

New York City | March 3, 2014

Morgan Stanley Utilities 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 Nov. 5 and Dec. 2, 2013, and are not being updated or affirmed by this presentation.

Overview

Key Points

Overview

- 100% regulated natural gas utility
- Third largest publicly traded natural gas distributor

Financial

- Maintain conservative financial posture
- Capital investments result in rate base growth

Creating value for all stakeholders

- Employees, customers, investors and communities

Overview

Vision and Mission

Our Vision

To be a premier natural gas distribution company creating exceptional value for its stakeholders

- Attract, select, develop and retain a diverse group of employees to support strategy execution

Our Mission

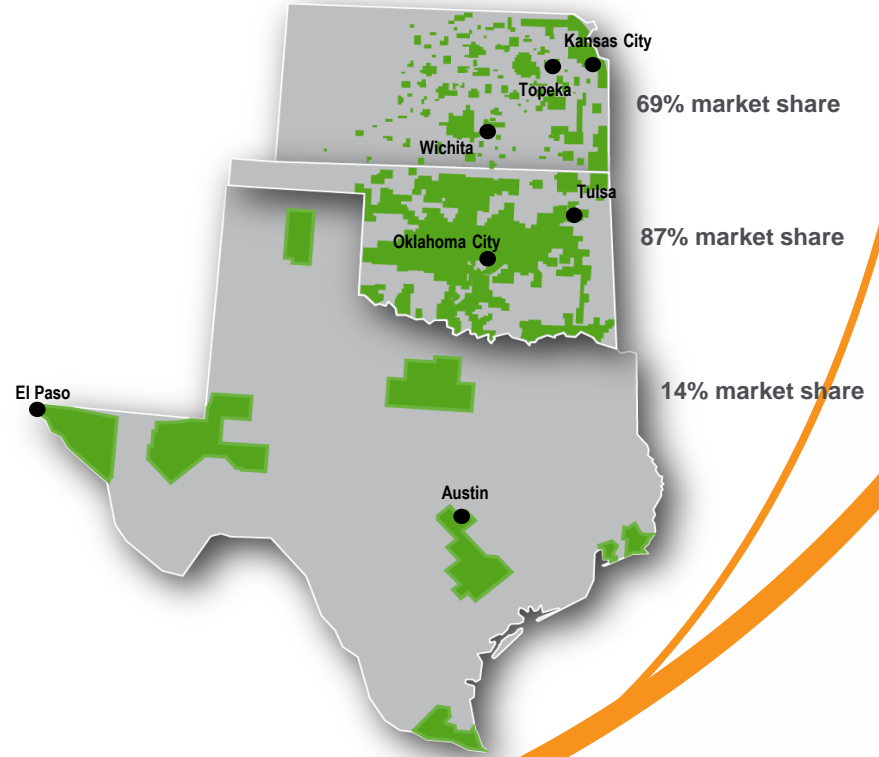
Becoming ONE:

- ONE in Responsibility – safety, reliability and compliance
- ONE in Value – employees, investors, customers and communities
- ONE in Industry – recognized leader, processes and productivity

Key Investment Considerations

Summary

- **Focused business strategy**
 - 100% regulated natural gas distribution utility
 - Third largest publicly traded natural gas distributor
- **Constructive regulatory environment**
 - Allowed ROE of approximately 10%
 - Multiple risk- and lag-mitigation mechanisms and riders
- **Significant scale**
 - 2.1 million customers – 92% residential
 - Largest in Kansas and Oklahoma; Third largest in Texas
 - Rate base of approximately \$2.4 billion at year end 2013
- **Conservative financial profile**
 - Capital investments result in rate base growth
 - Stable earnings and cash flow
 - Commitment to “A-level” investment-grade credit ratings
 - Targeted 40-45% long-term debt-to-capitalization ratio



Margin Profile



Kansas



Oklahoma



Texas

Total

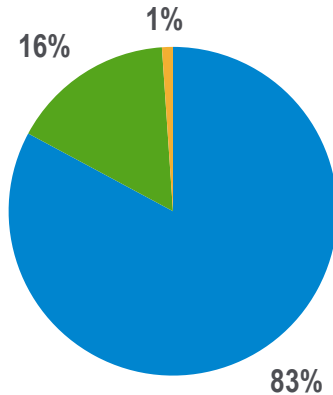
	Kansas	Oklahoma	Texas	Total
Fixed Charges-Sales customers	51%	83%	70%	69%
Average Heating Degree Days – Normal	4,860	3,317	1,785	-
Weather Normalization	100%	100%	62%	87%
Residential Margin	68%	71%	67%	69%
Risk and Lag Mechanisms	Gas System Reliability Surcharge (GSRS), Weather Normalization, Bad Debt, Pension and Other Post-Employment Benefits (OPEB), Ad Valorem	Performance-based rates (PBR), Weather Normalization, Gas-cost related to bad debt, Energy Efficiency Program, CNG Rebate Program,	Cost of Service Adjustments (COSA), Gas Reliability Infrastructure Program (GRIP), Energy Efficiency (Austin), Gas-cost related to bad debt (98%), Weather Normalization, Safety-related Plant Replacements	
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)	

Residential Customers

High Percentage

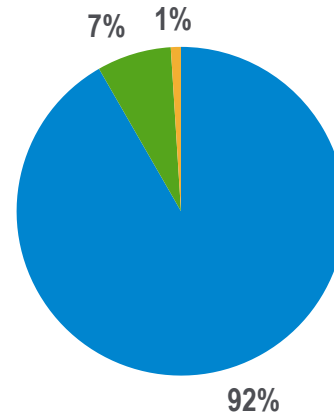
Net Sales Margin

2013



Customer Count

2013



Customer Type

Residential

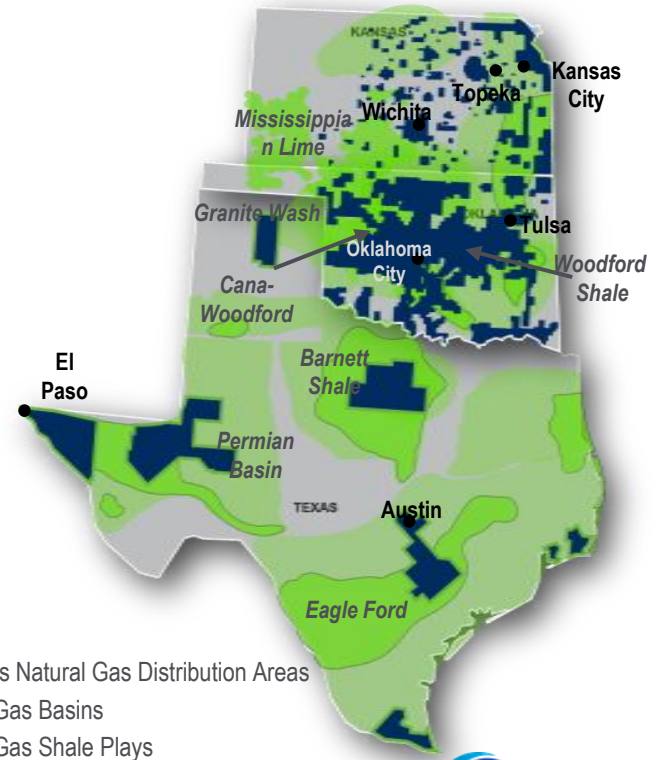
Commercial/Industrial

Wholesale

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



Growth Strategies

Identify and Pursue Growth Opportunities

- Capital investments targeted toward safety, reliability and efficiency
 - Results in steady rate base growth
 - Efficiency projects reduce expenses to sustainable levels
- Minimize gap between actual and allowed returns
 - Continued 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

Regulatory Mechanisms

Highlights

- Oklahoma Natural Gas
 - Performance-based rate structure provides annual rate reviews between rate cases to ensure achieved ROE is within the established band of 10-11 percent
- Kansas Gas Service
 - Gas Systems Reliability Surcharge (GSRS) – for incremental safety-related and government-mandated capital investments made between rate cases
- Texas Gas Service
 - Cost-of-service adjustments (COSA) for certain capital investments and changes in operating expenses
 - Gas Reliability Infrastructure Program (GRIP) for capital investments made between rate cases

Regulatory Constructs

By State

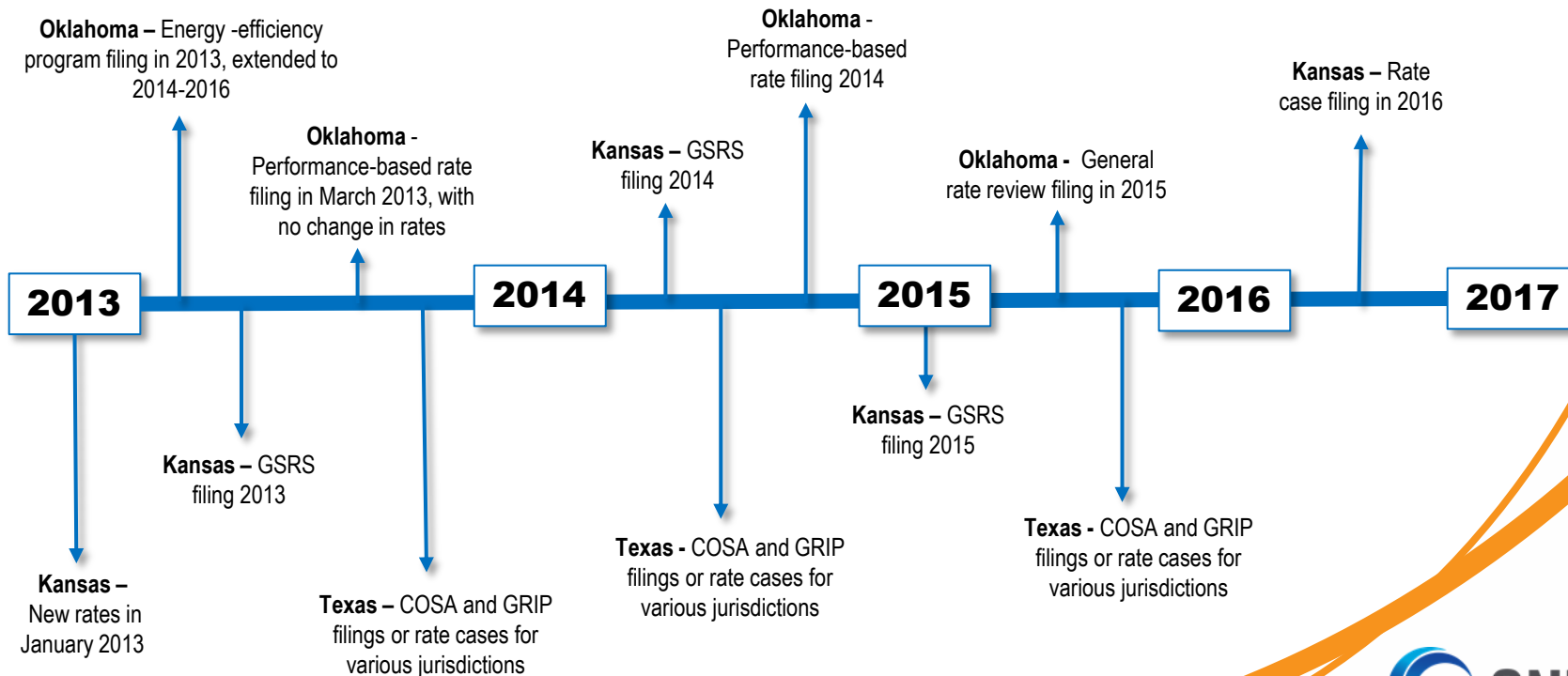
Mechanism	Oklahoma	Kansas	Texas*
Performance-based rates	X		
Capital investments; safety-related riders	X**	X	X
Weather normalization	X	X	X
Purchased Gas Adjustment/Cost of Gas riders	X	X	X
Energy efficiency/conservation programs	X		X
Pension and Other Post-Retirement Benefits (OPEB) Trackers	X**	X	X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

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

**Incorporated in performance-based rates

Regulatory Filing Timeline

2013-2017



Comparative Highlights

Peer Group Analysis

	Peer Group*		ONE Gas	
	Average	Range	Target	
Key credit-rating factors	Regulated Business	80%	62% - 92%	100%
	Allowed ROE	10.3%	9.5% - 11.05%	9.9%
	Debt/Capitalization Ratio	48%	43% - 54%	40% - 45%
Shareholder factor	Dividend Payout Ratio <i>(as a percent of earnings)</i>	63%	44% - 81%	55% - 65%
Other factors	Age of Company	120 years	63-165 years	107 years
	Customers	1.5 million	0.35 million – 4.5 million	2.1 million

*AGL, ATMOS, Laclede, New Jersey Resources, Northwest, Piedmont, South Jersey Industries, Southwest and WGL
Source Various company filings

Financial Overview

Financial Highlights

Maintain Conservative Posture

- ONE Gas will maintain a conservative financial posture
 - Prudent capital investment results in steady rate base growth
 - Financial metrics necessary to maintain strong investment-grade credit ratings
 - Prudent dividend policy, in line with peers
 - Utilize capital markets to maintain capital ratios
- Financings completed in conjunction with the legal separation from ONEOK
 - \$700 million revolving credit facility
 - Issued \$1.2 billion of long-term debt at weighted average rate of 3.75 percent
 - Distributed \$1.13 billion to ONEOK at separation; retained \$60 million
- Utilize operating cash flows and short-term borrowings for working capital and capital expenditures

2014 Guidance

- Net income: range of \$95-\$105 million
- Operating income midpoint: \$217 million
- Cash flows from operations midpoint: \$236 million
- Dividend of 28 cents per share per quarter following the separation
- Capital expenditures midpoint: \$263 million

Five-year Financial Outlook

- Expected average annual net income growth of 4-6% comparing 2014 earnings guidance with the 2018 forecast
 - Driven by regulatory filings
 - Rate base expected to grow an average of 5-6% per year between 2013-2018
- Expected average annual dividend growth of 5% between 2014-2018
 - Target dividend payout ratio of 55-65% of net income
- Expected capital expenditures of between \$240-\$285 million per year in 2014-2018

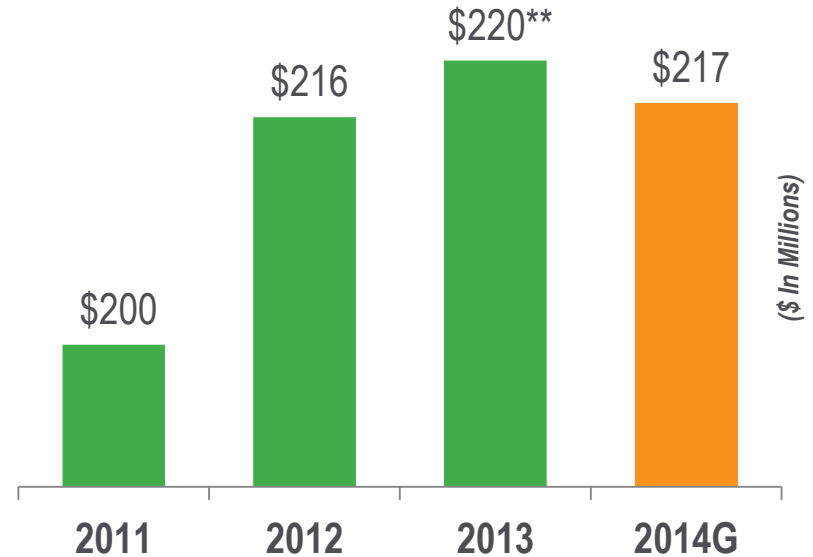
Operating Income

Opportunity to Narrow the Gap

- Goal: Minimize the gap between allowed and actual returns*
 - 2014 allowed return on equity (ROE): 9.9%
 - 2014 ROE estimate: 7.4%

 - 2013 ROE achieved: 8.0%
 - 2013 ROE allowed: 9.9%

 - 2012 ROE achieved: 8.3%



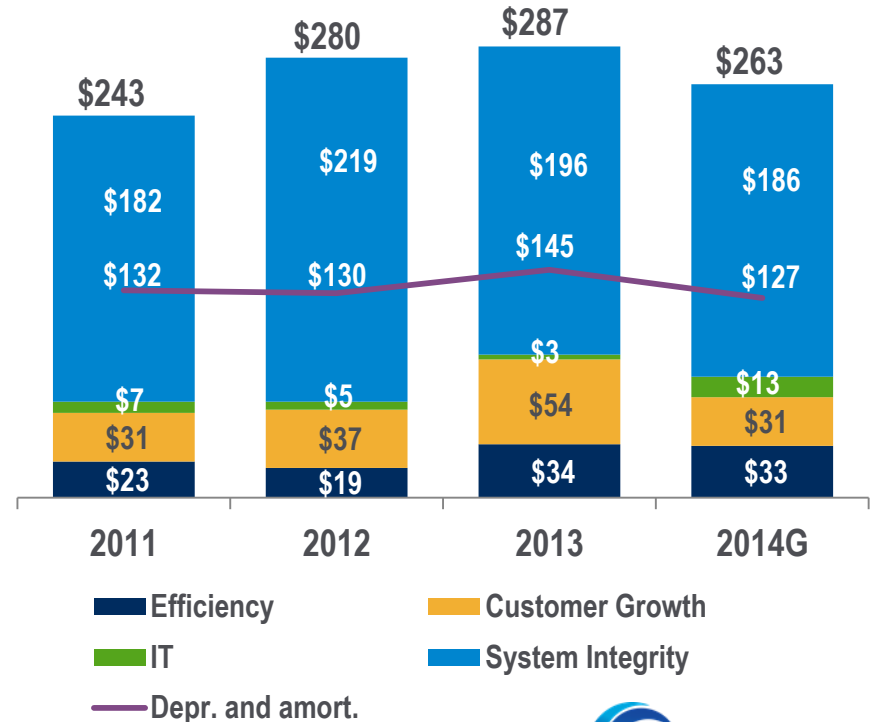
*ROE calculations are consistent with utility ratemaking in each jurisdiction

**Includes \$10.2 million charge related to separation

Capital Expenditures

Capital Spending Exceeds Depreciation

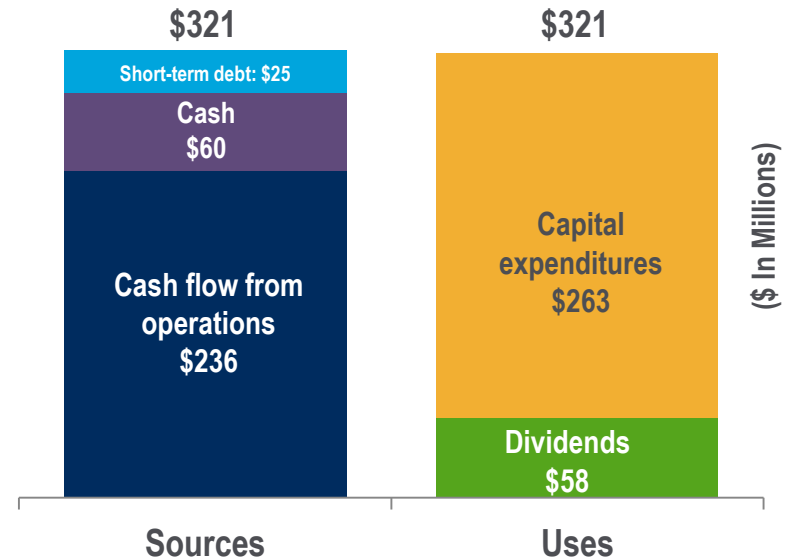
- Majority of capital expenditures for safety, reliability and efficiency
 - System integrity and replacements
 - New service lines and main extensions for customer growth
 - Efficiency
 - Automated meter reading (64% coverage)
 - Operational efficiency efforts
- Capital expenditures primarily funded by cash flow from operations
- Expected rate base growth of 5-6% between 2013-2018



Cash Flow

2014 Sources and Uses

- Target dividend payout ratio of 55-65% of net income
- Capital expenditures primarily funded by cash flow from operations
- Dividend of 28 cents per share per quarter



Balance Sheet

Commitment to Strong Investment-Grade Ratings

- Strong investment-grade credit ratings, consistent with peers
 - **Moody's: A2 (Stable)**
 - **S&P: A- (Stable)**
- Targeted capital structure
 - Long-term debt-to-capitalization ratio of 40-45%
 - Long-term debt-to-EBITDA of 3.5x
 - EBIT-to-interest of 4.0x
- Strong liquidity position will support capital expenditure and working capital needs
 - Stable operating cash flows
 - \$700 million revolving credit facility
 - Commercial paper program
- Pension funding of approximately 99% at Jan. 1, 2014

Creating value for all stakeholders

Key Investment Considerations

Summary

Focused business strategy

- 100% regulated natural gas distribution utility

Constructive regulatory environment

- Multiple risk- and lag-mitigation mechanisms and riders

Significant scale

- 2.1 million customers – 92% residential

Conservative financial profile

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

Appendix

Compressed Natural Gas (CNG)

Current Environment

- **Industry**
 - Increased interest in CNG for transportation, particularly by fleet operators
 - Tax incentives further contribute to positive economics
 - Increased industry investments in fueling stations
- **ONE Gas**
 - Currently operate 27 fueling stations that are accessible to the public
 - Currently providing natural gas supply to 36 retail and 30 private CNG stations
 - Supporting industry efforts to encourage development of more vehicle options by car and truck manufacturers
- **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
 - Home-fueling technology could be a game changer

Customer and Asset Mix

Key Statistics as of Dec. 31, 2013



	Kansas	Oklahoma	Texas	Total
Average Number of Customers	632,638	847,023	634,251	2,113,912
Number of Employees	1,000	1,100	700	3,100*
Miles of Service Lines	8,000	4,600	5,700	18,300
Distribution – Miles	11,400	18,200	9,600	39,200
Transmission – Miles	1,600	800	400	2,800
High Density Cities	Overland Park, Topeka, Wichita	Oklahoma City, Tulsa	Austin, El Paso	7 cities make up the majority of customers
Percentage of Customers in Metropolitan Areas	59%	81%	75%	
Market Share - Customers Served	69%	87%	14%	

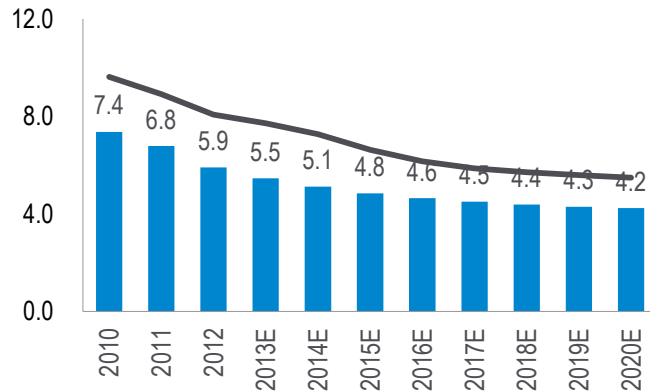
**Includes corporate employees*

Stable Economic Environment

High-Quality Service Territories

- Unemployment rate below national average
 - 2013: 29% below national average
- Population growth above national average
 - 2013: 32% above national average

Unemployment Rate (%)



Population Growth (%)



Source: IHS Global Insight

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 is included in cost of gas
- No direct commodity risk to ONE Gas divisions
- 57.3 Bcf of natural gas storage leased at Dec. 31, 2013
 - Approximately 26% of winter gas supply needs supplied by storage
- Purchased 189 Bcf of natural gas in 2013

Other Regulatory Mechanisms

Oklahoma Natural Gas

- Purchased Gas Adjustment Clause
- Temperature Adjustment Clause
- Energy Efficiency Programs
- Compressed Natural Gas Rebate Program

Other Regulatory Mechanisms

Kansas Gas Service

- Cost of Gas Rider and Annual Cost Adjustment
- Weather Normalization Adjustment
- Ad Valorem Tax Surcharge
- Pension and Other Post Retirement Benefits (OPEB) Trackers
- Gas System Reliability Surcharge

Other Regulatory Mechanisms

*Texas Gas Service – 10 Service Areas**

- Gas Reliability Infrastructure Programs (GRIP)
- Cost of Service Adjustment (COSA)
- Weather Normalization Adjustment (WNA)
- Cost of Gas (COG) clause
- Pension and OPEB Trackers
- Pipeline-Integrity Testing Riders
- Safety-Related Plant Replacements
- Energy Conservation Program

**Not every regulatory mechanism is present in each jurisdiction/service area*

Non-GAAP Reconciliations

ONE Gas has disclosed in this presentation targeted long-term debt-to-EBITDA and EBIT-to-interest ratios, which are calculated using amounts disclosed in our financial statements in accordance with generally accepted accounting principles and EBITDA and EBIT amounts that are non-GAAP financial measures.

Management believes these measures provide useful information to investors as a measure of financial performance as a stand-alone public company for comparison with peer companies; however, these calculations may vary from company to company, so the Company's computations may not be comparable with those of other companies. Additionally, we have not calculated these measures for the periods in which we were part of ONEOK.

EBITDA is defined as net income adjusted for interest expense, depreciation and amortization and income taxes. EBIT is defined as net income adjusted for interest expense and income taxes.

These measures should not be considered in isolation or as a substitute for net income, income from operations or other measures of financial performance determined in accordance with GAAP.

