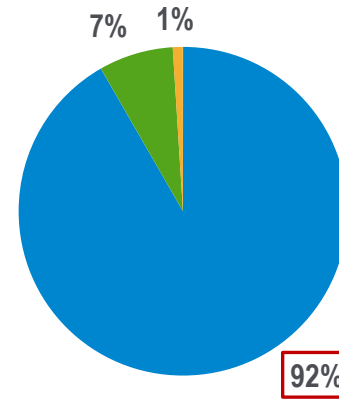
Significant Scale

High Percentage of Residential Customers

Net Sales Margin*
2014



Customer Count*
2014



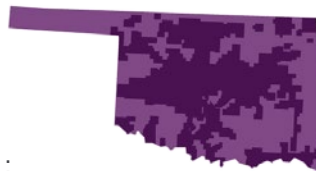
Customer Type

- Residential
- Commercial/Industrial
- Other

* Excludes transportation

Significant Scale

High Percentage of Fixed Charges



	Kansas	Oklahoma	Texas	Total
Fixed Charges – Sales customers ¹	53%	86%	71%	71%
Average Annual Heating Degree Days – Normal	4,860	3,317	1,788	-
Weather Normalization	100%	100%	62%	89%
Governance	Kansas Corporation Commission (three commissioners appointed by the governor to four-year staggered terms)	Oklahoma Corporation Commission (three commissioners elected to six-year staggered terms)	“Home Rule” with 10 jurisdictions (Texas Railroad Commission has appellate authority)	

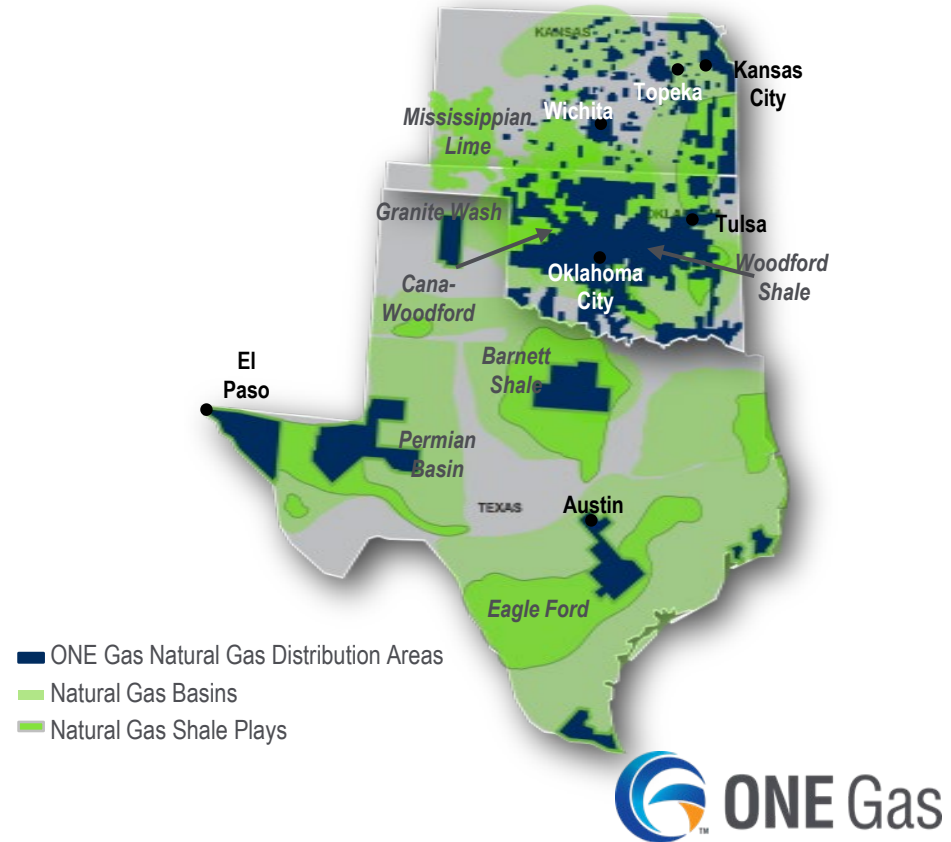
Note: Based on 2014 annual results

¹ Fixed percentage of total net margin on natural gas sales

Proximity to Natural Gas Supply

Location Supports Sustainability

- Close proximity to significant natural gas reserves
- Delivered natural gas costs are comprised primarily of:
 - Cost of the commodity
 - Transportation costs
 - Storage fees



Natural Gas vs. Electricity

3-to-1 Average Advantage Continues in ONE Gas Territories

	Average retail price of electricity / kWh (1)	Natural gas price equivalent of electricity / Dth (1)	ONE Gas delivered cost of natural gas / Dth (2)	Natural gas advantage ratio (3)
Kansas	12.21¢	\$35.79	\$9.97	3.6x
Oklahoma	9.63¢	\$28.22	\$10.73	2.6x
Texas	11.94¢	\$34.99	\$11.21	3.1x

(1) Source: United States Energy Information Agency, www.eia.gov, for the eleven-month period ended November 30, 2014.

(2) Represents the average delivered cost of natural gas to a residential customer, including the cost of the natural gas supplied, fixed customer charge, delivery charges and charges for riders, surcharges and other regulatory mechanisms associated with the services we provide, for the year ended December 31, 2014.

(3) Calculated as the ratio of the natural gas price equivalent per dekatherm of the average retail price of electricity per kilowatt hour to the ONE Gas delivered average cost of natural gas per dekatherm.

Regulatory Overview

Regulatory Mechanisms

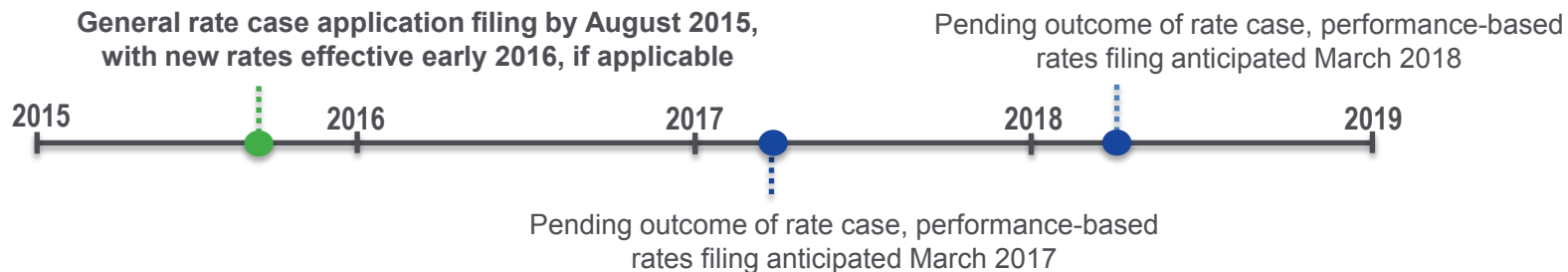
Overview

- Oklahoma Natural Gas
 - Performance-based rate structure with a targeted ROE between 10-11 percent that provides for annual rate reviews between rate cases
- Kansas Gas Service
 - Gas System Reliability Surcharge – for incremental safety-related and government-mandated capital investments made between rate cases
- Texas Gas Service
 - Cost-of-service adjustments and El Paso Annual Rate Review (EPARR) for capital investments and certain changes in operating expenses
 - Gas Reliability Infrastructure Program for capital investments made between rate cases

Regulatory Filing Timeline

Oklahoma & Kansas

ONG



KGS



Regulatory Filing Timeline

Texas

- **El Paso Service Area**
 - El Paso Annual Rate Review (EPARR) filing annually, with new rates effective each August, if applicable
 - Other cities in service area adopted EPARR
 - Gas Reliability Infrastructure Program (GRIP) filings in environs
- **Central Texas Service Area (includes Austin)**
 - Annual GRIP filings
 - Rate case required by 2016
- **Remainder of Texas**
 - Annual cost of service adjustment filings in six jurisdictions
 - Annual GRIP filings in two jurisdictions
 - Rate cases as needed

Regulatory Update

Recent Activity

- **Oklahoma**
 - August 2014: New rates approved, includes an increase in base rates of approximately \$13.7 million and an energy-efficiency program true-up and a utility incentive adjustment of \$0.9 million
- **Kansas**
 - November 2014: Kansas Corporation Commission approved request for interim rate relief under the Gas System Reliability Surcharge (GSRs) for approximately \$3.5 million
- **Texas**
 - February 2015: Filed for interim rate relief under Gas Reliability Infrastructure Program (GRIP) statute with City of Austin and surrounding communities for approximately \$3.7 million; if approved, new rates will be effective April 2015
 - July 2014: City of El Paso approved an annual increase in revenues of \$3.5 million, resulting from the EPARR filing
 - GRIP filing for the remainder of the El Paso service area approved with an increase in revenues of \$0.6 million
 - May 2014: Austin City Council approved request for interim rate relief under the GRIP statute for approximately \$5.2 million
 - Received approval for interim rate relief under the GRIP statute and cost-of-service adjustments in various Texas jurisdictions totaling approximately \$4.0 million in 2014

Opportunity to Narrow the Gap

Return on Equity

- Goal: Minimize the gap between allowed and actual returns*
 - 2015 ROE estimate: 7.4%
 - 2014 ROE achieved: 7.6%
 - 2013 ROE achieved: 8.0%
 - 2012 ROE achieved: 8.3%

** ROE calculations are consistent with utility ratemaking in each jurisdiction*

Financial Overview

Financial Highlights

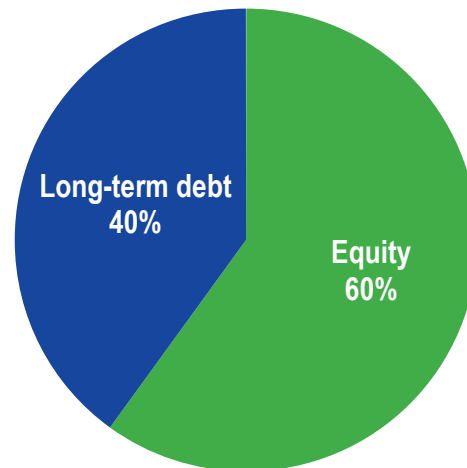
Commitment to Strong Investment-Grade Ratings

- Strong liquidity position will support capital expenditure and working capital needs
 - Stable operating cash flows
 - \$700 million revolving credit facility
 - Commercial paper program
- Strong investment-grade credit ratings, consistent with peers

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

Capital Structure

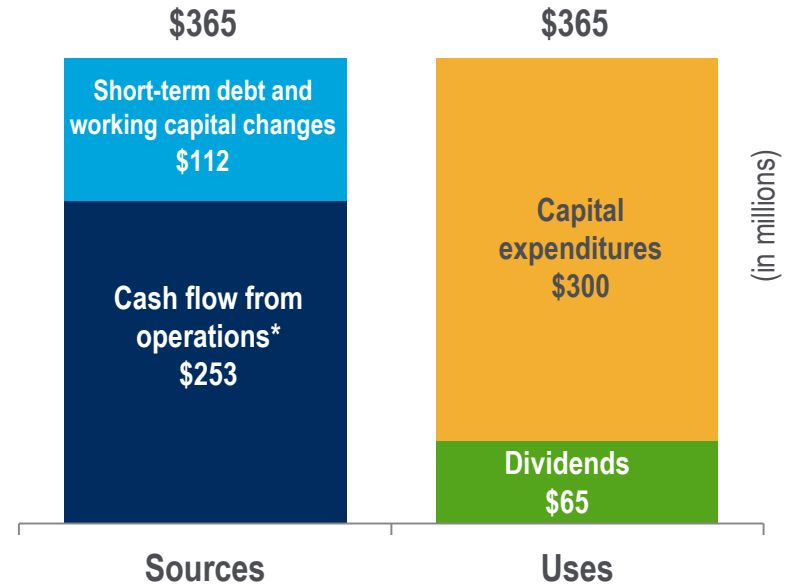
As of December 31, 2014



2015 Cash Flow

Sources and Uses

- Target dividend payout ratio of 55-65% of net income
- Capital expenditures primarily funded by cash flow from operations
- Dividend of 30 cents per share per quarter

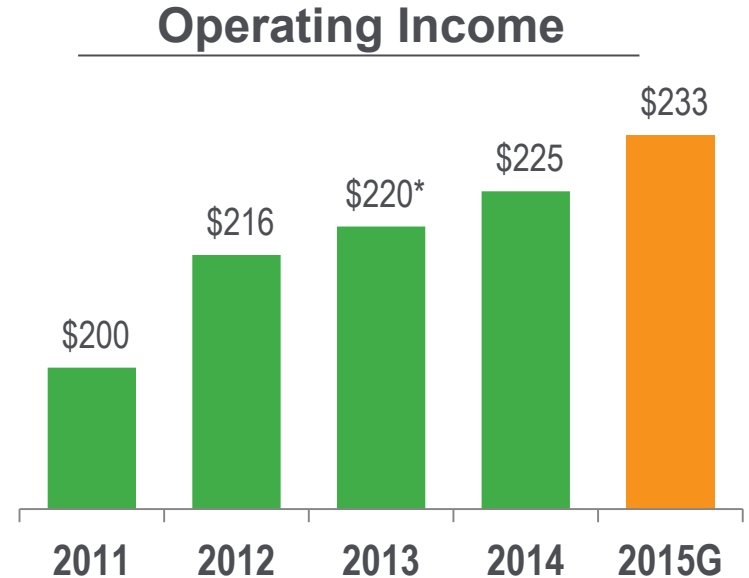


* Before changes in working capital

2015 Guidance

Announced December 2014

- Net income: range of \$108-\$118 million
 - Earnings growth driven by new rates and customer growth
 - Higher depreciation driven by capital investments
 - Higher pension costs driven by lower discount rate and asset returns
- Operating income midpoint: \$233 million
- Capital expenditures: \$300 million
- Estimated 2015 average rate base: \$2.7 billion**



* Includes \$10.2 million charge related to separation

** Calculation consistent with utility ratemaking in each jurisdiction

Five-year Financial Outlook

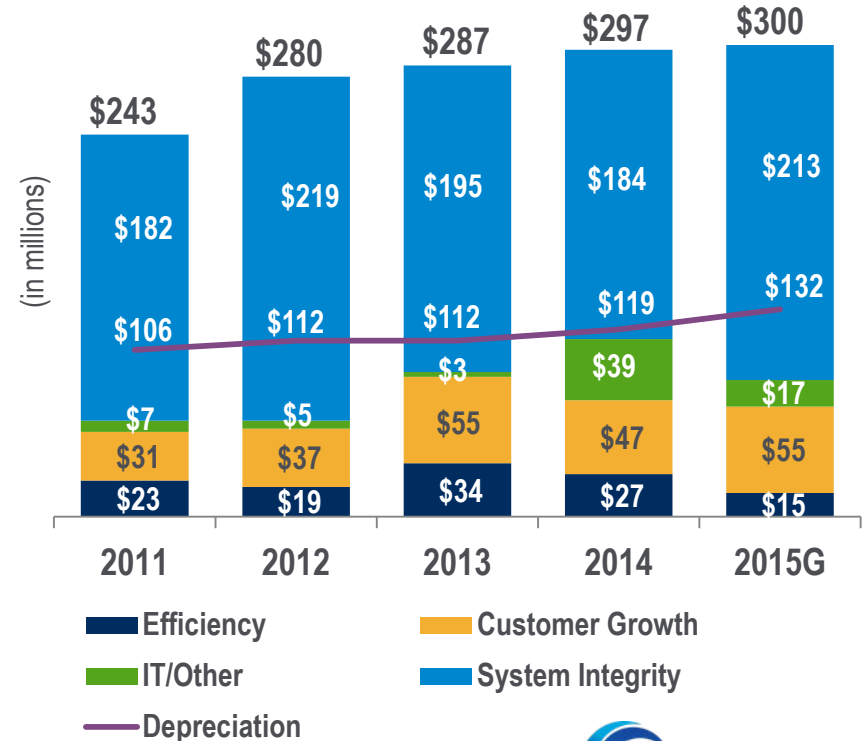
Updated December 2014

- Expected average annual net income growth of 5-8% between 2014 and 2019
 - Driven by capital investments and customer growth
 - Rate base expected to grow an average of 5-6% per year between 2014-2019
- Expected average annual dividend growth of 6-8% between 2014 and 2019
 - Target dividend payout ratio of 55-65% of net income
- Expected capital expenditures of between \$300-\$325 million per year in 2015-2019

Capital Expenditures

Capital Spending Exceeds Depreciation

- Majority of capital expenditures for safety, reliability and efficiency
 - System integrity and replacements
 - Efficiency
 - Automated meter reading (70% coverage)
 - Operational efficiency efforts
- New service lines and main extensions for customer growth
- 2015 by state:
 - Oklahoma: ~40%
 - Kansas: ~30%
 - Texas: ~30%



Creating value for stakeholders

Creating Value for Stakeholders

Strategic Focus

- Capital investments targeted toward safety, reliability and efficiency
 - Approximately 70% of annual forecast
 - Efficiency projects reduce expenses to sustainable levels
- Minimize gap between actual and allowed returns
 - Annual filings for interim rate adjustments
 - File rate cases as warranted
- Develop incremental sources of regulated revenue
 - Transportation revenues to new compressed natural gas (CNG) stations
 - Transportation revenues to distributed generation

Compressed Natural Gas (CNG)

Current Environment

- Currently operate 26 fueling stations accessible to the public
- Currently providing supply to 46 retail and 37 private CNG stations
- Increased CNG volumes 49% between 2013 and 2014
- Supporting industry efforts to encourage development of more vehicle options by car and truck manufacturers
- Industry
 - Increased interest in CNG for transportation, particularly by fleet operators
 - Tax incentives further contribute to positive economics
 - Increased industry investments in fueling stations
- Benefits
 - Use of CNG increases load
 - One vehicle is equivalent to one home
 - One pickup truck is equivalent to two homes
 - One refuse truck is equivalent to 12 homes
 - One transit bus is equivalent to 25 homes
 - Incremental margins from CNG demand could mitigate residential rate increases, enhancing competitive position and customer satisfaction
 - Home-fueling technology innovations could be a game changer

Summary

Key Investment Considerations

Focused business strategy

- 100% regulated natural gas distribution utility

Constructive regulatory environment

- Multiple mechanisms and riders

Significant scale

- 2.1 million customers
- High percentage of residential customers and fixed charges

Conservative financial profile

- Stable earnings and cash flow
- Commitment to “A-level” investment-grade credit ratings

Appendix

Customer and Asset Mix

Key Statistics as of Dec. 31, 2014



Kansas



Oklahoma



Texas

Total

	Kansas	Oklahoma	Texas	Total
Average Number of Customers	634,128	853,533	639,840	2,127,501
Number of Employees	1,000	1,100	700	3,300*
Miles of Service Lines	8,100	5,000	5,200	18,300
Distribution – Miles	12,000	18,200	9,600	39,800
Transmission – Miles	1,500	800	400	2,700
High Density Cities	Kansas City, Topeka, Wichita	Oklahoma City, Tulsa	Austin, El Paso	7 cities make up the majority of customers
Percentage of Customers in Metropolitan Areas	58%	81%	75%	73%
Market Share - Customers Served	72%	87%	14%	

* Includes corporate employees

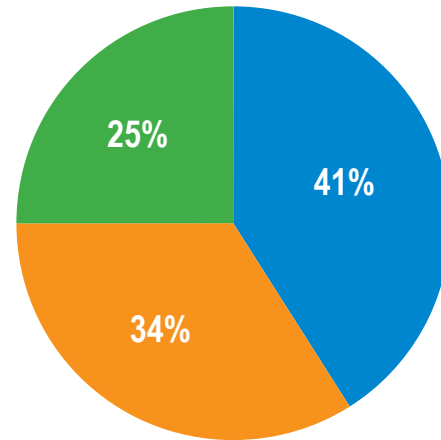
Projected Rate Base

By State

- Projected rate base consists of:
 - + Property, plant and equipment
 - + Working capital
 - + / – Other rate base items
 - Accumulated deferred income taxes
 - Accumulated depreciation

2015 Estimated Rate Base

Total: \$2.7 billion*



■ Oklahoma ■ Kansas ■ Texas

* Calculation consistent with utility ratemaking in each jurisdiction

Regulatory Information

By State as of Dec. 31, 2014

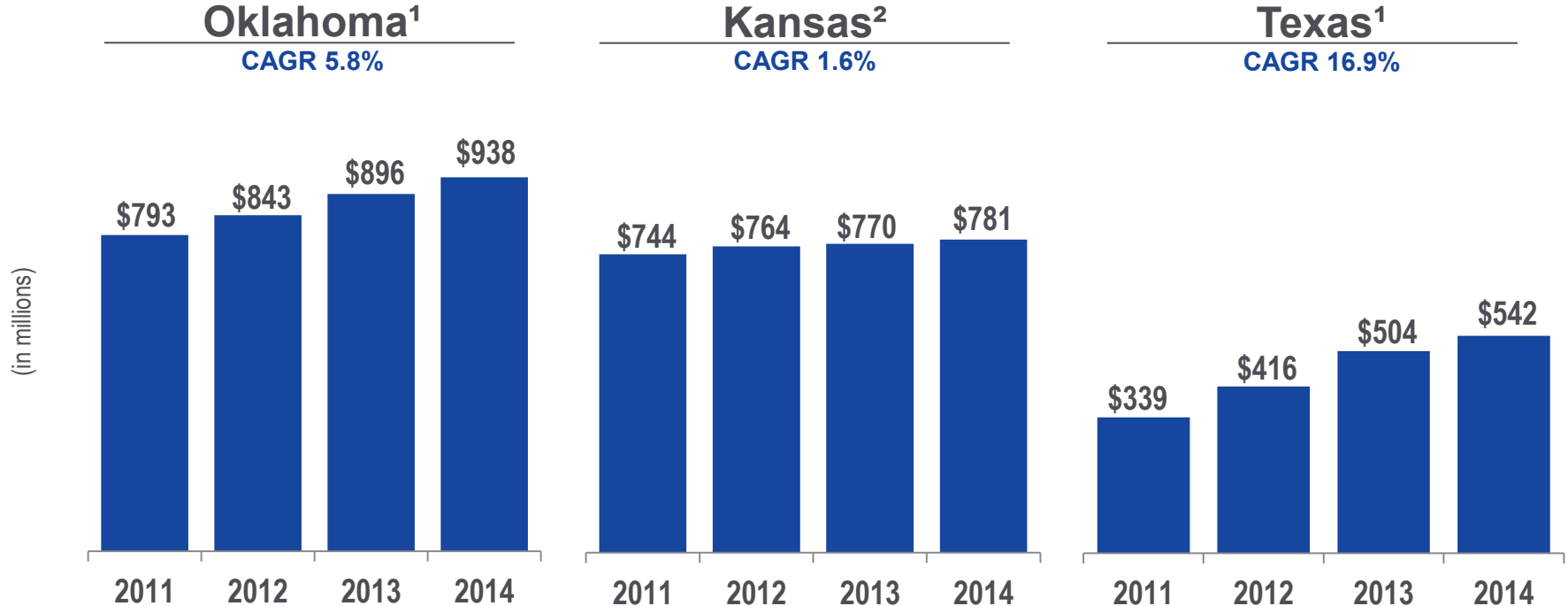
	Rate Base (in millions)	Authorized Rate of Return	Authorized Return on Equity
Oklahoma Natural Gas ¹	\$938	8.535%	10-11%
Kansas Gas Service ²	\$781	N/A	N/A
Texas Gas Service ¹	\$542	8.14%	10.4%

¹ The rate base, authorized rate of return and authorized return on equity presented in this table are those from the last approved rate filings for each jurisdiction. These amounts are not necessarily indicative of current or future rate bases, rates of return or returns on equity.

² Last rate case was settled without a determination of rate base, return on equity or rate of return; rate base includes the amounts included in the company's filings and is not necessarily indicative of current or future rate base. Rate base reflects 2013 and 2014 GSRS approvals.

Authorized Rate Base

Historical by State

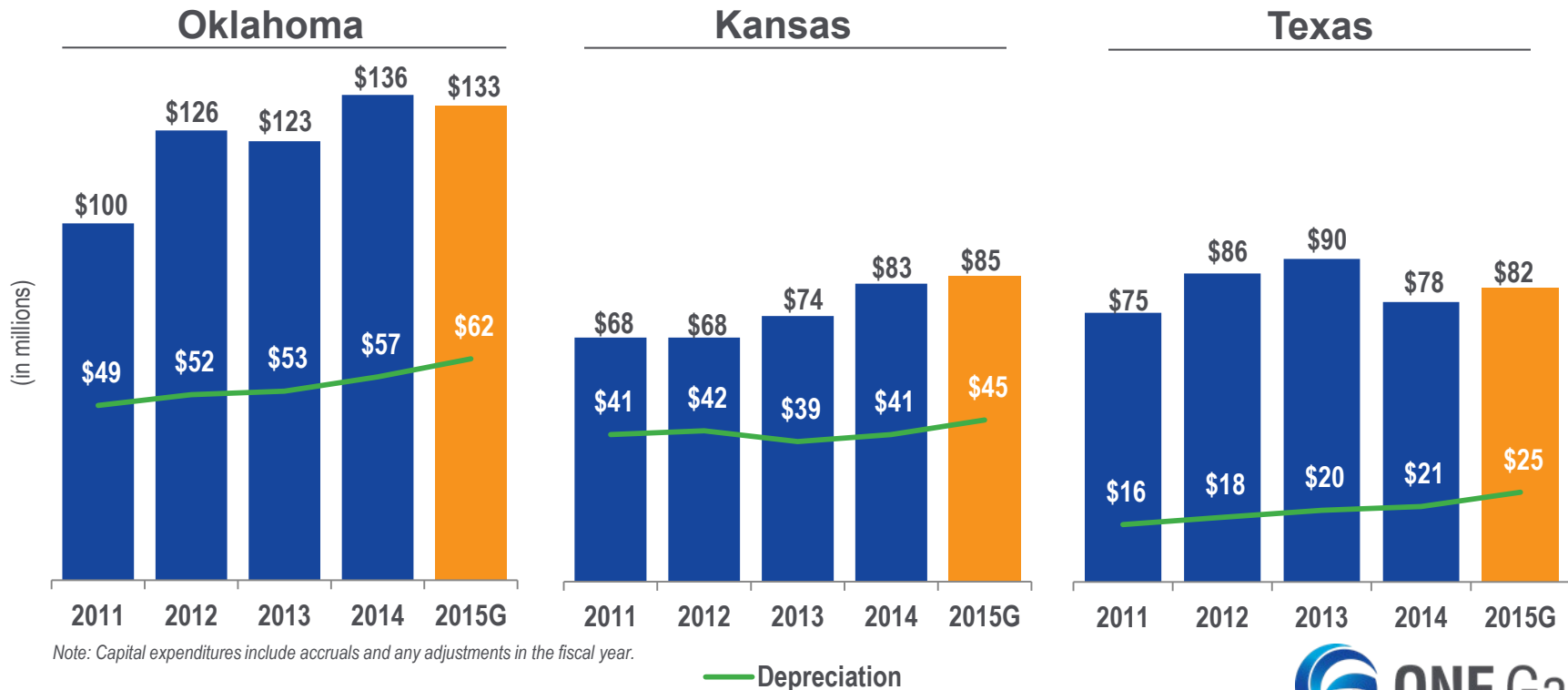


¹ Rate bases presented in this table are those from the last approved rate filings for each jurisdiction. These amounts are not necessarily indicative of current or future rate bases.

² Last rate case was settled without a determination of rate base and includes the amounts included in the company's filings; these amounts are not necessarily indicative of current or future rate base. 2013 and 2014 rate base reflects GSRs approvals.

Capital Expenditures

By State



Note: Capital expenditures include accruals and any adjustments in the fiscal year.

— Depreciation



Regulatory Constructs

By State

Mechanism	Oklahoma	Kansas	Texas*
Performance-based rates	X		
Capital investments; safety-related riders	X**	X	X
Weather normalization	X	X	X
Purchased Gas Adjustment/Cost of Gas riders	X	X	X
Energy efficiency/conservation programs	X		X
Pension and Other Post-Retirement Benefits Trackers	X**	X	X
Cost of Service Adjustment / El Paso Annual Rate Review	X**		X

* 10 jurisdictions in Texas; not all mechanisms apply to each jurisdiction

** Incorporated in performance-based rates

Cost of Gas

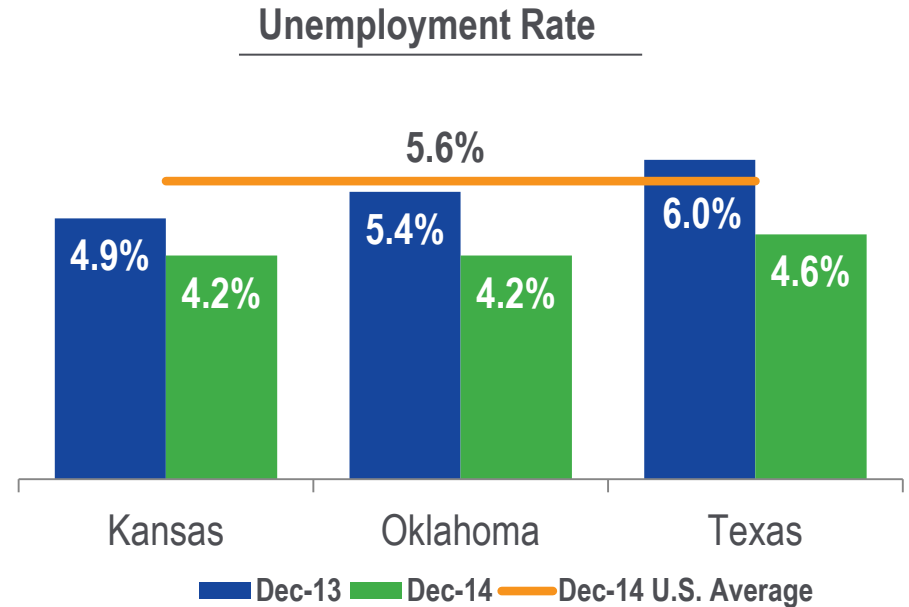
Passed Through to Customers

- Actual costs of the commodity, transportation and storage of natural gas are passed through to customers without markup
 - Natural gas used in operations is recovered in “Purchased Gas” or “Cost of Gas” riders
 - Cost of Gas component of bad debts and hedging costs are included in cost of gas
- No direct commodity risk to ONE Gas divisions
- 38 Bcf of natural gas in storage at Dec. 31, 2014

Economic Environment

Unemployment Rates

- Continue to trend below national average
- 2015 estimated job growth
 - Kansas: 1.8%
 - Oklahoma: 1.7%
 - Texas: 2.4%



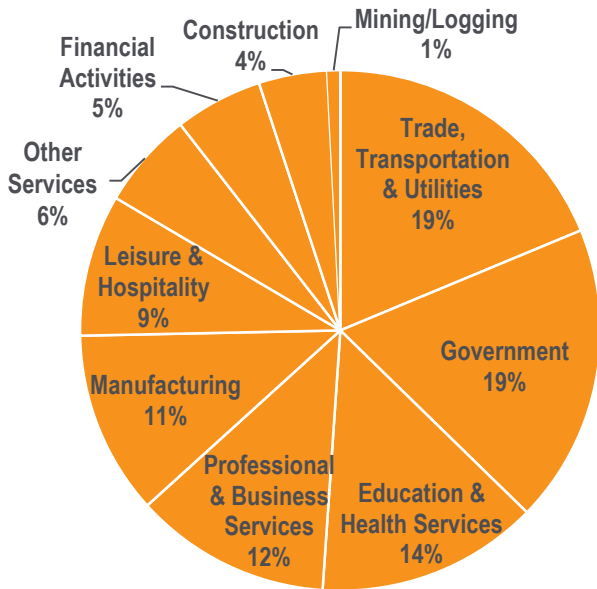
Sources: U.S. Bureau of Labor Statistics, Oklahoma State University, Texas Workforce Commission, Wichita State University



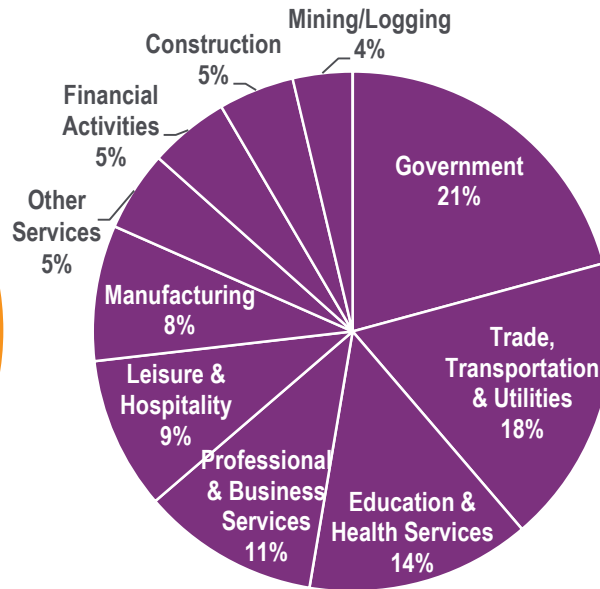
Diverse Employment Mix

*State Employment by Sector**

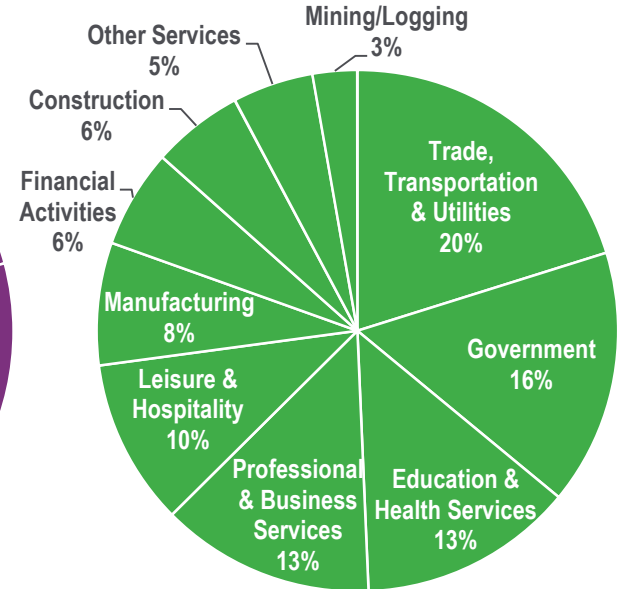
Kansas



Oklahoma



Texas

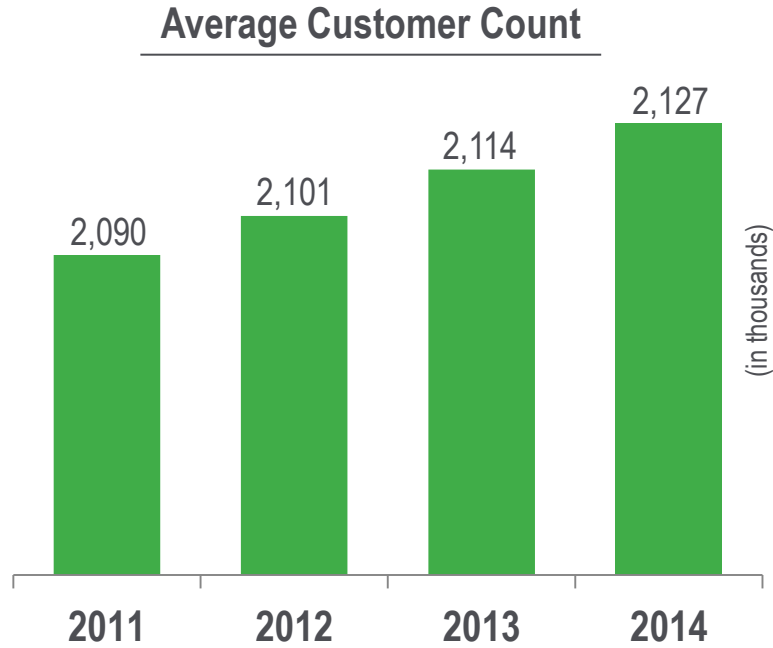


Source: U.S. Bureau of Labor Statistics, 11/2014 data

*Non-farm employment

Customer Growth

Projected 2015 Customer Growth ~ 0.5% to 1%



Non-GAAP Information

ONE Gas has disclosed in this presentation cash flow from operations before changes in working capital, which is a non-GAAP financial measure. Cash flow from operations before changes in working capital is used as a measure of the company's financial performance. Cash flow from operations before changes in working capital is defined as net income adjusted for depreciation and amortization, deferred income taxes, and certain other noncash items.

The non-GAAP financial measure described above is useful to investors as an indicator of financial performance of the company's investments to generate cash flows sufficient to support our capital expenditure programs and pay dividends to our investors. ONE Gas cash flow from operations before changes in working capital should not be considered in isolation or as a substitute for net income or any other measure of financial performance presented in accordance with GAAP.

This non-GAAP financial measure excludes some, but not all, items that affect net income. Additionally, this calculation may not be comparable with similarly titled measures of other companies. A reconciliation of cash flow from operations before changes in working capital is included in this presentation.

Cash Flow From Operations

*Before Changes In Working Capital**

<i>(Millions of dollars)</i>	2015 Guidance	2014 Actual	Change
Net Income	\$ 113	\$ 110	\$ 3
Depreciation and amortization	135	126	9
Deferred taxes	(8)	50	(58)
Other	13	14	(1)
Cash flow from operations before changes in working capital	\$ 253	\$ 300	\$ (47)

**Amounts shown are midpoints of ranges provided.*

