

ONE Gas, Inc.  
Form DEF 14A  
April 05, 2016  
Table of Contents

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**

**SCHEDULE 14A**  
**(Rule 14A 101)**  
**Proxy Statement Pursuant to Section 14(a) of the**  
**Securities Exchange Act of 1934**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Definitive Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

**ONE Gas, Inc.**

**(Name of Registrant as Specified In Its Charter)**

**(Name of Person(s) Filing Proxy Statement, if other than the Registrant)**

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

Table of Contents



NOTICE OF  
ANNUAL MEETING  
AND PROXY STATEMENT



Annual Meeting of Shareholders

Thursday, May 26, 2016

**Table of Contents**

**MISSION**

**We deliver natural gas for a better tomorrow.**

**VISION**

**To be a premier natural gas distribution company creating exceptional value for our stakeholders.**

**STRATEGY**

**Becoming ONE:**

**ONE in Responsibility** safety, reliability and compliance

**ONE in Value** employees, shareholders, customers and communities

**ONE in Industry** recognized leader, processes and productivity

**CORE VALUES**

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

**Inclusion and Diversity:** We embrace and promote diversity and collaboration; every employee makes a difference and contributes to our success.

**Ethics:** We are accountable to the highest ethical standards; honesty, trust and integrity matter.

**Service:** We provide exceptional service and make continuous improvements in our pursuit of excellence.

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

**Table of Contents**

**April 5, 2016**

**Dear Shareholder:**

You are cordially invited to attend the annual meeting of shareholders of ONE Gas, Inc., which will be held at 9:00 a.m. Central Daylight Time on Thursday, May 26, 2016, at our company headquarters at ONE Gas, Inc., First Place Tower, 15 E. Fifth Street, 2<sup>nd</sup> Floor, Tulsa, Oklahoma 74103.

The matters to be considered and voted on at the meeting are set forth in the attached notice of annual meeting of shareholders and are described in the attached proxy statement. A copy of our 2015 annual report to shareholders is also enclosed. A report on our 2015 performance will be presented at the meeting.

We look forward to greeting as many of our shareholders as possible at the annual meeting. We know, however, that most of our shareholders will be unable to attend. Therefore, proxies are being solicited so that each shareholder has an opportunity to vote by proxy. You can authorize a proxy over the Internet or by telephone. Instructions for using these convenient services are included in the proxy statement and on the proxy card. Of course, if you prefer, you may vote by mail by signing, dating and returning the enclosed proxy card in the enclosed postage-paid envelope.

**If your shares are held by a broker, bank or other holder of record, unless you provide your broker, bank or other holder of record with your instructions on how to vote your shares, your shares will not be voted in the election of directors or in certain other important proposals as described in the accompanying proxy statement. Consequently, please provide your voting instructions to your broker, bank or other holder of record in a timely manner in order to ensure that your shares will be voted.**

Regardless of the number of shares you own, your vote is important. I urge you to submit your proxy as soon as possible so that you can be sure your shares will be voted.

Thank you for your investment in ONE Gas and for your continued support.

Very truly yours,

**JOHN W. GIBSON**

Chairman of the Board

**Table of Contents**

**ONE GAS, INC.**

**NOTICE OF 2016 ANNUAL MEETING OF SHAREHOLDERS**

**Time and date:** May 26, 2016, at 9:00 a.m. Central Daylight Time

**Place:** ONE Gas, Inc., First Place Tower, 15 E. Fifth Street, 2<sup>nd</sup> Floor, Tulsa, Oklahoma 74103

**Items of business**

- (1) To consider and vote on the election of Class II director nominees named in the accompanying proxy statement to serve on our Board of Directors for a three-year term;
- (2) To consider and vote on the ratification of the selection of PricewaterhouseCoopers LLP as the independent registered public accounting firm of ONE Gas, Inc., for the year ending December 31, 2016;
- (3) To consider and vote on our executive compensation on a non-binding, advisory basis; and
- (4) To consider and vote on such other business as may come properly before the meeting, or any adjournment or postponement of the meeting.

These matters are described more fully in the accompanying proxy statement.

**Record date:** March 28, 2016. Only shareholders of record at the close of business on the record date are entitled to receive notice of, and to vote at, the annual meeting.

**Proxy voting**

**YOUR VOTE IS IMPORTANT**

The vote of every shareholder is important. The Board appreciates the cooperation of shareholders in directing proxies to vote at the meeting. To make it easier for you to vote, Internet and telephone voting are available. The instructions in the accompanying proxy statement and attached to your proxy card describe how to use these convenient voting methods. Of course, if you prefer, you may vote by mail by completing your proxy card and returning it in the enclosed postage-paid envelope. You may revoke your proxy at any time by following the procedures set forth in the accompanying proxy statement.

**Whether or not you expect to attend the meeting in person, we urge you to vote your shares at your earliest convenience. This will ensure the presence of a quorum at the meeting. Voting your shares promptly, via the Internet, by telephone, or by signing, dating and returning the enclosed proxy card will save the expense of additional solicitation. Submitting your proxy now will not prevent you from voting your shares at the meeting, if you desire to do so, as your proxy is revocable at your option.**

**Important Notice Regarding Internet Availability of Proxy Materials.** This notice of annual meeting, proxy statement, form of proxy and our 2015 annual report to shareholders are available on our website at [www.ONEGas.com](http://www.ONEGas.com). Additionally, and in accordance with the rules of the Securities and Exchange Commission, you may access this proxy statement and our 2015 annual report at <http://shareholder.onegas.com>, which does not infringe on the anonymity of a person accessing such website. The website does not employ cookies or other user-tracking features.

By order of the Board,

**Brian K. Shore**

Secretary

Edgar Filing: ONE Gas, Inc. - Form DEF 14A

Tulsa, Oklahoma

April 5, 2016



**Table of Contents**

ONE Gas, Inc.

First Place Tower

15 E. Fifth Street

Tulsa, OK 74103

**PROXY STATEMENT**

This proxy statement describes important issues affecting our company and is furnished in connection with the solicitation of proxies by our Board for use at our 2016 annual meeting of shareholders to be held at the time and place set forth in the accompanying notice. The approximate date of the mailing of this proxy statement and accompanying proxy card is April 5, 2016.

Unless we otherwise indicate or unless the context indicates otherwise, all references in this proxy statement to ONE Gas , we, our, us, the company or similar references mean ONE Gas, Inc. and its subsidiary, references to ONEOK mean ONEOK, Inc. and its subsidiaries, and references to the Board or Board of Directors mean the Board of Directors of ONE Gas, Inc.

**Table of Contents****TABLE OF CONTENTS**

<b>Summary Proxy Information</b>	<b>1</b>
<u>Business Highlights</u>	3
<u>Compensation Highlights</u>	4
<u>Shareholder Actions</u>	6
<b>About the 2016 Annual Meeting</b>	<b>8</b>
<b>Outstanding Stock and Voting</b>	<b>12</b>
<u>Voting</u>	12
<u>Quorum</u>	12
<u>Matters to Be Voted Upon</u>	12
<u>Votes Required</u>	13
<u>Revoking a Proxy</u>	13
<u>Proxy Solicitation</u>	13
<b>Governance of the Company</b>	<b>14</b>
<u>Corporate Governance Guidelines</u>	14
<u>Code of Business Conduct and Ethics</u>	14
<u>Director Independence</u>	14
<u>Board Leadership Structure</u>	15
<u>Lead Independent Director</u>	15
<u>Succession Planning</u>	15
<u>Risk Oversight</u>	15
<u>Board and Committee Membership</u>	16
<u>Director Nominations</u>	18
<u>Director Compensation</u>	19
<u>Compensation Committee Interlocks and Insider Participation</u>	21
<u>Executive Sessions of the Board</u>	21
<u>Communications with Directors</u>	22
<u>Complaint Procedures</u>	22
<b>Corporate Responsibility</b>	<b>23</b>
<u>Safety and Health</u>	23
<u>Environmental Performance</u>	23
<u>Community Investment</u>	23
<u>Political Advocacy and Contributions</u>	23
<b>Proposal 1 Election of Class II Directors</b>	<b>25</b>
<u>Election by Majority Vote</u>	25
<u>Board Qualifications</u>	25
<u>Director Nominees for Class II Directors</u>	26
<u>Class III Directors (continuing directors not up for re-election at the annual meeting)</u>	27
<u>Class I Directors (continuing directors not up for re-election at the annual meeting)</u>	28
<b>Proposal 2 Ratify the Selection of PricewaterhouseCoopers LLP as our Independent Registered Public Accounting Firm for the Year Ending December 31, 2016</b>	<b>30</b>
<u>Ratification of Selection of PricewaterhouseCoopers LLP as our Independent Registered Public Accounting Firm for 2016</u>	30
<u>Audit and Non-Audit Fees</u>	30
<u>Audit Committee Policy on Services Provided by the Independent Registered Public Accounting Firm</u>	30
<u>2016 Report of the Audit Committee</u>	31
<b>Stock Ownership</b>	<b>33</b>
<u>Holdings of Major Shareholders</u>	33
<u>Holdings of Officers and Directors</u>	34
<u>Section 16(a) Beneficial Ownership Reporting Compliance</u>	35
<b>Compensation Discussion and Analysis</b>	<b>36</b>
<u>Executive Summary</u>	36
<u>Say on Pay</u>	37
<u>Elements of our Executive Compensation Program for 2015</u>	37
<u>How we Determine Pay</u>	39
<u>Market Benchmarking</u>	40
<u>Risk Considerations</u>	41
<u>2015 Performance and Compensation</u>	41
<u>Cancellation and Replacement of Existing Grants Due to Separation from ONEOK</u>	43

Share Ownership Guidelines

43

Clawback Provisions

44

Termination and Change-in-Control Benefits

44

**Table of Contents**

<u>Employment Agreements</u>	44
<u>Internal Revenue Code Service Limitations on Deductibility of Executive Compensation</u>	44
<u>Executive Compensation Committee Report</u>	45
<u>Named Executive Officer Compensation</u>	46
<u>Grants of Plan-Based Awards for 2015</u>	48
<u>Outstanding Equity Awards at Fiscal Year End for 2015</u>	49
<u>Option Exercises and Stock Vested for 2015</u>	50
<u>Pension Benefits for 2015</u>	51
<u>Nonqualified Deferred Compensation for 2015</u>	52
<u>Potential Post-Employment Payments and Payments Upon a Change in Control</u>	53
<b><u>Proposal 3 Advisory Vote on Executive Compensation</u></b>	<b>57</b>
<u>Introduction</u>	57
<u>Our Executive Compensation Program</u>	57
<u>Vote Required and Board Recommendation</u>	58
<b><u>Related-Person Transactions</u></b>	<b>59</b>
<b><u>Shareholder Proposals</u></b>	<b>60</b>
<b><u>Householding</u></b>	<b>61</b>
<b><u>Annual Report on Form 10-K</u></b>	<b>62</b>
<b><u>Other Matters</u></b>	<b>63</b>

**Table of Contents**

## **SUMMARY PROXY INFORMATION**

To assist you in reviewing the company's 2015 performance and voting your shares, we would like to call your attention to key elements of our 2016 proxy statement and our 2015 annual report to shareholders. The following is only a summary. For more complete information about these topics, please review the complete proxy statement and our 2015 annual report to shareholders.

### **PROXY STATEMENT SUMMARY**

The following summary provides highlights contained in this proxy statement. You should carefully read and consider the information contained in the proxy statement as this summary does not contain all the information you should consider before voting.

### **INFORMATION ABOUT THE ANNUAL MEETING OF SHAREHOLDERS**

**Date:** Thursday, May 26, 2016

**Time:** 9:00 a.m., Central Daylight Time

**Place:** ONE Gas, Inc., First Place Tower, 15 E. Fifth Street, 2<sup>nd</sup> Floor, Tulsa, Oklahoma 74103

### **ITEMS OF BUSINESS**

Election of two Class II director nominees to serve until 2019

Ratification of the selection of PricewaterhouseCoopers LLP as our independent registered public accounting firm for 2016

Approval, on a non-binding, advisory basis, of our executive compensation

Other business as may come properly before the meeting, or any adjournment or postponement of the meeting

### **RECORD DATE**

March 28, 2016

### **INTERNET ACCESS TO PROXY MATERIALS**

Please visit <http://shareholder.onegas.com> for online access to our proxy materials including this proxy statement and the company's 2015 annual report.

**HOW TO VOTE IF YOU ARE A SHAREHOLDER OF RECORD**

**Via the Internet**

Go to the website at [www.proxypush.com/ogs](http://www.proxypush.com/ogs) which is available 24 hours a day, 7 days a week, until 11:59 p.m. (Central Daylight Time) on May 25, 2016.

Enter the control number that appears on your proxy card. This process is designed to verify that you are a shareholder, and allows you to vote your shares and confirm that your instructions have been properly recorded.

Follow the simple instructions.

**If you appoint a proxy via the Internet, you do not have to return your proxy card.**

**By mail**

Mark your selections on the proxy card.

Date and sign your name exactly as it appears on your proxy card.

Mail the proxy card in the enclosed postage-paid envelope.

If mailed, your completed and signed proxy card must be received prior to the commencement of voting at the annual meeting.

**By telephone**

On a touch-tone telephone, call toll-free 1.866.883.3382, 24 hours a day, 7 days a week, until 11:59 p.m. (Central Daylight Time) on May 25, 2016.

Enter the control number that appears on your proxy card. This process is designed to verify that you are a shareholder, and allows you to vote your shares and confirm that your instructions have been properly recorded.

Follow the simple recorded instructions.

**If you appoint a proxy by telephone, you do not have to return your proxy card.**

Table of Contents**HOW TO VOTE IF YOUR SHARES ARE HELD BY A BROKER OR BANK**

This proxy statement and our 2015 annual report to shareholders should have been forwarded to you by your bank, broker or its nominee, together with a voting instruction card. You have the right to direct your bank, broker or its nominee how to vote your shares by using the voting instruction card you received from your bank, broker or its nominee, or by following any instructions provided by your bank, broker or its nominee for voting via the Internet or telephone.

**PROPOSALS, HOW YOU MAY VOTE AND BOARD RECOMMENDATIONS**

Each of the proposals, how you may vote, and how the Board recommends that you vote, is set forth in the following table:

Proposal	How may I vote?	How does the Board recommend that I vote?
I. The election of the Class II director nominees identified in this proxy statement, each for a three-year term.	You may vote <b>FOR</b> or <b>AGAINST</b> the approval of each of the two Class II director nominees, or you may indicate that you wish to <b>ABSTAIN</b> from voting on the matter.	The Board recommends that you vote <b>FOR</b> each of the two Class II director nominees.
II. The ratification of the selection of PricewaterhouseCoopers LLP as our independent registered public accounting firm for 2016.	You may vote <b>FOR</b> or <b>AGAINST</b> the ratification of the selection of PricewaterhouseCoopers LLP as our independent registered public accounting firm for 2016, or you may indicate that you wish to <b>ABSTAIN</b> from voting on the matter.	The Board recommends that you vote <b>FOR</b> the ratification of PricewaterhouseCoopers LLP as our independent registered public accounting firm for 2016.
III. An advisory vote on executive compensation.	You may vote <b>FOR</b> or <b>AGAINST</b> the advisory vote on executive compensation, or you may indicate that you wish to <b>ABSTAIN</b> from voting on the matter.	The Board recommends that you vote <b>FOR</b> the approval, on an advisory basis, of the company's executive compensation.

**VOTES REQUIRED FOR APPROVAL OF THE PROPOSALS**

The votes required for each proposal is summarized below, together with how abstentions and broker non-votes will be treated for each proposal:

Proposal	Votes required for approval when quorum is present	Abstentions	Broker non-votes
I. The election of the Class II director nominees identified in this proxy statement each for a three-year term.	Majority of the votes cast by the shareholders present in person or by proxy and entitled to vote	Do not count as votes cast	Do not count as votes cast
II. The ratification of the selection of PricewaterhouseCoopers LLP as our independent registered public accounting firm for 2016.	Affirmative vote of a majority of the voting power of the shareholders present in person or by proxy and entitled to vote	Have the same effect as votes against this proposal	Voted at broker's discretion
III. An advisory vote on executive compensation.	Affirmative vote of majority of the voting power of the shareholders	Have the same effect as votes against this	Do not count as present and entitled to vote

present in person or by  
proxy and entitled to vote

proposal

2 **ONE Gas, Inc.** Notice of 2016 Annual Meeting of Stockholder and Proxy Statement



**Table of Contents****DIRECTOR NOMINEES AND CONTINUING DIRECTORS**

The following table summarizes information about the two Class II director nominees and the five continuing directors. As noted, five of our seven directors have been determined to be independent in accordance with the New York Stock Exchange ( NYSE ) independence standards and our director independence guidelines.

**Director Nominees Class II**

Name	Age	Director since	Occupation	Independent	Committee memberships/positions
Pierce H. Norton II	56	2014	President and Chief Executive Officer of ONE Gas, Inc.	No	A
Eduardo A. Rodriguez	60	2014	President of Strategic Communications Consulting Group	Yes	A, B, C, D*

**Continuing Directors**

Name	Age	Director since	Class/ Term	Occupation	Independent	Committee memberships/positions
Robert B. Evans	67	2014	III/2017	Retired, President and Chief Executive Officer of Duke Energy Americas	Yes	B**, C, D
Michael G. Hutchinson	60	2014	III/2017	Retired, partner at Deloitte & Touche	Yes	A, B*, C, D**
John W. Gibson	63	2014	I/2018	Retired, Chief Executive Officer of ONEOK, Inc.	No	A*
Pattye L. Moore	58	2014	I/2018	Chairman, Red Robin Gourmet Burgers	Yes	A, B, C*, D
Douglas H. Yaeger	67	2014	I/2018	Retired, Chairman, President and Chief Executive Officer of The Laclede Group, Inc.	Yes	B, C**, D

**Committee memberships/positions key:**

- A Executive Committee
- B Audit Committee
- C Executive Compensation Committee
- D Corporate Governance Committee
- \* Committee chair
- \*\* Committee vice chair

**BUSINESS HIGHLIGHTS**

**Financial Performance.** 2015 operating income increased to \$239.1 million, compared with \$225.3 million in 2014, which reflects new rates primarily in Oklahoma and Texas and residential customer growth, offset partially by lower sales volumes due to warmer weather and lower line extension revenue from commercial and industrial customers. In addition, 2015 had lower information technology costs, which included costs associated with our separation from ONEOK in 2014, lower outside service costs, lower legal and workers' compensation expense, lower bad debt expense due to warmer weather in Kansas, lower vehicle fleet cost and lower ad valorem taxes, offset partially by higher labor and benefits costs.

## Edgar Filing: ONE Gas, Inc. - Form DEF 14A

\* We were a business unit of ONEOK prior to January 31, 2014, and for the years ended December 31, 2013, 2012 and 2011.

**Dividend.** During 2015, we paid cash dividends of \$1.20 per share. We paid total aggregate dividends to our shareholders of \$62.8 million in 2015. In January 2016, we declared a dividend of \$0.35 per share (\$1.40 per share on an annualized basis), an increase of 5 cents per share compared with the previous cash dividend of \$0.30 per share.

**ONE Gas, Inc.** Notice of 2016 Annual Meeting of Stockholder and Proxy Statement **3**

---

## **Table of Contents**

**Total Shareholder Return.** The market price of our common stock was \$50.17 per share at December 31, 2015, reflecting a total shareholder return (stock price appreciation and dividends) of 25.1 percent and an increase of approximately 21.7 percent from the closing price of \$41.22 on December 31, 2014.

(1) February 3, 2014 was the first day of regular way trading for ONE Gas, Inc. on the NYSE.

(2) The ONE Gas peer group used in this graph is the same peer group that will be used in determining our level of performance under our 2015 performance units at the end of the three-year performance period and is comprised of the following companies: AGL Resources Inc.; Atmos Energy Corporation; Avista Corporation; The Laclede Group, Inc.; New Jersey Resources Corporation; Northwest Natural Gas Company; Piedmont Natural Gas Company, Inc.; Questar Corporation; South Jersey Industries, Inc.; Southwest Gas Corporation; Vectren Corporation; and WGL Holdings, Inc.

## **COMPENSATION HIGHLIGHTS**

**Compensation Philosophy.** A principal feature of our compensation program is the determination of executive compensation by our Executive Compensation Committee (referred to as the Executive Compensation Committee or the Committee) and Board based on a comprehensive review of quantitative and qualitative factors designed to produce long-term business success. Our executive compensation program is designed to attract, motivate and retain the key executives who drive our success and who are leaders in the industry, to pay for performance and to align the long-term interests of our executive officers with those of our shareholders. We believe our program is designed effectively, is well aligned with the interests of our shareholders and is instrumental to achieving our business goals. Our compensation philosophy and related governance features are complemented by several specific elements that are designed to achieve these objectives, as summarized below.

### **Program Design.**

Our compensation program:

provides a competitive total pay opportunity;

consists of significant equity-based (at risk) compensation;

links a significant portion of total compensation to performance that we believe will create long-term shareholder value;

determines awards based on the executive officer's contributions to business performance;

enhances retention by subjecting a significant portion of total compensation to multi-year vesting requirements;

**Table of Contents**

does not encourage unnecessary or excessive risk taking; and

restricts change-in-control cash benefits to double-trigger vesting.

We provide the following primary elements of compensation for our executive officers, including the named executive officers ( NEOs ) (as defined in the Compensation Discussion and Analysis at page 36): base salary, annual short-term cash incentive ( STI ) awards and long-term equity incentive ( LTI ) awards.

The Executive Compensation Committee references the median level of the market when determining all elements of compensation and targets the median level of total compensation.

Our STI program has a performance-based philosophy that provides for cash payments based on achievement of financial and operational goals established annually by our Executive Compensation Committee.

We encourage alignment of our executive officers' interests with those of our shareholders through the grant of LTI awards, of which approximately 80 percent are performance stock units ( PSUs ) and approximately 20 percent are restricted stock units ( RSUs ).

Our executive officers, including our NEOs, receive no significant perquisites or other personal benefits.

We do not provide any golden parachute excise tax gross-ups to our NEOs.

The Executive Compensation Committee makes all compensation decisions regarding our NEOs and submits those decisions to the full Board for ratification.

The Executive Compensation Committee is composed solely of persons who qualify as independent directors under the listing standards of the NYSE.

We have market-competitive stock ownership guidelines for our executive officers and our non-management directors.

We have adopted compensation recovery ( clawback ) provisions that permit the Committee to use appropriate discretion to seek recoupment of grants of PSUs (including any shares earned and the proceeds from any sale of such shares) and STI awards paid to an employee in the event that fraud, negligence or individual misconduct by such employee is determined to be a contributing factor to our having to restate all or a portion of our financial statements.

Our Board has adopted a policy prohibiting officers, members of our Board and certain employees designated as insiders under our Securities/Insider Trading Policy from engaging in short sale and other derivative or speculative transactions in our securities, and/or from purchasing or using, directly or indirectly through family members or other persons or entities, financial instruments (including puts or calls, prepaid variable forward contracts, equity swaps, collars and exchange funds) that are designed to hedge or offset any decrease in the market value of our securities.

## Edgar Filing: ONE Gas, Inc. - Form DEF 14A

Our Board has adopted a policy prohibiting officers and directors from holding our securities in a margin account or pledging our securities as collateral for a loan. The Chief Executive Officer may grant an exception against pledging securities on a limited case-by-case basis.

The Executive Compensation Committee engages an executive compensation consultant that is independent under the Securities and Exchange Commission rules and NYSE listing standards to provide advice and expertise on our executive and director compensation program design and implementation.

Our Say-On-Pay vote in 2015 was 97.6 percent in agreement with our compensation practices. In reviewing our compensation program during 2015, our Executive Compensation Committee determined the only change to our compensation program necessary in 2015 was to change the STI financial measure from operating income to diluted earnings per share. Other than this change, it was decided to continue to apply the same principles as have been historically applied in determining the nature and amount of our executive compensation.

**Table of Contents**

**Link between Executive Compensation and Performance.** The Board awarded Pierce H. Norton II, our President and Chief Executive Officer during 2015, incentive compensation for 2015 that was commensurate with our business results and his position as our President and Chief Executive Officer, including payment of an annual STI award of \$981,000 and a LTI award with a grant target value of \$1,324,662. Consistent with our executive compensation philosophy, a significant majority of Mr. Norton's total direct compensation of \$2,980,662 for 2015 was incentive-based and at risk, as illustrated by the following chart:

The compensation of our other NEOs further reflects both our 2015 performance and our pay-for-performance compensation philosophy:

Named Executive Officer	2015 Base Salary	2015 Short-Term Cash Incentive Award	2015 Long-Term Incentive Award Value	2015 Total Direct Compensation
Curtis L. Dinan	\$435,000	\$466,000	\$423,303	\$1,324,303
Caron A. Lawhorn	\$360,000	\$382,000	\$423,303	\$1,165,303
Robert S. McAnnally	\$300,000	\$227,000	\$318,014	\$845,014
Joseph L. McCormick	\$300,000	\$261,000	\$318,014	\$879,014

Name	2015	
	Target STI Award as Percentage of Base Pay	Maximum STI Award as a Percentage of Base Pay
Pierce H. Norton II	90%	225%
Curtis L. Dinan	65%	163%
Caron A. Lawhorn	65%	163%
Robert S. McAnnally	55%	108%
Joseph L. McCormick	55%	138%

**SHAREHOLDER ACTIONS**

**Election of Class II Directors (Proposal 1).** You will find in this proxy statement important information about the qualifications and experience of each of the Class II director nominees, each of whom is a current director. The Corporate Governance Committee performs an annual assessment of the performance of the Board to ensure that our directors have the skills and experience to effectively oversee our company. All of our directors have proven leadership, sound judgment, integrity and a commitment to the success of our company, and our Board recommends that shareholders **vote in favor** of each nominee for re-election.

**Table of Contents**

**Ratification of our Independent Registered Public Accounting Firm (Proposal 2).** You will also find in this proxy statement important information about our independent registered public accounting firm, PricewaterhouseCoopers LLP. We believe PricewaterhouseCoopers LLP continues to provide high-quality service to our company, and our Board recommends that shareholders **vote in favor** of ratification.

**Advisory Vote on Executive Compensation (Proposal 3).** Our shareholders have the opportunity to cast a non-binding, advisory vote on our executive compensation program. In evaluating this say on pay proposal, we recommend that you review our Compensation Discussion and Analysis in this proxy statement, which explains how and why the Committee and our Board arrived at decisions with respect to our 2015 executive compensation. Our Board recommends that shareholders **vote in favor** of our executive compensation program.

**Table of Contents**

## **ABOUT THE 2016 ANNUAL MEETING**

The following questions and answers are provided for your convenience and briefly address some commonly asked questions about our 2016 annual meeting of shareholders. Please also consult the more detailed information contained elsewhere in this proxy statement and the documents referred to in this proxy statement.

### **Why did I receive these proxy materials?**

We are providing these proxy materials in connection with the solicitation by the Board of ONE Gas, Inc. of proxies to be voted at our 2016 annual meeting of shareholders and at any adjournment or postponement of the meeting. You are invited to attend our annual meeting of shareholders on May 26, 2016, at 9:00 a.m., Central Daylight Time. The meeting will be held at our company headquarters at ONE Gas, Inc., First Place Tower, 15 E. Fifth Street, 2<sup>nd</sup> Floor, Tulsa, Oklahoma 74103. For directions to the meeting, please visit our website at [www.ONEGas.com](http://www.ONEGas.com).

### **Who may attend and vote at the annual meeting?**

All shareholders who held shares of our common stock at the close of business on March 28, 2016, may attend and vote at the meeting. If your shares are held in the name of a broker, bank, or other holder of record, often referred to as being held in street name, bring a copy of your brokerage account statement or legal proxy, which you may obtain from your broker, bank, or other holder of record of your shares.

Please note: no cameras, recording equipment, large bags, weapons, briefcases or packages will be permitted in the meeting.

### **Will the annual meeting be webcast?**

Our annual meeting also will be webcast on May 26, 2016. You are invited to visit [www.ONEGas.com](http://www.ONEGas.com) at 9:00 a.m., Central Daylight Time, on May 26, 2016, to access the webcast of the meeting. Registration for the webcast is required. An archived copy of the webcast will also be available on our website for 30 days following the meeting.

### **How do I vote?**

If you were a shareholder of record at the close of business on the record date of March 28, 2016, you have the right to vote the shares of record you held that day in person at the meeting or you may appoint a proxy through the Internet, by telephone or by mail to vote your shares on your behalf. The Internet and telephone methods of voting generally are available 24 hours a day and will ensure that your proxy is confirmed and posted immediately. These methods of voting are also available to shareholders who hold their shares in our Direct Stock Purchase and Dividend Reinvestment Plan, our Employee Stock Purchase Plan, our 401(k) Plan and our Profit-Sharing Plan. In addition, these voting methods are available to ONEOK employees who own our shares in the ONEOK, Inc. 401(k) Plan or the ONEOK, Inc. Profit-Sharing Plan (referred to collectively as the ONEOK Plans). You may revoke your proxy any time before the annual meeting by following the procedures outlined below under the caption *What can I do if I change my mind after I vote my shares by proxy?* Please help us save time and postage costs by appointing a proxy via the Internet or by telephone.

When you appoint a proxy via the Internet, by telephone or by mailing a signed proxy card, you are appointing John W. Gibson, Chairman of the Board and Joseph L. McCormick, Senior Vice President, General Counsel and Assistant Secretary, as your representatives at the annual meeting, and they will vote your shares as you have instructed them. If you appoint a proxy via the Internet, by telephone or by mailing a signed proxy card but do not provide voting instructions, your shares will be voted *for* the election of each proposed director nominee named herein, and *for* proposal numbers 2 and 3.

To appoint a proxy to vote your shares on your behalf, please select from the following options:

### **Via the Internet**



## Edgar Filing: ONE Gas, Inc. - Form DEF 14A

Go to the website at [www.proxypush.com/ogs](http://www.proxypush.com/ogs), which is available 24 hours a day, 7 days a week, until 11:59 p.m. (Central Daylight Time) on May 25, 2016.

Enter the control number that appears on your proxy card. This process is designed to verify that you are a shareholder and allows you to vote your shares and confirm that your instructions have been properly recorded.

Follow the simple instructions.

**If you appoint a proxy via the Internet, you do not have to return your proxy card.**

### **By telephone**

On a touch-tone telephone, call toll-free 1.866.883.3382, 24 hours a day, 7 days a week, until 11:59 p.m. (Central Daylight Time) on May 25, 2016.

**8**      **ONE Gas, Inc.** Notice of 2016 Annual Meeting of Stockholder and Proxy Statement

## **Table of Contents**

Enter the control number that appears on your proxy card. This process is designed to verify that you are a shareholder and allows you to vote your shares and confirm that your instructions have been properly recorded.

Follow the simple recorded instructions.

**If you appoint a proxy by telephone, you do not have to return your proxy card.**

### **By mail**

Mark your selections on the proxy card.

Date and sign your name exactly as it appears on your proxy card.

Mail the proxy card in the enclosed postage-paid envelope.

If mailed, your completed and signed proxy card must be received prior to the commencement of voting at the annual meeting.

### **What if my shares are held by my broker or bank?**

If your shares are held in a brokerage account or by a bank, broker or its nominee, your shares are considered to be held in street name. If you held shares in street name as of the record date of March 28, 2016, this proxy statement and our 2015 annual report to shareholders should have been forwarded to you by your bank, broker or its nominee, together with a voting instruction card. You have the right to direct your bank, broker or its nominee how to vote your shares by using the voting instruction card you received from your bank, broker or its nominee, or by following any instructions provided by your bank, broker or its nominee for voting via the Internet or telephone.

**Under the rules of the NYSE, unless you provide your bank, broker or its nominee with your instructions on how to vote your shares, your bank, broker or its nominee of record is prohibited from:**

- (1) voting your shares in the election of directors; and
- (2) voting on the advisory vote to approve executive compensation.

**However, your bank, broker or its nominee of record can vote on the ratification of the selection of our independent registered public accounting firm.**

**Consequently, unless you respond to their request for your voting instructions in a timely manner, your shares held by your bank, broker or its nominee will not be voted on any of these matters (which is referred to as a broker non-vote), except the ratification of the selection of our independent registered public accounting firm. Please provide your voting instructions so that your shares may be voted.**

### **What can I do if I change my mind after I vote my shares by proxy?**

If you were a shareholder of record at the close of business on the record date, you have the right to revoke your proxy at any time before it is voted at the meeting by:

## Edgar Filing: ONE Gas, Inc. - Form DEF 14A

- (1) notifying our corporate secretary in writing;
- (2) authorizing a later proxy via the Internet or by telephone;
- (3) returning a later-dated proxy card; or
- (4) voting at the meeting in person.

If your shares are held by your bank, broker or its nominee you may revoke any voting instructions you may have previously provided only in accordance with revocation instructions provided by the bank, broker or its nominee.

### **Is my vote confidential?**

Proxy cards, ballots and voting tabulations that identify individual shareholders are mailed and returned directly to our stock transfer agent who is responsible for tabulating the vote in a manner that protects your voting privacy. It is our policy to protect the confidentiality of shareholder votes throughout the voting process. The vote of any shareholder will not be disclosed to our directors, officers or employees, except:

- (1) to meet legal requirements;
- (2) to assert or defend claims for or against us; or
- (3) in those limited circumstances where:
  - (a) a proxy solicitation is contested (which, to our knowledge, is not the case in connection with the 2016 annual meeting),

---

## **Table of Contents**

(b) a shareholder writes comments on a proxy card, or

(c) a shareholder authorizes disclosure.

The vote tabulator and the inspector of election has been, and will remain, independent of us. This policy does not prohibit shareholders from disclosing the nature of their votes to our directors, officers or employees, or prevent us from voluntarily communicating with our shareholders, ascertaining which shareholders have voted or making efforts to encourage shareholders to vote.

### **How is common stock held in our 401(k) Plan, our Profit-Sharing Plan and the ONEOK Plans voted?**

If you hold shares of our common stock through our 401(k) Plan, our Profit-Sharing Plan or the ONEOK Plans, in order for those shares to be voted as you wish, you must instruct the trustee of these plans, Fidelity Management Trust Company, how to vote those shares by providing your instructions via the Internet, by telephone or by mail in the manner outlined above. If you fail to provide your instructions, or if you return an instruction card with an unclear voting designation or with no voting designation at all, then the trustee will vote the shares in your account in proportion to the way the other participants in each respective plan vote their shares. These votes receive the same confidentiality as all other shares voted.

**To allow sufficient time for voting by the trustee of our 401(k) Plan, our Profit-Sharing Plan and the ONEOK Plans, your voting instructions must be received by May 23, 2016.**

### **How will shares for which a proxy is appointed be voted on any other business conducted at the annual meeting that is not described in this proxy statement?**

Although we do not know of any business to be considered at the 2016 annual meeting other than the proposals described in this proxy statement, if any other business is properly presented at the annual meeting, your proxy gives authority to John W. Gibson, Chairman of the Board, and Joseph L. McCormick, our Senior Vice President, General Counsel and Assistant Secretary, to vote on these matters at their discretion.

### **What shares are included on the proxy card(s)?**

The shares included on your proxy card(s) represent all of the shares that you owned of record as of the close of business on March 28, 2016, including those shares held in our Direct Stock Purchase and Dividend Reinvestment Plan, our Employee Stock Purchase Plan, our 401(k) Plan, our Profit-Sharing Plan and the ONEOK Plans. If you do not authorize a proxy via the Internet, by telephone or by mail, your shares, except for those shares held in our 401(k) Plan, our Profit-Sharing Plan and the ONEOK Plans, will not be voted. Please refer to the discussion above for an explanation of the voting procedures for your shares held by our 401(k) Plan, our Profit-Sharing Plan and the ONEOK Plans.

### **What does it mean if I receive more than one proxy card?**

If your shares are registered differently or are in more than one account, you will receive more than one proxy card. Please sign and return all proxy cards, or appoint a proxy via the Internet or telephone, to ensure that all your shares are voted. We encourage you to have all accounts registered in the same name and address whenever possible.

### **Why did we receive just one copy of the proxy statement and annual report when we have more than one stock account in our household?**

We have adopted a procedure approved by the Securities and Exchange Commission called householding. This procedure permits us to send a single copy of the proxy statement and annual report to a household if the shareholders provide written or implied consent. We previously mailed a notice to eligible registered shareholders stating our intent to utilize this rule unless the shareholder provided an objection. Shareholders continue to receive a separate proxy card for each stock account. Shareholders of record voting by mail can choose this option by marking the appropriate box on the proxy card included with this proxy statement. Shareholders of record voting via telephone or over the Internet can choose this option by following instructions provided by telephone or over the Internet, as applicable. If you are a registered shareholder and received only one copy of the proxy statement and annual report in your household, we will promptly deliver copies, to the extent you request them, for each member of your household who was a registered shareholder as of the record date. You may make this request by providing written instructions to Wells Fargo Shareowner Services, Attn: Household/ONE Gas, Inc., P.O. Box 64854, St. Paul, Minnesota 55164-0854. You also may contact Wells Fargo Shareowner Services in the same manner if you are currently receiving a single copy of the proxy statement and annual report in your household and desire to receive separate copies in the future for each member of your household who is a registered

## Edgar Filing: ONE Gas, Inc. - Form DEF 14A

shareholder or if your household is currently receiving multiple copies of the proxy statement and annual report and you desire to receive a single copy in the future for your entire household. If you are not a registered shareholder and your shares are held by a broker, bank or other holder of record, you will need to contact that entity to revoke your election and receive multiple copies of these documents.

### **Is there a list of shareholders entitled to vote at the annual meeting?**

The names of shareholders of record entitled to vote at the annual meeting will be available at the annual meeting and for 10 days prior to the meeting for any purpose relevant to the meeting between the hours of 9:00 a.m. and 4:30 p.m. CDT at our principal executive offices at 15 East Fifth Street, Tulsa, Oklahoma, and may be viewed by contacting our corporate secretary.

**10**      **ONE Gas, Inc.** Notice of 2016 Annual Meeting of Stockholder and Proxy Statement

## **Table of Contents**

### **May I access the notice of annual meeting, proxy statement, 2015 annual report and accompanying documents on the Internet?**

The notice of annual meeting, proxy statement, 2015 annual report and accompanying documents are currently available on our website at [www.ONEGas.com](http://www.ONEGas.com). Additionally, in accordance with rules of the Securities and Exchange Commission, you may access this proxy statement, our 2015 annual report and any other proxy materials we use at <http://shareholder.onegas.com>, which does not infringe on the anonymity of a person accessing such website. The website does not employ cookies or other user-tracking features.

Instead of receiving future copies of our proxy and annual report materials by mail, shareholders may elect to receive an email that will provide electronic links to these proxy and annual report materials. Opting to receive your proxy materials online will save us the cost of producing and mailing documents to your home or business and will also give you an electronic link to the proxy voting site. You may log on to [www.proxypush.com/ogs](http://www.proxypush.com/ogs) and follow the prompts to enroll in the electronic proxy delivery service. If you hold your shares in a brokerage account, you may also have the opportunity to receive copies of these documents electronically. Please check the information provided in the proxy materials mailed to you by your broker, bank, or other holder of record of your shares regarding the availability of this service.

### **What out-of-pocket costs will we incur in soliciting proxies?**

Morrow & Co., LLC, 470 West Avenue, Stamford, Connecticut 06902, will assist us in the distribution of proxy materials and solicitation of votes for a fee of \$8,500, plus out-of-pocket expenses. We also reimburse brokerage firms, banks and other custodians, nominees and fiduciaries for their reasonable expenses for forwarding proxy materials to our shareholders. We will pay all costs of soliciting proxies.

### **Who is soliciting my proxy?**

Our Board is sending you this proxy statement in connection with its solicitation of proxies for use at our 2016 annual meeting of shareholders. Certain of our directors, officers and employees also may solicit proxies on our behalf in person or by mail, telephone, fax or email.

### **Who will count the vote?**

Representatives of our stock transfer agent, Wells Fargo Shareholder Services, a division of Wells Fargo Bank, N.A., will tabulate the votes and act as the inspector of the election.

### **How can I find out the results of the voting at the annual meeting?**

Preliminary voting results will be announced at the annual meeting. Voting results will be published in a Current Report on Form 8-K that we will file with the Securities and Exchange Commission within four business days after the annual meeting.

Table of Contents

## OUTSTANDING STOCK AND VOTING

### VOTING

Only shareholders of record at the close of business on March 28, 2016, are entitled to receive notice of and to vote at the annual meeting. As of that date, 52,157,594 shares of our common stock were outstanding. Each outstanding share entitles the holder to one vote on each matter submitted to a vote of shareholders at the meeting. No other class of our stock is entitled to vote on matters to come before the meeting.

Shareholders of record may vote in person or by proxy at the annual meeting. All properly submitted proxies received prior to the commencement of voting at the annual meeting will be voted in accordance with the voting instructions contained on the proxy. Shares for which signed proxies are properly submitted without voting instructions will be voted:

- (1) **FOR** the election of the Class II director nominees named in this proxy statement to serve on our Board of Directors for a three-year term;
- (2) **FOR** the ratification of the selection of PricewaterhouseCoopers LLP as our independent registered public accounting firm for the year ending December 31, 2016; and
- (3) **FOR** the advisory proposal to approve our executive compensation.

While we know of no other matters that are likely to be brought before the meeting, in the event any other business properly comes before the meeting, proxies will be voted in the discretion of the persons named in the proxy. The persons named as proxies were designated by our Board.

To vote shares held in street name through a bank, broker or its nominee, a shareholder must provide voting instructions to his or her bank, broker or its nominee. Brokerage firms, banks and other fiduciaries are required to request voting instructions for shares they hold on behalf of their customers and others. We encourage you to provide instructions to your bank, broker or its nominee on how to vote your shares. If your shares are held in street name, to be able to vote those shares in person at the annual meeting, you must obtain a legal proxy, executed in your favor, from the holder of record of those shares as of the close of business on March 28, 2016.

The rules of the NYSE determine whether proposals presented at shareholder meetings are routine or non-routine. If a proposal is routine, a broker or other entity holding shares for an owner in street name may vote for the proposal without receiving voting instructions from the owner under certain circumstances. If a proposal is non-routine, the broker or other entity may vote on the proposal only if the owner has provided voting instructions. A broker non-vote occurs when the broker or other entity is unable to vote on a proposal because the proposal is non-routine and the owner does not provide any voting instructions. Under the rules of the NYSE, Proposals 1 and 3 are considered to be non-routine, and Proposal 2 is considered to be routine. Accordingly, if you do not provide voting instructions to your brokerage firm or other entity holding your shares, your brokerage firm or other entity holding your shares will not be permitted under the rules of the NYSE to vote your shares on Proposals 1 and 3 and will be permitted under the rules of the NYSE to vote your shares on Proposal 2 at its discretion.

**Please provide your voting instructions to your broker, bank or other holder of record so that your shares may be voted.**

Representatives of our stock transfer agent, Wells Fargo Shareholder Services, a division of Wells Fargo Bank, N.A., will be responsible for tabulating and certifying the votes cast at the annual meeting.

### QUORUM

The holders of a majority of the shares entitled to vote at the annual meeting, present in person or by proxy, constitute a quorum for the transaction of business at the annual meeting. In determining whether we have a quorum, we count abstentions and broker non-votes as present.

## Edgar Filing: ONE Gas, Inc. - Form DEF 14A

If a quorum is not present at the scheduled time of the meeting, the shareholders who are present in person or by proxy may adjourn the meeting until a quorum is present. If the time and place of the adjourned meeting are announced at the time the adjournment is taken, no other notice will be given. However, if the adjournment is for more than 30 days, or if a new record date is set for the adjourned meeting, a notice will be given to each shareholder entitled to receive notice of, and to vote at, the meeting.

### **MATTERS TO BE VOTED UPON**

At the annual meeting, the following matters will be voted upon:

- (1) the election of Class II nominees for director named in this proxy statement to serve a three-year term;
- (2) the ratification of the selection of PricewaterhouseCoopers LLP as our independent registered public accounting firm for the year ending December 31, 2016;
- (3) to consider and vote on our executive compensation on a non-binding, advisory basis; and
- (4) such other business as may properly come before the meeting, or any adjournment or postponement of the meeting.



---

**Table of Contents**

## **VOTES REQUIRED**

**Proposal 1 Election of Class II Directors.** Our bylaws provide for majority voting for directors in uncontested elections. We expect that the election of directors at our 2016 annual meeting will be uncontested. Under the majority voting standard, to be elected a nominee must receive a number of For votes that exceeds 50 percent of the votes cast with respect to that director's election. Abstentions and broker non-votes, if any, do not count as votes cast with respect to the election of directors.

Our corporate governance guidelines require that if an uncontested nominee for director does not receive more For than Against votes, he or she must promptly tender his or her resignation to our Board. The Board (excluding the director who tendered the resignation) will then evaluate the resignation in light of the best interests of our company and our shareholders in determining whether to accept or reject the resignation, or whether other action should be taken. The Board will announce publicly its decision regarding any tendered resignation.

**Proposal 2 Ratification of Selection of PricewaterhouseCoopers LLP as our Independent Registered Public Accounting Firm for the Year ending December 31, 2016.** In accordance with our bylaws, approval of this proposal requires the affirmative vote of a majority of the voting power of the shareholders present in person or by proxy and entitled to vote on this proposal at the meeting. Abstentions will have the same effect as votes against this proposal.

**Proposal 3 Advisory Vote on Executive Compensation.** In accordance with our bylaws, approval of the proposal to approve our executive compensation requires the affirmative vote of a majority of the voting power of the shareholders present in person or by proxy and entitled to vote on this proposal at the meeting. Abstentions will have the same effect as votes against this proposal and broker non-votes do not count as present and entitled to vote for purposes of determining the outcome of the vote on this proposal. The vote on this proposal is advisory and non-binding on the company and our Board.

## **REVOKING A PROXY**

Any shareholder may revoke his or her proxy at any time before it is voted at the meeting by (1) notifying our corporate secretary in writing (the mailing address of our corporate secretary is Corporate Secretary, ONE Gas, Inc., 15 East Fifth Street, Tulsa, Oklahoma 74103), (2) authorizing a later proxy via the Internet or by telephone, (3) returning a later dated proxy card, or (4) voting at the meeting in person. A shareholder's presence without voting at the annual meeting will not automatically revoke a previously delivered proxy and any revocation during the meeting will not affect votes previously taken.

If your shares are held in a brokerage account or by a bank or other holder of record, you may revoke any voting instructions you may have previously provided in accordance with the revocation instructions provided by the broker, bank or other holder of record.

## **PROXY SOLICITATION**

Solicitation of proxies will be primarily by mail and telephone. We have engaged Morrow & Co., LLC, 470 West Avenue, Stamford, Connecticut 06902, to solicit proxies for a fee of \$8,500 plus out-of-pocket expenses. In addition, certain of our officers, directors and employees may solicit proxies on our behalf in person or by mail, telephone, fax or email, for which such persons will receive no additional compensation. We will pay all costs of soliciting proxies. We will also reimburse brokerage firms, banks and other custodians, nominees and fiduciaries for their reasonable expenses for forwarding proxy materials to our shareholders.

**Table of Contents**

## **GOVERNANCE OF THE COMPANY**

Our Board and management are committed to maintaining strong corporate governance practices that allocate rights and responsibilities among our Board, management and our stakeholders in a manner that benefits the long-term interests of our stakeholders. Our corporate governance practices are designed not just to satisfy regulatory and stock exchange requirements but also to provide for effective oversight and management of our company.

Our Corporate Governance Committee engages in a regular process of reviewing our corporate governance practices, including comparing our practices with those recommended by various corporate governance authorities, the expectations of our stakeholders and the practices of other leading public companies. Our Corporate Governance Committee also regularly reviews our corporate governance practices in light of proposed and adopted laws and regulations, including the rules of the Securities and Exchange Commission and the rules and listing standards of the NYSE.

### **CORPORATE GOVERNANCE GUIDELINES**

Our Board has adopted corporate governance guidelines that address key areas of our corporate governance, including: director qualification standards, including the requirement that a majority of our directors be independent under the applicable independence requirements of the NYSE; director responsibilities; director access to management; director compensation; management succession; evaluation of the performance of our Board; and the structure and operation of our Board. Our Board periodically reviews our corporate governance guidelines and may revise the guidelines from time to time as conditions warrant. The full text of our corporate governance guidelines is published on and may be printed from our website at [www.ONEGas.com](http://www.ONEGas.com) and is also available from our corporate secretary upon request.

### **CODE OF BUSINESS CONDUCT AND ETHICS**

Our Board has adopted a code of business conduct and ethics that applies to our directors, officers (including our principal executive and financial officers, controller and other persons performing similar functions) and all other employees. We require all directors, officers and employees to adhere to our code of business conduct and ethics in addressing the legal and ethical issues encountered in conducting their work for our company. Our code of business conduct and ethics requires that our directors, officers and employees avoid conflicts of interest, comply with all applicable laws and other legal requirements, conduct business in an honest and ethical manner and otherwise act with integrity and in our company's best interests. All directors, officers and employees are required to report any conduct that they believe to be an actual or apparent violation of our code of business conduct and ethics.

The full text of our code of business conduct and ethics is published on and may be printed from our website at [www.ONEGas.com](http://www.ONEGas.com) and is also available from our corporate secretary upon request. We intend to disclose on our website any future amendments to, or waivers from, our code of business conduct and ethics, as required by the rules of the Securities and Exchange Commission and the NYSE.

### **DIRECTOR INDEPENDENCE**

Our corporate governance guidelines provide that a majority of our Board of Directors will be independent under the applicable independence requirements of the NYSE. These guidelines and the rules of the NYSE provide that, in qualifying a director as independent, the Board must make an affirmative determination that the director has no material relationship with our company, either directly or as a partner, shareholder or officer of an organization that has a relationship with our company. In making this determination with respect to each director serving on the Executive Compensation Committee, under the rules of the NYSE, the Board is required to consider all factors specifically relevant to determine whether the director has a relationship to our company which is material to that director's ability to be independent from management in connection with the duties of a member of that committee.

Our Board of Directors has also adopted director independence guidelines that specify the types of relationships the Board has determined to be categorically immaterial. Directors who meet these standards are considered to be independent. The full text of our director independence guidelines is published on and may be printed from our website at [www.ONEGas.com](http://www.ONEGas.com) and is also available from our corporate secretary upon request.

## Edgar Filing: ONE Gas, Inc. - Form DEF 14A

Our Board has determined affirmatively that members Robert E. Evans, Michael G. Hutchinson, Pattye L. Moore, Eduardo A. Rodriguez and Douglas H. Yaeger have no material relationship with our company, and each qualifies as independent under our corporate governance guidelines, our director independence guidelines and the rules of the NYSE. In determining whether certain of our directors qualify as independent under our director independence guidelines, our Board considered the receipt by certain directors or their immediate family members (or entities of which they are members, directors, partners, executive officers, or counsel) of natural gas service from us at regulated rates on terms generally available to all of our customers (and, in the case of an entity, in an amount that is less than the greater of \$1 million or 2 percent of the entity's gross revenue for its last fiscal year). In each case, the Board determined these relationships to be in the ordinary course of business at regulated rates or on substantially the same terms available to non-affiliated third parties and to be immaterial in amounts to both our company and the director.

14      **ONE Gas, Inc.** Notice of 2016 Annual Meeting of Stockholder and Proxy Statement

**Table of Contents**

## **BOARD LEADERSHIP STRUCTURE**

During 2015, our Board was led by John W. Gibson, who was the Chairman of the Board, and Eduardo A. Rodriguez, who was our lead independent director and the Chairman of the Corporate Governance Committee. Pierce H. Norton II is our President and Chief Executive Officer and was a member of our Board. In addition, our Audit Committee and Executive Compensation Committee are each led by a chair and vice chair, each of whom is an independent director.

## **LEAD INDEPENDENT DIRECTOR**

Our corporate governance guidelines vest the lead independent director who, under these guidelines, is also chair of our Corporate Governance Committee, with various key responsibilities. The guidelines provide that the lead independent director shall serve for a term of three to five years as determined by the Board, and that the duties of the lead independent director include but are not limited to:

presiding as the chair at all meetings of the Board at which the Chairman of the Board is not present, including executive sessions of the independent directors;

serving as liaison between the Chairman of the Board and the independent directors;

approving information sent to the Board;

approving meeting agendas for the Board; and

approving meeting schedules to assure that there is sufficient time for discussion of all agenda items.

In addition, the lead independent director has the authority to call meetings of the independent directors and, if requested by major shareholders, will ensure that he or she is available for consultation and direct communication.

## **SUCCESSION PLANNING**

A key responsibility of the Chief Executive Officer and the Board is ensuring that an effective process is in place to provide continuity of leadership over the long term at all levels in our company. Each year, succession-planning reviews are held at every significant organizational level of the company, culminating in a full review of senior leadership talent by our independent directors. During this review, the Chief Executive Officer, the Chairman of the Board and the independent directors discuss future candidates for senior leadership positions, succession timing for those positions and development plans for the highest-potential candidates. This process ensures continuity of leadership over the long term, and it forms the basis on which our company makes ongoing leadership assignments. It is a key success factor in managing the long-term planning and investment lead times of our business.

In addition, the Chief Executive Officer maintains in place at all times, and reviews with the non-management directors, a confidential plan for the timely and efficient transfer of responsibilities in the event of an emergency or sudden incapacitation or departure of the Chief Executive Officer.

## **RISK OVERSIGHT**

We engage in an annual comprehensive enterprise risk-management (ERM) process to identify, aggregate, monitor, measure, assess and manage risk. Our ERM approach is designed to enable our Board to establish a mutual understanding with management of the effectiveness of our risk-management practices and capabilities, to review our risk exposure and to elevate certain key risks for discussion at the Board level. Management and our Board believe that risk management is an integral part of our annual strategic planning process, which addresses, among

other things, the risks and opportunities facing our company.

Our ERM program is overseen by our Chief Financial Officer. The program is a companywide process designed to identify, aggregate, monitor, measure, assess, and manage risks that could affect our ability to fulfill our business objectives or execute our corporate strategy. Our ERM process involves the identification and assessment of a broad range of risks and the development of plans to mitigate their effects. These risks generally relate to strategic, operational, financial, regulatory compliance and human resources issues.

Not all risks can be dealt with in the same way. Some risks may be easily perceived and controllable, and other risks are unknown; some risks can be avoided or mitigated by particular behavior, and some risks are unavoidable as a practical matter. For some risks, the potential adverse impact would be minor and, as a matter of business judgment, it may not be appropriate to allocate significant resources to avoid the adverse impact. In other cases, the adverse impact could be significant, and it is prudent to expend resources to seek to avoid or mitigate the potential adverse impact. In some cases, a higher degree of risk may be acceptable because of a greater perceived potential for reward. Management is responsible for identifying risks and controls related to our significant business activities; mapping the risks to our corporate strategy; and developing programs and recommendations to determine the sufficiency of risk identification, the balance of potential risk to potential reward and the appropriate manner in which to control and mitigate risk.

The Board implements its risk oversight responsibilities by having management provide periodic briefing and informational sessions on the significant voluntary and involuntary risks that our company faces and how our company is seeking to control and mitigate those risks. In some cases, as with risks relating to significant acquisitions, risk oversight is addressed as part of the full Board's engagement with the Chief Executive Officer and management.

## Table of Contents

The Board annually reviews a management assessment of the various operational and regulatory risks facing our company, their relative magnitude and management's plan for mitigating these risks. The Board also reviews risks related to our company's business strategy at its annual strategic planning meeting and at other meetings as appropriate.

In certain cases, a Board committee is responsible for oversight of specific risk topics. For example, the Audit Committee oversees risk issues associated with our overall financial reporting and disclosure process and legal compliance, as well as reviewing policies and procedures on risk-control assessment and accounting risk exposure, including our companywide risk control activities. The Audit Committee meets with our executive officers and meets with our Manager Audit Services, as well as with our independent registered public accounting firm, in separate executive sessions at each of its in-person meetings during the year, at which time risk issues are discussed regularly.

In addition, our Executive Compensation Committee oversees risks related to our compensation program, as discussed in greater detail elsewhere in this proxy statement, and our Corporate Governance Committee oversees risks related to our governance practices and policies.

## **BOARD AND COMMITTEE MEMBERSHIP**

Our business, property and affairs are managed under the direction of our Board. Members of our Board are kept informed of our business through discussions with our Chief Executive Officer and other officers, by reviewing materials provided to them periodically and in connection with Board and committee meetings, and by participating in meetings of the Board and its committees.

During 2015, the Board held seven regular meetings (four in-person and three telephonic meetings) and no special meetings. All of our incumbent directors who served on the Board during 2015 attended at least 75 percent of the aggregate of all meetings of the Board and Board committees on which they served in 2015.

Our corporate governance guidelines provide that members of our Board are expected to attend our annual meeting of shareholders. All members of the Board attended the 2015 annual meeting of shareholders.

The Board has four standing committees: the Audit Committee, the Executive Compensation Committee, the Corporate Governance Committee and the Executive Committee. The table below provides the current membership of our Board and each of our Board committees. Our Board has determined affirmatively that each member of our Audit Committee, Executive Compensation Committee and Corporate Governance Committee is independent under our corporate governance guidelines, our director independence guidelines and the rules of the NYSE.

<b>Director</b>	<b>Audit</b>	<b>Executive Compensation</b>	<b>Corporate Governance</b>	<b>Executive</b>
John W. Gibson, Chairman				Chair
Pierce H. Norton II				Member
Robert B. Evans	Vice Chair	Member	Member	
Michael G. Hutchinson	Chair	Member	Vice Chair	Member
Pattye L. Moore	Member	Chair	Member	Member
Eduardo A. Rodriguez	Member	Member	Chair	Member
Douglas H. Yaeger	Member	Vice Chair	Member	

Our Board has adopted written charters for each of its Audit, Executive Compensation, Corporate Governance and Executive Committees. Copies of the charters of each of these committees are available on and may be printed from our website at [www.ONEGas.com](http://www.ONEGas.com). Copies are also available from our corporate secretary upon request. The responsibilities of our Board committees are summarized below. From time to time the Board, in its discretion, may form other committees.

**Table of Contents**

**THE AUDIT COMMITTEE**

**2015 Meetings: 6**

The Audit Committee represents and assists our Board with oversight of the integrity of our financial statements and internal controls, our compliance with legal and regulatory requirements, the independence, qualifications and performance of our independent registered public accounting firm and the performance of our internal audit function. The responsibilities of the Audit Committee include:

appointing, compensating and overseeing our independent auditor;

reviewing the scope, plans and results relating to the external audits of our financial statements;

reviewing the scope, plans and results relating to internal audits;

monitoring and evaluating our financial condition;

monitoring and evaluating the integrity of our financial reporting processes and procedures;

assessing our significant financial risks and exposures and evaluating the adequacy of our internal controls in connection with such risks and exposures, including, but not limited to, internal controls over financial reporting and disclosure controls and procedures;

reviewing policies and procedures on risk-control assessment and accounting risk exposure, including our companywide risk control activities; and

monitoring our compliance with our policies on ethical business conduct.

Our independent registered public accounting firm reports directly to our Audit Committee. All members of our Audit Committee are independent under the independence requirements of the NYSE and the Securities and Exchange Commission applicable to audit committee members. The Board has determined that Robert E. Evans, Michael G. Hutchinson, Eduardo A. Rodriguez and Douglas H. Yaeger are each an audit committee financial expert under the applicable rules of the Securities and Exchange Commission and all members of the Audit Committee are financially literate. As of December 31, 2015, Mr. Evans simultaneously served on four public company audit committees. Our Board determined that Mr. Evans' simultaneous service on four public company audit committees does not impair Mr. Evans' ability to effectively serve on our Audit Committee. As of March 1, 2016, Mr. Evans no longer serves on one of the audit committees on which he previously served, thereby reducing the number of audit committees on which he simultaneously serves to three.

**THE EXECUTIVE  
COMPENSATION**

COMMITTEE

2015 Meetings: 4

Our Executive Compensation Committee is responsible for establishing and periodically reviewing our executive compensation policies and practices. This responsibility includes:

evaluating, in consultation with our Corporate Governance Committee, the performance of our Chief Executive Officer, and recommending to our Board the compensation of our Chief Executive Officer and our other senior executive officers;

reviewing and approving, in consultation with our Corporate Governance Committee, the annual objectives of our Chief Executive Officer;

reviewing our executive compensation program to ensure the attraction, retention and appropriate compensation of executive officers in order to motivate their performance in the achievement of our business objectives and to align their interests with the long-term interests of our shareholders;

assessing the risks associated with our compensation program; and

reviewing and making recommendations to the full Board on executive officer and director compensation and personnel policies, programs and plans.

Our Executive Compensation Committee meets periodically during the year to review our executive and director compensation policies and practices. Executive officer salaries and STI and LTI compensation are determined annually by this committee. The scope of the authority of this committee is not limited except as set forth in its charter and by applicable law. This committee has the authority to delegate duties to subcommittees of this committee, or to other standing committees of the Board, as it deems necessary or appropriate. This committee may not delegate to a subcommittee any authority required by any law, regulation or listing standard to be exercised by this committee as a whole. All members of our Executive Compensation Committee are independent under the independence requirements of the NYSE applicable to compensation committee members.

The compensation group in our corporate human resources department supports, in consultation with our Chief Executive Officer, the Executive Compensation Committee in its work.

During 2015, the Executive Compensation Committee engaged Meridian Compensation Partners, LLC ( Meridian ), as an independent executive compensation consultant to assist the committee in its evaluation of the amount and form of compensation paid in 2015 to our Chief Executive Officer, our other executive officers and our directors. Meridian reported directly to the Executive Compensation Committee. For more information on executive compensation and the role of this consultant, see Compensation Discussion and Analysis How We Determine Pay Independent Executive Compensation Consultant at page 39.



**Table of Contents**

**THE CORPORATE  
GOVERNANCE  
COMMITTEE.**

**2015 Meetings: 3**

Our Corporate Governance Committee is responsible for overseeing our company's governance, including the selection of directors and the Board's practices and effectiveness. These responsibilities include:

identifying and recommending qualified director candidates, including qualified director candidates suggested by our shareholders in written submissions to our corporate secretary in accordance with our corporate governance guidelines and our bylaws or in accordance with the rules of the Securities and Exchange Commission;

making recommendations to the Board with respect to electing directors and filling vacancies on the Board;

adopting an effective process for director selection and tenure by making recommendations on the Board's organization and practices and by aiding in identifying and recruiting director candidates;

reviewing and making recommendations to the Board with respect to the organization, structure, size, composition and operation of the Board and its committees;

in consultation with our Chairman of the Board and Chief Executive Officer and the Executive Compensation Committee, overseeing management succession and development; and

reviewing, assessing risk and making recommendations with respect to other corporate governance matters.

All members of the corporate Governance Committee are independent under the independence requirements of the NYSE.

**THE EXECUTIVE  
COMMITTEE**

**2015 Meetings: 0**

In the intervals between meetings of our Board, the Executive Committee may, except as otherwise provided in our bylaws and applicable law, exercise the powers and authority of the full Board in the management of our property, affairs and business. The function of this committee is to act on major matters where it deems action appropriate, providing a degree of flexibility and ability to respond to time-sensitive business and legal matters without calling a special meeting of our full Board. The Executive Committee reports to the Board at its next meeting on any actions taken by the committee.

## DIRECTOR NOMINATIONS

Our corporate governance guidelines provide that the Board is responsible for nominating candidates for Board membership and for the delegation of the screening process to the Corporate Governance Committee of the Board. This committee, with recommendations and input from our Chairman of the Board, Chief Executive Officer and the directors, evaluates the qualifications of each director candidate and assesses the appropriate mix of skills, qualifications and characteristics required of Board members in the context of the perceived needs of the Board at a given point in time. The committee is responsible for recommending to the full Board candidates for nomination by the Board for election as members of our Board.

Our corporate governance guidelines provide that candidates for nomination by the Board must be committed to devote the time and effort necessary to be productive members of the Board and that, in nominating candidates, the Board will endeavor to establish director diversity in personal background, race, gender, age and nationality. The guidelines also provide that the Board will seek to maintain a mix that includes, but is not limited to, the following areas of core competency: accounting and finance; investment banking; business judgment; management; industry knowledge; crisis response; international business; leadership; strategic vision; law; and corporate relations.

The Corporate Governance Committee's charter provides that it has the responsibility, in consultation with the Chairman of the Board and Chief Executive Officer, to search for, recruit, screen, interview and select candidates for the position of director as necessary to fill vacancies on the Board or the additional needs of the Board and to consider management and shareholder recommendations for candidates for nomination by the Board. In carrying out this responsibility, the Corporate Governance Committee evaluates the qualifications and performance of incumbent directors and determines whether to recommend them for re-election to the Board. In addition, this committee determines, as necessary, the portfolio of skills, experience, diversity, perspective and background required for the effective functioning of the Board considering our business strategy and our regulatory, geographic and market environments.

Our corporate governance guidelines contain a policy regarding the Corporate Governance Committee's consideration of prospective director candidates recommended by shareholders for nomination by our Board. Under this policy, and in accordance with our bylaws, any shareholder who wishes to recommend a prospective candidate for nomination by our Board for election at our 2017 annual meeting should send a letter of recommendation to our corporate secretary at our principal executive offices by no later than December 6, 2016. The letter should include the name, address and number of shares owned by the recommending shareholder (including, if the recommending shareholder is not a shareholder of record, proof of ownership of the type referred to in Rule 14a-8(b)(2) of the proxy rules of the Securities and Exchange Commission), the prospective candidate's name and address, a description of the prospective candidate's background, qualifications and relationships, if any, with our company and all other information necessary for our Board to determine whether the prospective candidate meets the independence standards under the rules of the NYSE and our director independence guidelines. A signed statement from the prospective candidate should accompany the letter of recommendation indicating that he or she consents to being considered as a nominee of the Board and that, if nominated by the Board and elected by the shareholders, he or she will serve as a director. The committee will evaluate prospective candidates recommended by shareholders for nomination by our Board in light of the various factors set forth above.

## **Table of Contents**

Neither the Corporate Governance Committee, the Board, nor our company itself discriminates in any way against prospective candidates for nomination by the Board on the basis of age, sex, race, religion, or other personal characteristics. There are no differences in the manner in which the Corporate Governance Committee or the Board evaluates prospective candidates based on whether the prospective candidate is recommended by a shareholder or by the Corporate Governance Committee, provided that the recommending shareholder furnishes to our company a letter of recommendation containing the information described above along with the signed statement of the prospective candidate referred to above.

In addition to having the ability to recommend prospective candidates for nomination by our Board, under our bylaws, shareholders may themselves nominate candidates for election at an annual meeting of shareholders. Any shareholder who desires to nominate candidates for election as directors at our 2017 annual meeting must follow the procedures set forth in our bylaws. Under these procedures, notice of a shareholder nomination for the election of a director must be received by our corporate secretary at our principal executive offices not less than 120 calendar days before the first anniversary of the date that our proxy statement was released to shareholders in connection with our 2016 annual meeting of shareholders (i.e., notice must be received no later than December 6, 2016). If the date of the 2017 annual meeting is more than 30 days from the first anniversary date of the 2016 meeting, our corporate secretary must receive notice of a shareholder nomination by the close of business on the tenth day following the earlier of the day on which notice of the date of the meeting is mailed to shareholders or the day on which public announcement of the meeting date is made. In accordance with our bylaws, a shareholder notice must contain certain information about the candidate the shareholder desires to nominate for election as a director, including: (a) the name, age, business address and residence address of such person; (b) the principal occupation or employment of such person; (c) the class or series and number of our shares that are owned beneficially or of record by such person and any affiliates or associates of such person; (d) the name of each nominee holder of our shares owned beneficially but not of record by such person or any affiliates or associates of such person, and the number of our shares held by each such nominee holder; (e) whether and the extent to which any derivative instrument, swap, option, warrant, short interest, hedge or profit interest or other transaction has been entered into by or on behalf of such person, or any affiliates or associates of such person, with respect to our shares; (f) whether and the extent to which any other transaction, agreement, arrangement or understanding (including any short position or any borrowing or lending of our shares) has been made by or on behalf of such person, or any affiliates or associates of such person, the effect or intent of any of the foregoing being to mitigate loss to, or to manage risk or benefit of stock price changes for, such person, or any affiliates or associates of such person, or to increase or decrease the voting power or pecuniary or economic interest of such person, or any affiliates or associates of such person, with respect to our shares; and (g) all other information relating to such person that would be required to be disclosed in connection with a solicitation of proxies for the election of such person as a director, or would be otherwise required to be disclosed in connection with such solicitation, in each case pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended (including without limitation such person's written consent to being named in the proxy statement as a nominee and to serving as a director if elected).

In addition, as to the shareholder giving the notice and the beneficial owner, if any, on whose behalf the nomination is made, the notice must set forth: (a) the name and address, as they appear on the company's books, of such shareholder, and the name and address of such beneficial owner, if any, and any other shareholders known by such shareholder to be supporting such nominee(s); (b) the class and number of our shares that are owned beneficially and of record by such person and any affiliates or associates of such person; (c) the name of each nominee holder of our shares owned beneficially but not of record by such person or any affiliates or associates of such person, and the number of such shares held by each such nominee holder; (d) whether and the extent to which any derivative instrument, swap, option, warrant, short interest, hedge or profit interest or other transaction has been entered into by or on behalf of such person, or any affiliates or associates of such person, with respect to our shares; (e) whether and the extent to which any other transaction, agreement, arrangement or understanding (including any short position or any borrowing or lending of our shares) has been made by or on behalf of such person, or any affiliates or associates of such person, the effect or intent of any of the foregoing being to mitigate loss to, or to manage risk or benefit of stock price changes for, such person, or any affiliates or associates of such person, or to increase or decrease the voting power or pecuniary or economic interest of such person, or any affiliates or associates of such person, with respect to our shares; (f) a representation that the shareholder giving notice intends to appear in person or by proxy at the annual meeting or special meeting to nominate the persons named in its notice; (g) a description of all agreements, arrangements and understandings between such person or any affiliate or associate of such person, and any other person or persons (including their names) in connection with the nomination by such shareholder; and (h) all other information that would be required to be disclosed by such person as a participant in a solicitation of proxies for the election of directors in a contested election, or would be otherwise required to be disclosed in connection with such solicitation, in each case pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended. This information must be supplemented by such shareholder and beneficial owner, if any, not later than ten (10) days after the record date for the meeting to disclose all such information as of the record date.

## **DIRECTOR COMPENSATION**

During 2015, we began transitioning payment of compensation for each of our non-management directors for their service on our Board from a calendar year basis to paying on an annual meeting date basis. In February 2015, we paid an annual cash retainer of \$65,000 for the period from January 1 to December 31, 2015. The chairs of our Audit and Executive Compensation Committees received an additional annual cash retainer

## Edgar Filing: ONE Gas, Inc. - Form DEF 14A

of \$15,000, and our lead independent director, who is also chair of our Corporate Governance Committee, received an additional annual cash retainer of \$20,000. Our Chairman of the Board received an additional annual cash retainer of \$75,000 for his service.

## Table of Contents

On February 23, 2015, each non-management director was granted a stock retainer of 788 shares (valued at \$33,640), determined using the average of the high and low trading prices of our company's common stock on the NYSE on February 23, 2015. This amount represented the pro-rata portion of the full year stock retainer of \$85,000 for the period of January 1 to May 20, 2015. On May 21, 2015, each non-management director was granted a stock retainer of 1,946 shares (valued at \$85,000), determined using the average of the high and low trading prices of our company's common stock on the NYSE on May 21, 2015, for the period from May 21, 2015, to May 25, 2016.

In February 2016, each non-management director received a pro-rata annual cash retainer of \$25,929. The chairs of our Audit and Executive Compensation Committees received an additional pro-rata annual cash retainer of \$5,984, and our lead independent director, who is also chair of our Corporate Governance Committee, received an additional pro-rata annual cash retainer of \$7,978. Our Chairman of the Board received an additional pro-rata annual cash retainer of \$29,918 for his service. The February 2016 pro-rata cash payments cover the period from January 1, 2016, to May 25, 2016.

For the period from May 26, 2016 through the day before the May 2017 annual meeting, each non-management director will receive an annual cash retainer of \$70,000 and a stock retainer valued at \$90,000. The chairs of our Audit and Executive Compensation Committees will receive an additional annual cash retainer of \$15,000, and our lead independent director, who is also chair of our Corporate Governance Committee, will receive an additional annual cash retainer of \$25,000. Our Chairman of the Board will receive an additional annual cash retainer of \$75,000 for his service.

All directors are reimbursed for reasonable expenses incurred in connection with attendance at Board and committee meetings.

The Chief Executive Officer, as the sole management director, receives no compensation for his service as a director.

Our Board has established minimum share ownership guidelines for members of our Board. The guidelines provide that within five years after joining the Board, each non-management director will own shares of the company's common stock having a value, at a minimum, of five times the annual cash retainer for service on the Board (excluding annual retainers for service as a chair of a Board committee or for service as Chairman of the Board) as established from time to time by the Board. Shares that count toward this ownership guideline include shares owned outright in the director's name, shares held in trust for the director's benefit or the benefit of the director's immediate family, and phantom shares held in the director's account under any company deferred compensation plan for non-employee directors or any similar plan or arrangement. Shares that do not count toward this ownership guideline include unexercised stock options and shares of restricted stock for which restrictions have not yet lapsed (unvested restricted stock). A non-management director will not be allowed to sell shares of the company's common stock (using established pre-clearance procedures) unless such director's holdings of the company's common stock meet the established minimum ownership guideline. Because we became a stand-alone, publicly traded company on January 31, 2014, under the guidelines our directors have five years from this date to satisfy individual share ownership requirements.

The following table sets forth the compensation paid to our non-management directors in 2015.

### Director Compensation

Director	Fees Earned or Paid in Cash <sup>(1)</sup>	Stock Awards <sup>(1)(2)(3)</sup>	Change in Nonqualified Deferred Compensation Earnings <sup>(4)</sup>	Total
Robert B. Evans	\$ 65,000	\$ 118,640	\$ -	\$ 183,640
John W. Gibson	\$ 140,000	\$ 118,640	\$ 6,342	\$ 264,982
Michael G. Hutchinson	\$ 80,000	\$ 118,640	\$ -	\$ 198,640
Pattye L. Moore	\$ 80,000	\$ 118,640	\$ 4,230	\$ 202,870
Eduardo A. Rodriguez	\$ 85,000	\$ 118,640	\$ -	\$ 203,640
Douglas H. Yaeger	\$ 65,000	\$ 118,640	\$ -	\$ 183,640

(1) Non-management directors may defer all or a part of their annual cash and stock retainers under our Deferred Compensation Plan for Non-Employee Directors. During the year ended December 31, 2015, \$377,280 of the total amount payable for directors' fees were deferred under this plan at the election of two of our directors. Deferred amounts are treated, at the election of the participating director, either as phantom stock or as a cash deferral. Phantom stock deferrals are treated as though the deferred amount is invested in our common stock at the fair market value on the date the deferred amount was earned. Phantom stock earns the equivalent of dividends declared on our common stock, reinvested in phantom shares of our common

## Edgar Filing: ONE Gas, Inc. - Form DEF 14A

stock based on the fair market value of our common stock on the payment date of each common stock dividend. The shares of our common stock reflected in a non-management director's phantom stock account are issued to the director under our Equity Compensation Plan on the last day of the director's service as a director or a later date selected by the director. Cash deferrals earn interest at a rate equal to Moody's Long-Term Corporate Bond Yield AAA on the first business day of the plan year, plus 100 basis points, which, at January 2, 2015, was 4.67 percent.

**20**      **ONE Gas, Inc.** Notice of 2016 Annual Meeting of Stockholder and Proxy Statement

**Table of Contents**

The following table sets forth, for each non-management director, the amount of director compensation deferred during 2015 and cumulative deferred compensation as of December 31, 2015.

Director	Board Fees Deferred to Phantom Stock in 2015 (a)	Dividends Earned on Phantom Stock and Reinvested in 2015 (b)	Total Board Fees Deferred to Phantom Stock at December 31, 2015 (a)	Total Phantom Stock Held at December 31, 2015	Board Fees Deferred to Cash in 2015 (c)	Total Board Fees Deferred to Cash at December 31, 2015 (c)
Robert B. Evans	\$ -	\$ -	\$ -	-	\$ -	\$ -
John W. Gibson	\$ 118,640	\$ 4,230	\$ 210,039	5,450	\$ 140,000	\$ 301,617
Michael G. Hutchinson	\$ -	\$ -	\$ -	-	\$ -	\$ -
Patty L. Moore	\$ 118,640	\$ 4,230	\$ 210,039	5,450	\$ -	\$ -
Eduardo A. Rodriguez	\$ -	\$ -	\$ -	-	\$ -	\$ -
Douglas H. Yaeger	\$ -	\$ -	\$ -	-	\$ -	\$ -

(a) Reflects the value of the annual cash and stock retainers (based on the average of our high and low stock price on the NYSE on the grant date) deferred to phantom stock by a director under our Deferred Compensation Plan for Non-Employee Directors.

(b) Dividend equivalents paid on phantom stock are reinvested in additional shares of phantom stock based on the average of the high and low trading prices of our common stock on the NYSE on the date the dividend equivalent was paid.

(c) Mr. Gibson deferred \$140,000 to cash in 2015. The total amount deferred to cash for Mr. Gibson includes \$6,653 in interest paid in 2015 on cash deferrals at a rate equal to Moody's Long-Term Corporate Bond Yield AAA on the first business day of the plan year, plus 100 basis points which, at January 2, 2015, was 4.67 percent.

(2) The amounts in this column reflect the aggregate grant date fair value, computed in accordance with Financial Accounting Standards Board's Accounting Standards Codification Topic 718, Compensation-Stock Compensation (ASC Topic 718), with respect to stock awards received by directors for service on our Board. Since the shares are issued free of any restrictions on the grant date, the grant date fair value of these awards is based on the average of our high and low stock price on the NYSE on the date of grant. The following table sets forth the number of shares and grant date fair value of such shares of our common stock issued to our non-management directors during 2015 for service on our Board.

Director	Shares Awarded in 2015	Aggregate Grant Date Fair Value
Robert B. Evans	2,734	\$118,640
John W. Gibson	2,734	\$118,640
Michael G. Hutchinson	2,734	\$118,640
Patty L. Moore	2,734	\$118,640
Eduardo A. Rodriguez	2,734	\$118,640
Douglas H. Yaeger	2,734	\$118,640

(3) For the aggregate number of shares of our common stock and phantom stock held by each member of our Board at March 1, 2016, see "Stock Ownership Holdings of Officers and Directors" at page 34. As of December 31, 2015, the following non-management directors held the following number of shares of phantom stock credited to such director's account under our Deferred Compensation Plan for Non-Employee Directors: Mr. Gibson: 5,450; and Ms. Moore: 5,450.

(4) Reflects above-market earnings on Board fees deferred to cash under our Deferred Compensation Plan for Non-Employee Directors which provides for payment of interest on cash deferrals at a rate equal to Moody's Long-Term Corporate Bond Yield AAA on the first business day of the plan year, plus 100

basis points, which, at January 2, 2015, was 4.67 percent, plus accrued dividends.

## **COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION**

During 2015, Messrs. Evans, Hutchinson, Rodriguez and Yaeger and Ms. Moore served on our Executive Compensation Committee. No member of the Executive Compensation Committee was an officer or employee of the company or its subsidiary during 2015, and no member of this committee was formerly an officer of the company or its subsidiary. In addition, during 2015, none of our executive officers served as a member of a compensation committee or Board of any other entity of which any member of our Board was an executive officer.

During 2015, Ms. Moore served as the Vice Chair of the ONEOK Executive Compensation Committee, and Mr. Rodriguez served as a member of the ONEOK Executive Compensation Committee.

## **EXECUTIVE SESSIONS OF THE BOARD**

The non-management members of our Board meet in regularly scheduled executive sessions without any members of management present. During 2015, the non-management members of our Board met in executive session during each of the four regular in-person meetings of the Board held during the year. We intend to continue this practice of regularly scheduled meetings of the non-management members of our Board. Our corporate governance guidelines provide that our lead independent director, who is the chair of our Corporate Governance Committee, presides as the chair at executive session meetings of the independent members of our Board. Our corporate governance guidelines provide that the independent members of the Board shall meet in executive session without management or non-independent directors present in connection with each regularly scheduled in-person meeting of the Board and at such other times as the independent directors deem necessary or appropriate. The independent members of the Board met four times during the year.



**Table of Contents**

## **COMMUNICATIONS WITH DIRECTORS**

Our Board believes that it is management's role to speak for our company. Directors refer all inquiries regarding our company from institutional investors, analysts, the news media, customers or suppliers to our Chief Executive Officer or his designee. Our Board also believes that any communications between members of the Board and interested parties, including shareholders, should be conducted with the knowledge of our Chief Executive Officer. Interested parties, including shareholders, may contact one or more members of our Board, including non-management directors and non-management directors as a group, by writing to the director or directors in care of our corporate secretary at our principal executive offices. A communication received from an interested party or shareholder will be forwarded promptly to the director or directors to whom the communication is addressed. A copy of the communication also will be provided to our Chief Executive Officer. We will not, however, forward sales or marketing materials, materials that are abusive, threatening or otherwise inappropriate, or correspondence not clearly identified as interested party or shareholder correspondence.

## **COMPLAINT PROCEDURES**

Our Board has adopted procedures for the receipt, retention and treatment of complaints regarding accounting, internal accounting controls, or auditing matters and complaints or concerns under our code of business conduct and ethics. These procedures allow for the confidential and anonymous submission by employees of concerns regarding questionable accounting or auditing matters and matters arising under our code of business conduct and ethics. The full text of these procedures, known as our whistleblower policy, is published on and may be printed from our website at [www.ONEGas.com](http://www.ONEGas.com) and is also available from our corporate secretary upon request.

**Table of Contents**

## **CORPORATE RESPONSIBILITY**

For more than 100 years, our businesses have delivered natural gas to our customers. We will continue to focus on operating safely and responsibly, while creating shareholder value.

### **SAFETY AND HEALTH**

The safety of our employees, our customers and the communities where we operate is at the forefront of each business decision we make. By monitoring the integrity of our assets and promoting the safety and health of our employees, customers and communities, we are investing in the long-term sustainability of our businesses.

A substantial part of our workforce is comprised of operations specialists who work regularly in the field. We continuously assess the risks our employees face in their jobs, and we work to mitigate those risks through training, appropriate engineering controls, work procedures and other preventive safety and health programs. Reducing incidents and improving our safety incident rates is important, but we are not focused only on statistics. Low incident rates alone cannot prevent a large-scale incident, which is why we continue to focus on enhancing our preventive safety programs, such as near-miss reporting, vehicle-safety monitoring, risk assessment and others.

#### **2015 Safety and Health Performance Updates and Highlights**

Since 2008 we have experienced a 72% reduction in our Total Recordable Incident Rate (TRIR).

Strains and sprains, our most prevalent type of injury has declined by 76% since 2008.

Beginning in 2012 to today, our excellence in safe driving performance has moved us into the 1st quartile amongst our peer groups within the American Gas Association.

### **ENVIRONMENTAL PERFORMANCE**

#### **2015 Environmental Updates and Highlights**

We retired or replaced approximately 425 miles of distribution and transmission facilities in 2015 which will result in decreased emissions of methane.

In 2015, our Energy Efficiency Program in Oklahoma and the Austin Conservation Program in Texas combined to issue more than 67,800 rebates totaling approximately \$11.15 million through energy-efficiency and conservation programs that offered customers rebates on natural gas appliances and energy-efficient home improvements.

We continue to be a partner in the Environmental Protection Agency's (EPA) Natural Gas STAR Program, as well as actively participated in the development of the EPA's Methane Challenge program to voluntarily reduce greenhouse gas emissions.

### **COMMUNITY INVESTMENT**

We are committed to being active members of the communities where we operate. Investing in the areas where we have operations and where our employees live and work is not only the right thing to do – it's smart business. By contributing financially and through volunteer work, we can

help build stronger communities and create a better environment for our employees, our customers and the general public.

We accomplish this in a number of ways, including grants from the ONE Gas Foundation, corporate sponsorships to nonprofit organizations and community volunteer efforts. Primary focus areas for our community investments are education, health and human services, arts and culture, environmental stewardship and community enrichment. We give priority consideration to educational programs and to health and human services organizations, particularly those with programs that help people become self-sufficient.

### **2015 Community Investment Updates and Highlights**

In 2015, we contributed approximately \$2.2 million to nonprofit organizations through the ONE Gas Foundation and corporate sponsorships, and our employees volunteered more than 6,100 hours in our communities.

## **POLITICAL ADVOCACY AND CONTRIBUTIONS**

We actively participate in the political process through the lobbying efforts of our government relations department, involvement in multiple business and industry trade organizations, and through the ONE Gas, Inc. Employee Political Action Committee (the ONE Gas PAC ). In 2015, ONE Gas employees and members of the ONE Gas Board contributed approximately \$69,900 to the ONE Gas PAC. During 2015, the ONE Gas PAC contributed approximately \$53,500 to candidates for political office and other political action committees.

**Table of Contents**

As a company, we do not contribute corporate funds to political candidates, political action committees or so-called 501(c)(4) social welfare organizations. Employee and director contributions to the ONE Gas PAC are used to support candidates seeking federal or state offices who support the interests of the energy industry and business. A steering committee made up of senior management representatives and a contributions committee made up of employees from across our operating areas, oversee all ONE Gas PAC contributions to political candidates.

**24**      **ONE Gas, Inc.** Notice of 2016 Annual Meeting of Stockholder and Proxy Statement

**Table of Contents**

**PROPOSAL 1 ELECTION OF CLASS II DIRECTORS**

**ELECTION BY MAJORITY VOTE**

In accordance with our bylaws, the Board currently has seven members, two of whose terms will expire at the 2016 annual meeting. Directors are divided into three classes and are elected for staggered terms of three years, each with a term of office of one of the three classes of directors expiring each year. After this election, the terms of Class I, II and III will expire in 2018, 2019 and 2017, respectively. Each director will hold office for the term to which he or she is elected or until his or her successor is duly elected and qualified.

Our bylaws provide that, in the case of uncontested elections (i.e., elections where the number of nominees is the same as the number of directors to be elected), director nominees are elected by the vote of a majority of the votes cast with respect to that nominee. Abstentions and broker non-votes with respect to the election of a director do not count as votes cast. Our corporate governance guidelines provide that any uncontested nominee for director who fails to receive the requisite majority vote at an annual or special meeting held for the purpose of electing directors where the election is uncontested must, promptly following certification of the shareholder vote, tender his or her resignation to the Board. The Board (excluding the director who tendered the resignation) will evaluate any such resignation in light of the best interests of the company and our stakeholders in determining whether to accept or reject the resignation, or whether other action should be taken. In reaching its decision, the Board may consider any factors it deems relevant, including the director's qualifications, the director's past and expected future contributions to the company, the overall composition of the Board and whether accepting the tendered resignation would cause the company to fail to comply with any applicable rule or regulation (including the NYSE listing requirements and the federal securities laws). The Board will act on the tendered resignation and publicly disclose its decision and rationale within 90 days following certification of the shareholder vote.

If no directors receive the requisite majority vote at an annual or special meeting held for the purpose of electing directors where the election is uncontested, then, pursuant to our corporate governance guidelines, the incumbent Board will, within 180 days after the certification of the shareholder vote, nominate a new slate of directors and hold a special meeting for the purpose of electing those nominees. In this circumstance, the incumbent Board will continue to serve until new directors are elected and qualified.

The persons named in the accompanying proxy card intend to vote such proxy in favor of the election of each of the nominees named below, who are all currently directors, unless the proxy provides for a vote against the director. Although the Board has no reason to believe that the nominees will be unable to serve as directors, if a nominee withdraws or otherwise becomes unavailable to serve, the persons named as proxies will vote for any substitute nominee designated by the Board, unless contrary instructions are given on the proxy. Except for these nominees, no other person has been recommended to our Board as a potential nominee or otherwise nominated for election as a director.

**BOARD QUALIFICATIONS**

Our corporate governance guidelines provide that our Corporate Governance Committee will evaluate the qualifications of each director candidate and assess the appropriate mix of skills and characteristics required of Board members in the context of the perceived needs of the Board at a given point in time. Each director also is expected to:

exhibit high standards of integrity, commitment and independence of thought and judgment;

use his or her skills and experiences to provide independent oversight to the business of our company;

be willing to devote sufficient time to carrying out his or her duties and responsibilities effectively;

devote the time and effort necessary to learn the business of the company and the Board;

represent the long-term interests of all stakeholders; and

participate in a constructive and collegial manner.

In addition, our corporate governance guidelines provide that, in nominating candidates, the Board will endeavor to establish director diversity in personal background, race, gender, age and nationality, and to maintain a mix that includes, but is not limited to, the following areas of core competency: accounting and finance; investment banking; business judgment; management; industry knowledge; international business; crisis response; leadership; strategic vision; law; and corporate relations.

Your Board believes that each member of our Board possesses the necessary integrity, skills and qualifications to serve on our Board and that their individual and collective skills and qualifications provide them with the ability to engage management and each other in a constructive and collaborative fashion and, when necessary and appropriate, challenge management in the execution of our business operations and strategy.

Certain information with respect to the Class II nominees for election at the annual meeting, as well as each of the other directors, is set forth below, including their names, ages, a brief description of their recent business experience, including present occupations and employment, certain directorships that each person holds and the year in which each person became a director of the company. The nominees for Class II director currently serve as directors of the company.

**Table of Contents**

Pierce H. Norton II, our President and Chief Executive Officer, and Eduardo A. Rodriguez, our lead independent director and Chair of the Corporate Governance Committee have been nominated for re-election as Class II directors for a three-year term expiring in 2019. Messrs. Norton and Rodriguez are not being proposed for election pursuant to any agreement or understanding between Messrs. Norton and Rodriguez and the company or any other person(s).

**YOUR BOARD UNANIMOUSLY RECOMMENDS A VOTE FOR EACH NOMINEE.**

**Director Nominees for Class II Directors**

Set forth below is certain information with respect to each nominee for election as a director, each of whom is a current director.

<b>PIERCE H. NORTON II</b>
<b>Position:</b> Management Director
<b>Age:</b> 56
<b>Director Since:</b> 2014
<b>Independent:</b> No

Pierce Norton is President and Chief Executive Officer of ONE Gas. Prior to ONE Gas becoming a stand-alone, publicly traded company separate from ONEOK in January 2014.

Prior to the separation, Mr. Norton served as Executive Vice President and Chief Operating Officer of ONEOK and ONEOK Partners. Before that, Mr. Norton was President of the ONEOK Distribution Companies Oklahoma Natural Gas, Kansas Gas Service and Texas Gas Service. Also while at ONEOK, he held the position of Executive Vice President of Natural Gas, which included responsibility for all natural gas pipelines and the natural gas gathering and processing businesses within ONEOK Partners.

Mr. Norton began his natural gas industry career in 1982 at Delhi Gas Pipeline, a subsidiary of Texas Oil and Gas Corporation. He later worked for American Oil and Gas with operational responsibilities for natural gas gathering and processing, and for intrastate and interstate pipelines. Mr. Norton then worked for KN Energy as Vice President and General Manager of the Heartland Region, before moving to Bear Paw Energy as Vice President of Business Development. In 2002, he was named President of Bear Paw Energy, a subsidiary of Northern Border Partners at the time, now ONEOK Rockies Midstream, a subsidiary of ONEOK Partners.

Mr. Norton is a member of the American Gas Association's board of directors and serves as its First Vice Chairman. He currently serves as a Board member of the Tulsa Community College Foundation, the Tulsa Chamber of Commerce and the Oklahoma Center for Community and Justice. He is a past Board member of the Interstate Natural Gas Association of America, the Texas Pipeline Association, the North Dakota Petroleum Council and the Western Energy Alliance, formerly known as the Independent Petroleum Association of Mountain States. He also is a graduate of Harvard Business School's Advanced Management Program.

Mr. Norton has served in a variety of roles of continually increasing responsibility at ONEOK and ONEOK Partners from November 2004 to January 2014. In these roles, Mr. Norton has had direct responsibility for and extensive experience in strategic and financial planning, acquisitions and divestitures, operations, management supervision and development, and compliance. Mr. Norton has significant experience in assessing acquisition opportunities and in structuring, financing and completing merger and acquisition transactions. In light of his lengthy career in a variety of sectors of the oil and gas industry, during which Mr. Norton has gained extensive management and operational experience and has demonstrated a strong track record of leadership, strategic vision and risk management, our Board has concluded that Mr. Norton should continue to serve as a member of our Board.

**Committee Member:** Executive

**26**      **ONE Gas, Inc.** Notice of 2016 Annual Meeting of Stockholder and Proxy Statement



**Table of Contents****EDUARDO A. RODRIGUEZ****Position:** Lead Independent Director**Age:** 60**Director Since:** 2014**Independent:** Yes

Mr. Rodriguez is President of Strategic Communications Consulting Group in El Paso, Texas. Mr. Rodriguez previously served as Executive Vice President of Hunt Building Corporation, a privately held company engaged in construction and real estate development headquartered in El Paso, Texas. He also served as a member of the Board of Hunt Building Corporation. Prior to his three years with Hunt Building Corporation, Mr. Rodriguez spent 20 years in the electric utility industry at El Paso Electric Company, a publicly traded, investor-owned utility, where he served in various senior-level executive positions, including General Counsel, Senior Vice President for Customer and Corporate Services, Executive Vice President and as Chief Operating Officer. Mr. Rodriguez is a licensed attorney in the states of Texas and New Mexico, and is admitted to the United States District Court for the Western District of Texas. Mr. Rodriguez is a member of the ONEOK, Inc. Board and serves as a member of its Executive Compensation Committee and as Vice Chair of its Corporate Governance Committee and is former chair of the Audit Committee.

Mr. Rodriguez has had extensive senior management, operational, entrepreneurial and legal experience in a variety of industries as a result of his service at Strategic Communications Consulting Group, Hunt Building Corporation and El Paso Electric Company. Mr. Rodriguez has engaged in the practice of law for over 30 years. In light of Mr. Rodriguez's extensive legal experience, and his numerous senior management positions where he gained extensive experience in strategic planning, corporate governance and regulatory compliance, our Board has concluded that Mr. Rodriguez should continue to serve as a member of our Board.

**Committee Member:** Governance (Chair), Audit, Executive Compensation, Executive

**Class III Directors (continuing directors not up for re-election at the annual meeting)**

Set forth below is certain information with respect to each Class III director, each of whom is a current director.

**ROBERT B. EVANS****Age:** 67**Director Since:** 2014**Independent:** Yes

Mr. Evans has served as a director of Targa Resources GP LLC, a subsidiary of Targa Resources Corp. and the general partner of Targa Resources Partners, LP since 2007. On March 1, 2016, Mr. Evans was elected to the board of Targa Resources Corp. and appointed Chairman of the Risk Management Committee and as a member of its Compensation Committee. Mr. Evans has been on the Board of Directors of New Jersey Resources Corp. since 2009 and currently serves as a member of its Audit Committee and Executive Committee. Mr. Evans is also a member of the Board of Directors of Sprague Resources, LP and currently serves as a member of its Audit Committee and Chair of its Conflicts Committee.

Mr. Evans was President and Chief Executive Officer of Duke Energy Americas, a business unit of Duke Energy Corp., from January 2004 until his retirement in March 2006. He served as the transition executive for Energy Services, a business unit of Duke Energy, during 2003. Evans was president of Duke Energy Gas Transmission, a business unit of Duke Energy, beginning in 1998 until he was named President and Chief Executive Officer in 2002, a position in which he served until 2004. Prior to his employment at Duke Energy, Mr. Evans served as Vice President of Marketing and Regulatory Affairs for Texas Eastern Transmission and Algonquin Gas Transmission from 1996 to 1998.

Mr. Evans' extensive executive experience with the natural gas transmission business and wholesale natural gas trading business of Duke Energy and Targa Resources Partners provide him with valuable industry experience. Mr. Evans' service on board positions for other energy companies brings executive, corporate development, operations,

Edgar Filing: ONE Gas, Inc. - Form DEF 14A

financial and industry knowledge to the Board.

**Committee Member:** Audit (Vice Chair), Governance, Executive Compensation

**ONE Gas, Inc.** Notice of 2016 Annual Meeting of Stockholder and Proxy Statement

**27**

**Table of Contents**

**MICHAEL G. HUTCHINSON**

Age: 60

Director Since: 2014

Independent: Yes

Michael Hutchinson currently serves on the Board of Westmoreland Coal Company and has since 2012. He is Chairman of its Audit Committee and a member of its Compensation Committee. In 2015, Mr. Hutchinson joined the Board of ONEOK Partners GP, L.L.C., the general partner of ONEOK Partners, L.P., and is Vice Chair of its Audit Committee.

Mr. Hutchinson retired as a partner from Deloitte & Touche in 2012. His Deloitte career spanned nearly 35 years, leading the energy and natural resources practice in Colorado for more than 10 years, while at the same time managing more than 150 professionals in the Denver audit and enterprise risk management practice.

Mr. Hutchinson has substantial expertise in accounting and finance matters gained during his experience in public accounting. He served as the lead audit partner on many of the firm's largest clients in Denver from 1989 until his retirement.

Mr. Hutchinson's qualifications include his experience with accounting principles, financial controls and evaluating financial statements of public companies in the energy sector, particularly from an auditor's perspective. As a result of his experience, Mr. Hutchinson is qualified to analyze the various financial and operational aspects of our company.

**Committee Member:** Audit (Chair), Governance (Vice Chair), Executive Compensation, Executive

**Class I Directors (continuing directors not up for re-election at the annual meeting)**

Set forth below is certain information with respect to each Class I director, each of whom is a current director.

**JOHN W. GIBSON**

Position: Chairman of the Board

Age: 63

Director Since: 2014

Independent: No

Mr. Gibson is the Chairman of the Board of ONE Gas, Inc. Mr. Gibson is also the Chairman of the Board of ONEOK, Inc. and ONEOK Partners GP, L.L.C., the general partner of ONEOK Partners, L.P. Mr. Gibson was instrumental in the separation of ONE Gas from ONEOK into a stand-alone, 100 percent regulated, publicly traded natural gas distribution company. In connection with the separation, Mr. Gibson retired as Chief Executive Officer of ONEOK and of ONEOK Partners GP, L.L.C. effective January 31, 2014. Mr. Gibson also serves on the Board of BOK Financial Corporation.

Mr. Gibson joined ONEOK in 2000 as President of Energy, responsible for the company's natural gas gathering and processing, and transportation and storage businesses. In 2006, he was named President and Chief Operating Officer of ONEOK Partners, the master limited partnership that owns midstream natural gas and natural gas liquids businesses. He was elected Chief Executive Officer of ONEOK and President and Chief Executive Officer of ONEOK Partners in January 2007, becoming Chairman of ONEOK Partners later that year. In January 2010, he became President of ONEOK, and in May 2011, he became Chairman.

## Edgar Filing: ONE Gas, Inc. - Form DEF 14A

His career began in the energy industry in 1974 as a refinery engineer with Exxon Company, USA. He spent 18 years with Phillips Petroleum Company in a variety of domestic and international positions in its natural gas, natural gas liquids and exploration and production businesses. Prior to joining ONEOK, Mr. Gibson was executive vice president of Koch Energy, Inc., a subsidiary of Koch Industries, responsible for its interstate natural gas pipelines and gathering and processing businesses.

Mr. Gibson had direct responsibility for and extensive experience in strategic and financial planning, acquisitions and divestitures, operations, management supervision and development, and compliance. Over the course of his lengthy career in a variety of sectors of the oil and gas industry, Mr. Gibson has gained extensive management and operational experience and has demonstrated a strong track record of leadership, strategic vision and risk management. In light of his role as the top executive officer at ONEOK and ONEOK Partners, Mr. Gibson brings extensive industry and managerial experience and knowledge to our Board.

**Committee Member:** Executive (Chair)

**Table of Contents****PATTY L. MOORE**

Age: 58

Director Since: 2014

Independent: Yes

Ms. Moore currently serves as the non-executive Chairman of the Board of Red Robin Gourmet Burgers (NASDAQ: RRGB). In addition, Ms. Moore is a business strategy consultant, speaker and the author of *Confessions from the Corner Office*, a book on leadership instincts, published by Wiley & Sons in 2007. Ms. Moore serves on the Board for QuikTrip Corporation. Since 2002, Ms. Moore has served on the Board of ONEOK, Inc. and is the Vice Chair of its Executive Compensation Committee and a member of its Corporate Governance Committee.

Ms. Moore served on the Board for Sonic Corp. from 2000 through January 2006 and was the President of Sonic from January 2002 to November 2004. She held numerous senior management positions during her 12 years at Sonic, including Executive Vice President, Senior Vice President-Marketing and Brand Development and Vice President-Marketing. Ms. Moore has extensive senior management, marketing, business strategy, brand development and corporate governance experience as a result of her service at Red Robin, ONEOK, Inc. and Sonic, her service on other boards and her consulting career. In her role as President of Sonic Corp., Ms. Moore was responsible for company and franchise operations, purchasing and distribution, marketing and brand development for the 3,000 unit chain with over \$3 billion in system-wide sales. As a business strategy consultant and as a board member, Ms. Moore has extensive experience in leadership, management development, strategic planning and executive compensation experience. Ms. Moore also has extensive experience as a member of the Board of numerous non-profit organizations, including serving as Chairman of the Board of the National Arthritis Foundation. In light of this service, Ms. Moore brings extensive executive managerial experience and her leadership skills to our Board.

**Committee Member:** Executive Compensation (Chair), Governance, Audit, Executive

**DOUGLAS H. YAEGER**

Age: 67

Director since: 2014

Independent: Yes

Douglas Yaeger served as Chairman, President and Chief Executive Officer of The Laclede Group, Inc. and Laclede Gas Company from 1999 until his retirement on February 1, 2012.

After spending nearly 20 years in the interstate pipeline industry, including roles as Executive Vice President of Mississippi River Transmission Corporation and Executive Vice President of Arkla Energy Marketing Company, Mr. Yaeger joined Laclede in 1990 as Vice President Planning. He was elected Laclede's Senior Vice President Operations, Gas Supply and Technical Services in 1992. In 1995, Mr. Yaeger was elected Executive Vice President Operations and Marketing and subsequently in 1997 elected President and Chief Operating Officer and joined the Company's Board.

Mr. Yaeger served on the Board and Executive Committee of the American Gas Association and is the past Chairman of its Audit Committee. He also served as Chairman of the Missouri Energy Development Association and the Southern Gas Association. Mr. Yaeger currently serves on the boards of First Banks, Inc., Barnes-Jewish Hospital, The Municipal Theatre Association of St. Louis, St. Louis Science Center Board of Commissioners, Webster University and the United Way of Greater St. Louis.

Mr. Yaeger has extensive senior management experience in a variety of sectors in the oil and natural gas industry as a result of his service at Laclede where he demonstrated a strong track record of leadership and sound judgment. As a result of his experience, Mr. Yaeger is qualified to analyze the various financial and operational aspects of our company. In light of this service, Mr. Yaeger brings extensive industry, financial, corporate governance, operating and compensation experience to our Board.

**Committee Member:** Executive Compensation (Vice Chair), Governance, Audit

There are no arrangements or understandings between any of our directors and any other persons pursuant to which he or she is nominated or continuing to serve as a director of the company.

There are no family relationships between or among any of our directors and executive officers.

Table of Contents

## PROPOSAL 2 RATIFY THE SELECTION OF PRICEWATERHOUSECOOPERS LLP AS OUR INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR THE YEAR ENDING DECEMBER 31, 2016

### RATIFICATION OF SELECTION OF PRICEWATERHOUSECOOPERS LLP AS OUR INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR 2016

Our Board has ratified the selection by our Audit Committee of PricewaterhouseCoopers LLP to serve as our independent (consistent with Securities and Exchange Commission and NYSE policies regarding independence) registered public accounting firm for 2016. In carrying out its duties in connection with the 2015 audit, PricewaterhouseCoopers LLP had unrestricted access to our Audit Committee to discuss audit findings and other financial matters.

Representatives of PricewaterhouseCoopers LLP will be present at the annual meeting to answer questions. They also will have the opportunity to make a statement if they desire to do so.

Approval of this proposal to ratify the selection of PricewaterhouseCoopers LLP as our independent registered public accounting firm requires the affirmative vote of a majority of the voting power of the shareholders present in person or by proxy and entitled to vote on this proposal at the meeting. Abstentions will have the effect of a vote against the proposal.

**YOUR BOARD UNANIMOUSLY RECOMMENDS A VOTE FOR THE RATIFICATION OF THE SELECTION OF PRICEWATERHOUSECOOPERS LLP AS OUR INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR 2016.**

### AUDIT AND NON-AUDIT FEES

Audit services provided by PricewaterhouseCoopers LLP during the 2015 fiscal year included an integrated audit of our consolidated financial statements and internal control over financial reporting, review of our unaudited quarterly financial statements, consents for and review of documents filed with the Securities and Exchange Commission, and performance of certain agreed-upon procedures.

The following table presents fees billed for services rendered by PricewaterhouseCoopers LLP for the year ended December 31, 2015.

	2015	2014
	(Thousands of Dollars)	
Audit fees <sup>(1)</sup>	\$957.3	\$1,042.0
Audit related fees <sup>(2)</sup>	\$10.8	\$5.4
Tax fees	\$-	\$-
All other fees	\$-	\$-
Total	\$968.1	\$1,047.4

(1) Audit fees include audit services provided for the audits of the annual financial statements and internal controls as required by Section 404 of the Sarbanes-Oxley Act of 2002, and reviews of unaudited quarterly financial information and consents related to the Registration Statements filed with the Securities and Exchange Commission by ONE Gas, Inc.

(2) Audit related fees include subscriptions to research software for technical accounting guidance.

### AUDIT COMMITTEE POLICY ON SERVICES PROVIDED BY THE INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

## Edgar Filing: ONE Gas, Inc. - Form DEF 14A

Consistent with Securities and Exchange Commission and NYSE policies regarding auditor independence, the Audit Committee has the responsibility for appointing, setting compensation for and overseeing the work of our independent auditor. In furtherance of this responsibility, the Audit Committee has established a policy with respect to the pre-approval of audit and permissible non-audit services provided by our independent auditor.

Prior to engagement of PricewaterhouseCoopers LLP as our independent auditor for the 2016 audit, a plan was submitted to and approved by the Audit Committee setting forth the audit services expected to be rendered during 2016. The plan included audit services which are comprised of

**30**      **ONE Gas, Inc.** Notice of 2016 Annual Meeting of Stockholder and Proxy Statement



## **Table of Contents**

work performed in the audit of our financial statements and to attest and report on our internal controls over financial reporting, as well as work that only the independent auditor can reasonably be expected to provide, including:

quarterly review of our unaudited financial statements

comfort letters

statutory audits

performance of certain agreed-upon procedures

attest services

consents and assistance with the review of documents filed with the Securities and Exchange Commission.

Audit fees are budgeted, and the Audit Committee requires the independent auditor and management to report actual fees versus budgeted fees periodically during the year by category of service.

The Audit Committee has adopted a policy that provides that fees for audit, audit related and tax services that are not included in the independent auditor's annual services plan, and for services for which fees are not determinable on an annual basis, are pre-approved if the fees for such services will not exceed \$75,000. In addition, the policy provides that the Audit Committee may delegate pre-approval authority to one or more of its members. The member to whom such authority is delegated must report, for informational purposes only, any pre-approval decisions to the Audit Committee at its next scheduled meeting. In 2015, the Audit Committee did not delegate pre-approved authority to any members and pre-approved all audit and audit related fees for services performed by PricewaterhouseCoopers LLP.

## **2016 REPORT OF THE AUDIT COMMITTEE**

The purpose of the Audit Committee is to assist the Board with the oversight of the integrity of the company's financial statements and internal controls, the company's compliance with legal and regulatory requirements, the independence, qualifications and performance of the company's independent registered public accounting firm and the performance of the company's internal audit function. The Audit Committee's function is more fully described in its charter, which the Board has adopted. The charter is on and may be printed from the company's website at [www.ONEGas.com](http://www.ONEGas.com) and is also available from the company's corporate secretary upon request. The Audit Committee reviews the charter on an annual basis. The Board annually reviews the definition of independence for audit committee members contained in the listing standards for the NYSE and applicable rules of the Securities and Exchange Commission, as well as our director independence guidelines, and has determined that each member of the Audit Committee is independent under those standards. In addition, the Board has determined that all members of the Audit Committee are financially literate and four of the five committee members are each an audit committee financial expert.

Management is responsible for the preparation, presentation and integrity of the company's financial statements, accounting and financial reporting principles, internal controls and procedures designed to ensure compliance with accounting standards, applicable laws and regulations. The company's independent registered public accounting firm, PricewaterhouseCoopers LLP, is responsible for performing an independent audit of the company's consolidated financial statements and the company's internal control over financial reporting and expressing an opinion on the conformity of those financial statements with generally accepted accounting principles and on the effectiveness of the company's internal control over financial reporting.

In this context, the Audit Committee has met and held discussions with management and the company's independent registered public accounting firm, PricewaterhouseCoopers LLP, regarding the fair and complete presentation of the company's financial results and management's report on its assessment of the company's internal control over financial reporting. In addition, the Audit Committee reviews the quality of the company's significant accounting policies and presentations in the financial statements. The Audit Committee has discussed the most critical estimates and

## Edgar Filing: ONE Gas, Inc. - Form DEF 14A

accounting policies applied by the company in its financial statements, as well as alternative treatments. The Audit Committee has also reviewed both the internal and independent auditors' audit plans and subsequent findings. Management has represented to the Audit Committee that the company's consolidated financial statements were prepared in accordance with generally accepted accounting principles, and the Audit Committee has reviewed and discussed the consolidated financial statements with management and the independent auditor.

The Audit Committee has also reviewed and discussed with both management and the independent registered public accounting firm, management's assessment of the company's internal control over financial reporting. In addition, the Audit Committee has discussed the independent auditor's report on the company's internal control over financial reporting. The Audit Committee has also discussed with the company's independent auditor the matters required to be discussed by Public Company Accounting Oversight Board (United States) Auditing Standard No. 16, Communications with Audit Committees, and Rule 2-07 of the Securities and Exchange Commission's Regulation S-X (Communication with Audit Committees).

In addition, the Audit Committee has discussed with the independent registered public accounting firm, the firm's independence from the company and its management, including the matters in the written disclosures and the letter received from PricewaterhouseCoopers LLP as required by the applicable requirements of the Public Company Accounting Oversight Board (United States) regarding the independent

**Table of Contents**

accountant's communications with the Audit Committee concerning independence. While no non-audit services were provided by PricewaterhouseCoopers LLP in 2014 or 2015, the Audit Committee will also consider in the future whether the provision of non-audit services to the company by PricewaterhouseCoopers LLP is compatible with maintaining that firm's independence. The Audit Committee has concluded that the independent registered public accounting firm is independent from the company and its management. In considering the reappointment of PricewaterhouseCoopers LLP as the company's independent registered public accounting firm, the Audit Committee considered talent and experience on the audit engagement, the appropriateness of fees and the quality and candor of communications with the Audit Committee.

The Audit Committee discussed with the company's internal and independent auditors the overall scope and plans for their respective audits. The Audit Committee meets with both the internal and independent auditors, with and without management present, to discuss the results of their examinations, the assessments of the company's internal control over financial reporting and the overall quality of the company's financial reporting.

Based on the review and discussions referred to above, the Audit Committee recommended to the Board, and the Board approved, the inclusion of the audited financial statements of the company as of and for the year ended December 31, 2015, in the company's Annual Report on Form 10-K for the year ended December 31, 2015, for filing with the Securities and Exchange Commission.

Respectfully submitted by the members of the Audit Committee of the Board:

Michael G. Hutchinson, Chair

Robert B. Evans, Vice Chair

Patty L. Moore

Eduardo A. Rodriguez

Douglas H. Yaeger

Table of Contents**STOCK OWNERSHIP****HOLDINGS OF MAJOR SHAREHOLDERS**

The following table sets forth the beneficial owners of 5 percent or more of our common stock known to us at March 1, 2016.

Title of Class	Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class <sup>(5)</sup>
Common Stock	American Century Investment Management, Inc.  4500 Main Street, 9 <sup>th</sup> Floor  Kansas City, MO 64111	4,855,988 <sup>(1)</sup>	9.3% <sup>(1)</sup>
Common Stock	BlackRock Fund Advisors  400 Howard Street  San Francisco, CA 94105	4,491,430 <sup>(2)</sup>	8.6% <sup>(2)</sup>
Common Stock	T. Rowe Price Associates, Inc.  100 E. Pratt Street  Baltimore, MD 21202	4,410,092 <sup>(3)</sup>	8.4% <sup>(3)</sup>
Common Stock	The Vanguard Group, Inc.  100 Vanguard Blvd.  Malvern, PA 19355	3,873,350 <sup>(4)</sup>	7.4% <sup>(4)</sup>

(1) Based upon Schedule 13G filed with the Securities and Exchange Commission on February 11, 2016, in which American Century Investment Management, Inc., reported that, as of December 31, 2015, American Century Investment Management, Inc. directly and through its wholly-owned subsidiary, American Century Companies, Inc., American Century Capital Portfolios, Inc. controlled by the Stowers Institute for Medical Research, beneficially owned in the aggregate 4,855,988 shares of our common stock with respect to which American Century Investment Management, Inc. had sole voting power with respect to 4,750,631 shares, and sole dispositive power with respect to 4,855,988 shares.

(2) Based upon Schedule 13G filed with the Securities and Exchange Commission on January 27, 2016, in which BlackRock Fund Advisors through its parent company BlackRock, Inc. reported that, as of December 31, 2015, BlackRock, Inc. beneficially owned in the aggregate 4,491,430 shares of our common stock. Of such shares, BlackRock, Inc. reported it had sole dispositive power with respect to 4,491,430 shares and sole voting power with respect to 4,356,977 shares.

(3) Based upon Schedule 13G filed with the Securities and Exchange Commission on February 12, 2016, in which T. Rowe Price Associates, Inc. reported that as of December 31, 2015, T. Rowe Price Associates, Inc. beneficially owned in the aggregate 4,410,092 shares of our common stock. Of such shares, T. Rowe Price Associates, Inc. reported it had sole dispositive power with respect to 4,410,092 shares and sole voting power with respect to 839,502 shares.

(4) Based upon Schedule 13G filed with the Securities and Exchange Commission on February 11, 2016, in which The Vanguard Group, Inc. reported that, as of December 31, 2015, The Vanguard Group, Inc. directly and through its wholly-owned subsidiaries, Vanguard Fiduciary Trust Company and Vanguard Investments Australia, Ltd., beneficially owned in the aggregate 3,873,350 shares of our common stock. Of such shares, The Vanguard Group, Inc. reported it had sole dispositive power with respect to 3,806,623 shares, shared dispositive power with respect to 66,727 shares, sole voting power with respect to 66,727

## Edgar Filing: ONE Gas, Inc. - Form DEF 14A

shares, and shared voting power with respect to 3,300 shares.

(5) The percent of voting securities owned is based on the number of outstanding shares of our common stock on December 31, 2015.

**Table of Contents****HOLDINGS OF OFFICERS AND DIRECTORS**

The following table sets forth the number of shares of our common stock beneficially owned as of March 1, 2016, by (1) each director and nominee for director, (2) each of the executive officers named in the Summary Compensation Table for Fiscal 2015 under the caption Compensation Discussion and Analysis in this proxy statement, and (3) all directors and executive officers as a group.

Name of Beneficial Owner	Shares of ONE Gas Common Stock Beneficially Owned <sup>(1)</sup>	ONE Gas Directors Deferred Compensation Plan Phantom Stock <sup>(2)</sup>	Total Shares of ONE Gas Common Stock Beneficially Owned Plus		ONE Gas Percent of Class <sup>(3)</sup>
			ONE Gas Directors Deferred Compensation Plan Phantom Stock	ONE Gas Directors Deferred Compensation Plan Phantom Stock	
Robert B. Evans	5,297	-	5,297		*
John W. Gibson	267,672	5,450	273,122		*
Michael G. Hutchinson	5,297	-	5,297		*
Patty L. Moore	500	26,487	26,987		*
Pierce H. Norton II	134,128	-	134,128		*
Eduardo A. Rodriguez	9,823	609	10,432		*
Douglas H. Yaeger	15,297	-	15,297		*
Curtis L. Dinan	92,665	-	92,665		*
Caron A. Lawhorn	91,120	-	91,120		*
Robert S. McAnnally	13	-	13		*
Joseph L. McCormick	30,717	-	30,717		*
All directors and executive officers as a group	653,401	32,546	685,947		*

\* Less than 1 percent.

(1) Includes shares of common stock held by members of the family of the director or executive officer for which the director or executive officer has sole or shared voting or investment power, shares of common stock held in our Direct Stock Purchase and Dividend Reinvestment Plan, shares held through our 401(k) Plan and shares held through our Profit-Sharing Plan.

**Table of Contents**

The following table sets forth for the persons indicated and the number of shares of our common stock that are held on the person's behalf by the trustee of our 401(k) Plan and our Profit-Sharing Plan as of March 1, 2016.

Executive Officer/Director	Stock Held by 401(k) Plan	Stock Held by Profit-Sharing Plan
Robert B. Evans	-	-
John W. Gibson	-	-
Michael G. Hutchinson	-	-
Pattye L. Moore	-	-
Pierce H. Norton II	-	-
Eduardo A. Rodriguez	-	-
Douglas H. Yaeger	-	-
Curtis L. Dinan	4,695	-
Caron A. Lawhorn	1,025	-
Robert S. McAnnally	-	-
Joseph L. McCormick	2,563	-
All directors and executive officers as a group	8,283	-

(2) Represents shares of phantom stock credited to a director's account under our Deferred Compensation Plan for Non-Employee Directors. Each share of phantom stock is equal to one share of our common stock. Phantom stock has no voting or other shareholder rights, except that dividend equivalents are paid on phantom stock and reinvested in additional shares of phantom stock based on the average of the high and low trading prices of our common stock on the NYSE on the date the dividend equivalent was paid. Shares of phantom stock do not give the holder beneficial ownership of any shares of our common stock because they do not give such holder the power to vote or dispose of any shares of our common stock.

(3) The percent of our voting securities owned is based on our outstanding shares of common stock on February 1, 2016. Shares of our common stock issuable upon vesting of outstanding equity awards within 60 days of February 1, 2016, are deemed to be outstanding and to be beneficially owned by the director or executive officer holding such equity awards for the purpose of computing the percentage ownership of that person but are not treated as outstanding for the purpose of computing the percentage ownership of any other person.

## SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934, as amended, (the Exchange Act) requires our directors, executive officers and beneficial owners of 10 percent or more of our common stock to file with the Securities and Exchange Commission and the NYSE initial reports of ownership and reports of changes in ownership of our common stock. Based solely on a review of the copies of reports furnished to us and representations that no other reports were required, we believe that all of our directors, executive officers, and 10 percent or more shareholders during the fiscal year ended December 31, 2015, complied on a timely basis with all applicable filing requirements under Section 16(a) of the Exchange Act.

**Table of Contents****COMPENSATION DISCUSSION AND ANALYSIS****EXECUTIVE SUMMARY**

The following section contains a detailed description of our executive compensation philosophy, the elements of compensation that we provide to our NEOs, the process and analysis that the Executive Compensation Committee uses in reaching pay decisions for the NEOs, and highlights of 2015 events and pay decisions. Our NEOs for the fiscal year ended December 31, 2015, are as follows:

Name	Title
Pierce H. Norton II	President and Chief Executive Officer
Curtis L. Dinan	Senior Vice President, Chief Financial Officer and Treasurer
Caron A. Lawhorn	Senior Vice President, Commercial
Robert S. McAnnally	Senior Vice President, Operations
Joseph L. McCormick	Senior Vice President, General Counsel and Assistant Secretary

Our executive compensation program is intended to create a link between the strategic and financial objectives of the company and our executives' compensation opportunities, thereby aligning the interests of our executives with the interests of all our stakeholders. We seek to attract, motivate and retain top executive talent and to foster long-term value creation for our shareholders.

The following chart provides an overview of our compensation program:

What We Do	What We Don't Do
<ul style="list-style-type: none"> <li>ü Maintain a pay-for-performance program where the majority of compensation is performance based</li> </ul>	<ul style="list-style-type: none"> <li>û Enter into employment agreements with executives</li> </ul>
<ul style="list-style-type: none"> <li>ü Provide a substantial portion of executive pay in performance-based incentives</li> </ul>	<ul style="list-style-type: none"> <li>û Provide excise tax gross-ups upon a change in control</li> </ul>
<ul style="list-style-type: none"> <li>ü Maintain an annual incentive that is based on financial, operational and individual performance</li> </ul>	<ul style="list-style-type: none"> <li>û Provide tax gross-ups on other compensation or benefits</li> </ul>
<ul style="list-style-type: none"> <li>ü Offer limited perquisites</li> </ul>	<ul style="list-style-type: none"> <li>û Pay dividends on unearned performance shares</li> </ul>
<ul style="list-style-type: none"> <li>ü Subject incentive payouts to a clawback policy</li> </ul>	<ul style="list-style-type: none"> <li>û Encourage excessive or imprudent risk taking</li> </ul>
<ul style="list-style-type: none"> <li>ü Maintain executive and outside director share ownership guidelines</li> </ul>	
<ul style="list-style-type: none"> <li>ü Engage an independent consultant</li> </ul>	
<ul style="list-style-type: none"> <li>ü Review tally sheets for NEOs</li> </ul>	
<ul style="list-style-type: none"> <li>ü Grant 80% of LTI in performance-vesting vehicles</li> </ul>	
<ul style="list-style-type: none"> <li>ü Prohibit executives and directors from hedging or pledging activities</li> </ul>	
<ul style="list-style-type: none"> <li>ü Restrict change-in-control cash benefits to double-trigger vesting</li> </ul>	



ii Restrict change-in-control acceleration of equity vesting to double-trigger vesting

**2015 Performance Highlights**

In 2015, we generated net income of \$119.0 million, or \$2.24 per diluted share compared with 2014 net income of \$109.8 million, or \$2.07 per diluted share. 2015 operating income was \$239.1 million, compared to operating income of \$225.3 million in 2014.

We paid dividends totaling \$1.20 per share, totaling \$62.8 million, consistent with our target range of 55-65 percent of net income.

The market price of our common stock was \$50.17 per share at December 31, 2015, an increase of approximately 49 percent from the closing price of \$33.63 on February 3, 2014, our first day of regular way trading.

We generated total shareholder return of approximately 57 percent from February 3, 2014, through December 31, 2015. This return exceeded the returns over the same period of nine of the twelve companies in our peer group, the S&P MidCap 400 Index (13.8 percent), the S&P MidCap Utilities Index (11.3 percent) and the Dow Jones Industrial Average (18.8 percent).

Driving safely, personal injury prevention and public safety continue to be a priority, and we continue to make significant progress to enhance the safety culture at ONE Gas. We continue to be in the American Gas Association first quartile in Preventable Vehicle Incident Rate (PVIR) and achieved a 7.4% improvement over 2014 actual results, as well as achieving a 10.2% improvement in our Total Recordable Injury Rate (TRIR) as compared to last year.

---

## **Table of Contents**

### **Our Philosophy**

Our compensation philosophy is based on pay-for-performance principles, providing a competitive compensation package to attract, motivate and retain qualified executives and reward the achievement of short-term and long-term business goals that create value for our shareholders. A significant part of each executive's pay is at risk (or performance-based) in the form of annual STI awards and LTI awards. The compensation package is generally comprised of the following elements:

Base salary,

Annual STI cash awards, and

LTI awards including:

PSUs, and

RSUs.

For 2015, 77 percent of the Chief Executive Officer's target total direct compensation was at risk and 67 percent was at risk for the other NEOs.

We generally seek to pay executives at the median of a competitive range of the target total compensation of our peer companies; however, we may target pay above or below the competitive median for various reasons, including (but not limited to), experience, company performance, individual performance and internal equity.

We believe that our executive compensation program does not provide incentives for excessive risk-taking by our executive officers because a significant part of each executive's pay is at risk in the form of an annual STI award and LTI awards, which are contingent upon the achievement of certain financial and operational targets (subject to maximum payout levels), as well as continuing employment, to ensure that our executives' interests are aligned with those of our shareholders. For additional discussion of the risk considerations with respect to our executive compensation program, see "Risk Considerations" at page 41.

## **SAY ON PAY**

Our shareholders approved the compensation of our NEOs for 2014 at our annual meeting of shareholders in May 2015 with 97.6 percent of votes in favor of our recommended compensation actions. The Executive Compensation Committee and the Board therefore determined not to materially change the executive compensation practices for 2015 and will continue to monitor compensation practices, future advisory votes and other shareholder feedback to align executive compensation with the interests of the company and our shareholders.

## **ELEMENTS OF OUR EXECUTIVE COMPENSATION PROGRAM FOR 2015**

This section describes each type of executive compensation. Information regarding how compensation is determined is found in the section "How We Determine Pay" set forth below.

**Annual Cash Compensation**

**Base Salary:** We provide an annual base salary to all of our NEOs that provides continuous income to appropriately motivate and retain our executives. Base salary is determined individually within a competitive salary range (as described below under [How We Determine Pay - Market Benchmarking](#) ) after consideration of the scope of the role, the individual's experience and performance, and internal equity. Base salary is reviewed annually; however, no increase in base salary is guaranteed.

## **Table of Contents**

**Annual STI Awards:** We grant performance-based cash awards for achieving specific key safety and business measures, along with individual accomplishments. The Annual Officer Incentive Plan is designed to align our executives' efforts with the interests of our shareholders by providing our executives with a financial incentive tied directly to key measures of the company's financial and operational performance. The Committee annually approves the measures - including a threshold, target and maximum for each measure - that must be met in order for STIs to be paid under the plan. The financial and operational results, along with an individual performance modifier, determine each executive's actual award. The individual performance modifier can range from 0 percent to 125 percent and is designed to recognize the executive's individual contributions to the company's overall results. Sample calculations are provided below under 2015 Performance and Compensation - *Short-Term Incentive* on page 42.

### **Long-Term Equity-Based Compensation**

We grant PSUs that are payable in common stock based on our total shareholder return (TSR) relative to a peer group of 12 companies over a three-year period. In addition to encouraging retention, we believe that PSUs provide incentives to our executives that align their interests and performance with that of our shareholders through increased share ownership. The actual payout of the PSUs can range from 0 percent to 200 percent of the units originally awarded, as set by the Committee, depending upon the company's relative three-year TSR. This structure is aligned with industry practices. TSR includes both the change in market price of the stock and the value of dividends as if they were paid and reinvested in the stock during the three-year performance period. PSUs are awarded annually, typically in February. PSUs represent approximately 80 percent of the NEOs annual at-risk compensation awarded through our Equity Compensation Plan (ECP) to reflect alignment with each executive's level of influence on achieving our strategic, financial and operating goals.

We also grant RSUs that are payable in common stock after a three-year vesting period provided the NEO remains employed with the company. As with the PSUs, RSUs promote retention, increase long-term equity ownership, and further promote the alignment of our executives' interests with those of our shareholders. RSUs include the value of dividends as if they were paid and reinvested in the stock during the three-year vesting period. RSUs are awarded annually, typically in February. RSUs represent approximately 20 percent of the NEOs' LTI opportunity to encourage alignment with each executive's level of influence on achieving our strategic, financial and operating goals.

### **Other Compensation**

**Nonqualified Deferred Compensation Plan (NQDC Plan):** We maintain a NQDC Plan that provides our executives with the opportunity to defer receipt of specified portions of compensation and to have such deferred amounts treated as if invested in specified investment options. The NQDC Plan allows pre-tax deferrals of income and company matching contributions that may have been lost due to government limitations on qualified retirement plans. The NQDC Plan provides one means of financial planning which encourages executive retention. Employees eligible for the NQDC Plan are officers and certain other highly compensated employees designated by the Committee. All of our NEOs participate in the NQDC Plan.

**Supplemental Executive Retirement Plan (SERP):** We maintain a SERP that provides for two types of benefits. Part A of the SERP is an excess benefit that is intended to make up for the benefits not paid to our executives from our qualified defined benefit pension plan, the ONE Gas, Inc. Retirement Plan (the Qualified Pension Plan), because of the government limits applicable to qualified plans. The formula in Part A of the SERP is the same as the formula used in our Qualified Pension Plan, but uses only eligible earnings above the qualified plan limits. There are currently six active participants with Part A-only benefits, including our Chief Executive Officer and one other NEO, Caron A. Lawhorn. Part B of the SERP is a supplemental, or top hat, benefit that uses a different formula than the Qualified Pension Plan. The supplemental benefits are based upon a specified percentage of the highest 36 consecutive months' compensation of the executive's last 60 months of service. This benefit is offset by any payment received from Part A of the SERP and the Qualified Pension Plan. Only one of our NEOs, Curtis L. Dinan, has both Part A and Part B benefits under the SERP.

The SERP is closed to new participants and has not been extended to any new participants since 2005.

### **Retirement Benefits:**

Defined contribution 401(k) plan available to all of our employees; provides for 100 percent company matching contributions up to 6 percent of employee contributions. All of our NEOs are participants in the defined contribution 401(k) plan.

## Edgar Filing: ONE Gas, Inc. - Form DEF 14A

Defined benefit pension plan available to non-bargaining unit employees hired prior to January 1, 2005, and certain bargaining unit employees. All of our NEOs, with the exception of Robert S. McAnnally, are participants in the Qualified Pension Plan. The defined contribution 401(k) plan and the Qualified Pension Plan described above are qualified under the Internal Revenue Code.

**Other Benefits:** Our executives, executive officers, including the NEOs, participate in employee benefit plans under the same terms and premium structure as generally available to all of our employees, including our medical, dental, life, accidental death and dismemberment, travel and accident, and long-term disability plans.

**Perquisites:** Our executive officers, including the NEOs, receive no significant perquisites or other personal benefits from the company.

**Table of Contents**

**HOW WE DETERMINE PAY**

The Committee reviews executive officer compensation and makes specific decisions in February of each year to approve recommended base salaries, ratify the achievement of STI goals for the prior year, approve STI plan targets for the current year, approve the payout percentage of LTI grants earned and approve new LTI grants. The Committee submits its decisions regarding compensation of the NEOs to the Board for ratification.

As a tool, the Committee reviews tally sheets of the elected officers. The tally sheets list all components of the NEOs' compensation such that the Committee can review the total compensation of the NEOs under different scenarios and so that the Committee can consider wealth accumulation as part of its due diligence in considering and approving compensation.

In making individual compensation decisions, the Committee reviews the recommendations from the Chief Executive Officer with respect to all NEOs other than himself. The Committee reviews and discusses these recommendations in executive session with its independent executive compensation consultant and reaches its own decision with respect to the compensation of the Chief Executive Officer and the other NEOs. In turn, the Committee submits its compensation decisions with respect to the Chief Executive Officer and the other NEOs to the Board.

Our executive management team presents its annual strategic and financial plan to the Board for approval. Executive management recommends to the Committee the criteria and targets for the annual STI plan based on the Board-approved strategic and financial plan, as well as management's judgment regarding the challenges facing the company, economic trends related to the business and the overall economy. Following each fiscal year and once financial and operating results are final, the Chief Executive Officer reviews the company's actual performance relative to the incentive criteria and targets established for the performance year to determine the STI awards to be recommended to the Committee for each executive, including the NEOs other than himself.

Our human resources department supports both the Committee and executive management in establishing management's recommendations regarding annual performance targets and providing analyses and research regarding our executive compensation program.

**Independent Executive Compensation Consultant**

The Committee has the authority under its charter to engage the services of outside advisors, experts and others to assist the Committee in the performance of its duties. During 2015, the Committee engaged Meridian to serve as the Committee's independent executive compensation consultant on matters related to executive and director compensation. Meridian reports directly to the Committee and provides no other services to us.

The Committee annually reviews and establishes the scope of the engagement of the Committee's executive compensation consultant that is reflected in an annual engagement letter between the consultant and the Committee. During 2015, the scope of the assignment and the material instructions regarding Meridian's services were:

Provide input to the Committee's decision making with respect to executive compensation matters in light of the company's business strategy, compensation philosophy, prevailing market practices, shareholder interests and relevant regulatory mandates;

Provide advice on the company's executive compensation philosophy;

Provide advice on the company's compensation peer group for competitive benchmarking;

Provide comprehensive competitive market studies as background against which the Committee can evaluate executive compensation elements including base salary, annual bonus opportunity, LTI awards, benefits, perquisites and severance protections;

## Edgar Filing: ONE Gas, Inc. - Form DEF 14A

Provide competitive annual salary adjustment budgets as reported in the competitive marketplace;

Provide incentive plan design advice for both annual and various LTI vehicles and other compensation and benefit programs that meet company objectives;

Apprise the Committee about emerging best practices and changes in the regulatory and corporate governance environment;

Provide consulting and competitive market data on director compensation matters;

Conduct periodic meetings with executive management as required to discuss executive compensation issues and prepare for Committee meetings;

Assist with preparation of the proxy statement Compensation Discussion and Analysis;

Assist with developing tally sheets for the Chief Executive Officer and other senior officers; and

Review the ONE Gas Executive Compensation Committee Charter.

Meridian attended each regularly scheduled meeting of the Committee in 2015. Meridian regularly meets with the Committee in executive session without members of management present. Meridian also communicates with members of the Committee outside of the Committee's meetings as desired by the Committee members.

Our former vice president of human resources and our vice president, secretary and associate general counsel worked with Meridian from time to time during the year as necessary to support Meridian's work on behalf of the Committee. During 2015, our Chief Executive Officer did not meet separately with Meridian, but attended the regularly scheduled Committee meetings where Meridian was present.

**Table of Contents**

Pursuant to the Executive Compensation Committee Charter, the compensation consultant must be independent from management. The Committee will assess at least annually the independence of any compensation consultant that performs services for the Committee. In assessing the independence of the compensation consultant, the Committee is required to consider the independence factors under the applicable listing standards and applicable rules of the Securities and Exchange Commission, as well as other factors the Committee determines are relevant.

The Committee considered the independence of Meridian in light of Securities and Exchange Commission rules and NYSE listing standards regarding the independence of consultants to compensation committees. The Committee requested and received a letter from Meridian addressing the consulting firm’s independence, including the following factors:

- (1) other services provided to us by the consultant;
- (2) fees paid by us as a percentage of the consulting firm’s total revenue;
- (3) policies or procedures maintained by the consulting firm that are designed to prevent a conflict of interest;
- (4) any business or personal relationships between the individual consultants involved in the engagement and any member of the Committee;
- (5) any company stock owned by the individual consultants involved in the engagement; and
- (6) any business or personal relationships between our executive officers and the consulting firm or the individual consultants involved in the engagement.

The Committee discussed these considerations and concluded that the work of the consultant did not raise any conflict of interest and that the consultant was independent of the Committee and the company.

**MARKET BENCHMARKING**

For its 2015 compensation decisions, the Committee asked Meridian to assist with the annual benchmarking and competitive assessment of our executive compensation program. The Committee reviewed independent executive compensation data compiled by Meridian to assess competitive executive compensation levels for our executive officers. The survey data provided annual base salary, annual incentive opportunities, LTI compensation opportunities and total compensation opportunities among participating companies across our industry.

The Committee considers a number of factors in structuring our compensation program and making compensation decisions. This includes considering the compensation practices of select peer companies in the natural gas utility industry. After considering recommendations from Meridian and management, these companies were chosen by the Committee because they have significant lines of business in the natural gas utility industry similar to our business and the size of their operations and the skills and experience required of their senior management to effectively operate their businesses are also similar to ours. The Committee believes referencing these peers is appropriate when reviewing our compensation program since we compete with these companies for executive talent. The Committee will review the composition of the peer group at least annually. We used the following peer group (our Peer Group) when determining the 2015 compensation of our NEOs:

AGL Resources, Inc.	Piedmont Natural Gas Company, Inc.
Atmos Energy Corporation	Questar Corporation
Avista Corporation	South Jersey Industries, Inc.
The Laclede Group, Inc.	Southwest Gas Corporation



## Edgar Filing: ONE Gas, Inc. - Form DEF 14A

New Jersey Resources Corporation  
Northwest Natural Gas Company

Vectren Corporation  
WGL Holdings, Inc.

These peers were chosen as they are utility companies of similar character to our company in areas such as revenue, market cap, and number of customers. Meridian presented peer-company specific data, average compensation and compensation at each quartile of the data to the Committee with respect to total compensation and major elements of compensation (*i.e.*, salary, STIs and LTIs) for each of the NEOs. The Committee determined this is an appropriate peer group for the company in making compensation decisions for the NEOs.

**40**      **ONE Gas, Inc.** Notice of 2016 Annual Meeting of Stockholder and Proxy Statement

**Table of Contents**

**RISK CONSIDERATIONS**

The Committee annually reviews the risks and rewards associated with our executive compensation program. Our executive compensation program is designed with features that mitigate risk without diminishing the incentive nature of the compensation. The framework below lists a range of compensation program features that might create motivations for excessive risk and our practices that mitigate those risks:

Appropriate Risk	Risk Mitigation
ü Multiple performance measures	Our annual, STI program features a balance of financial metrics and operational metrics and are subject to maximum payout levels
ü Measures aligned with shareholder value	Our long-term incentive program features multiple vehicles (time-based RSUs and PSUs with 3-year overlapping performance periods)
ü Measures under broad influence across many people	Our performance metrics are subject to multiple approval levels; the Committee reviews and approves the annual incentive goals
ü Balanced pay mix	Our compensation program features an appropriate balance of short- and long-term incentive compensation components
ü Balance of formulaic and discretionary factors	Our incentive awards incorporate both objective formulaic and subjective discretionary factors
ü Capped awards	Our short-term and long-term performance-based payments have capped performance modifiers at 200 percent
ü Reasonable change-in-control ( CIC ) and severance benefits	Our CIC and severance benefits are within common norms (cash CIC payments and acceleration of vesting of equity granted in and after February 2015 are also subject to double trigger requirements) and do not provide excessive incentives to seek unwarranted transactions
ü Clawback provisions in place	Our clawback provisions exceed current requirements
ü Consistent and meaningful executive stock ownership	Our stock ownership guidelines and vesting provisions create sustained and consistent ownership stakes

**2015 PERFORMANCE AND COMPENSATION**

The Committee assessed the market competitiveness of our NEOs' compensation using proxy data from our Peer Group. Market benchmarks at the 25<sup>th</sup>, 50<sup>th</sup> and 75<sup>th</sup> percentiles were provided to the Committee by Meridian for consideration for the following compensation components:

Base salary;

Target STI opportunity;

Target total cash compensation (base salary + target STI);

Target annualized grant date value of LTIs; and

Target total direct compensation (target total cash + LTIs).

Upon consideration of the above data, as well as our executives' past experience and their experience in their current role, the Committee approved compensation determined to be competitive in the marketplace based on the pay philosophy discussed on page 37.

**Base Salary**

## Edgar Filing: ONE Gas, Inc. - Form DEF 14A

The Committee reviews benchmarking information obtained from Meridian with respect to our Peer Group and also reviews the Chief Executive Officer's recommendation for each NEO's base salary, other than his own. The Committee considered the scope of each executive's role, their individual experience and performance, internal equity and the compensation practices of our Peer Group and set the following base salary increases:

Name	Base Salary as of December 31, 2014	Base Salary as of December 31, 2015	Percentage Increase
Pierce H. Norton II	\$650,000	\$675,000	4%
Joseph L. McCormick	\$280,000	\$300,000	7%

These increases bring the total compensation of Mr. Norton and Mr. McCormick closer to the median range as identified by Meridian. The base salaries for Ms. Lawhorn and Mr. Dinan did not change as their total compensation packages are above the market median. Mr. McAnnally was hired March 16, 2015, at a base salary below the market median.

**Table of Contents**

**Short-Term Incentive**

The Committee has established STI target percentages for each NEO. In 2015, the Committee increased the STI target percentage of Mr. Norton to 90 percent from 85 percent and the STI target of Mr. McCormick to 55 percent from 50 percent to recognize their experience in their roles and to bring their total compensation closer to the median range as identified by Meridian. The STI target percentages of the other NEOs remained unchanged as compared with 2014.

Our 2015 annual incentive plan was based on diluted Earnings Per Share ( EPS ), Total Recordable Incident Rate ( TRIR ) and Preventable Vehicle Incident Rate ( PVIR ). EPS is used as our financial measure so we can measure how well we are investing our capital and impacting our shareholders. We believe that EPS is an appropriate metric to be used in determining short-term incentive compensation and is similarly used by a majority of the companies in our Peer Group. The Committee uses EPS, as determined in accordance with generally accepted accounting principles (GAAP), as EPS is the most appropriate measurement of our financial performance because it is transparent and reflects the growth of our operations. The EPS measurement is also one of the most well-known measurements of overall financial performance, which is widely used by financial analysts as well as the investing public. The Committee believes that using this measurement as the basis for our annual incentive plan better aligns the interests of our named executive officers with the interests of our stakeholders. The two operational measures in our STI plan are safety measures. TRIR is the number of OSHA incidents per 200,000 work hours. PVIR is the number of preventable vehicle incidents per 1,000,000 miles driven. Safe driving, personal injury prevention and public safety are priorities and we continuously work toward enhancing the safety culture of the company.

In addition to the financial and operational measures, there is a personal performance modifier ranging from 0 - 125 percent used to recognize each executive s individual performance against established goals and objectives that support the company s strategic plan such as:

strategic planning and execution

employee (attract, develop and retain) succession planning;

communication (internal and external); and

industry and community involvement.

Below is the calculation reflecting how an executive s STI amount is determined:

$$\text{Base Salary as of 12/31} \times \text{STI Target Percentage} \times \text{Company Performance Modifier} \times \text{Individual Performance Modifier}$$

The actual payout percentage is linearly interpolated after achievement of threshold.

Criteria	2015 Plan				2015 Actual Results			Payout Percent Based on December 31, 2015 Results
	Threshold (0% of Target)	Target (100% of Target)	Maximum (200% of Target)	Weight	Percentage Payable at Target	Results at		
						Percentage Payable at Maximum	December 31, 2015	
Diluted Earnings per Share (Diluted EPS) <sup>1</sup>	\$1.94	\$2.10	\$2.26	75%	75%	150%	\$2.235	138.3%
Total Recordable Incident Rate (TRIR)	2.39	2.08	1.77	12.5%	12.5%	25%	2.20	7.7%
Preventable Vehicle Incident Rate (PVIR)	2.24	1.95	1.66	12.5%	12.5%	25%	2.03	15.5%
								161.5%

(1) Diluted EPS is based on net income as determined in accordance with generally accepted accounting principles and is calculated based upon the daily weighted-average number of common shares outstanding for the year ended December 31, 2015, plus shares vested that have not been issued and unvested stock awards granted under our compensation plans, but only to the extent the awards dilute earnings per share.

For each performance measure in the table above, no incentive amount would be paid for that measure unless the company's actual result exceeds the established threshold levels. If the company's actual results are at or below the threshold level, the percentage payable for that measure is zero. If our actual results are between the stated performance levels, the percentage payable is interpolated between the stated payout percentages.

The Chief Executive Officer evaluated the 2015 individual performance of each NEO through our annual performance appraisal process. The Chief Executive Officer's recommendations regarding individual performance modifiers for the NEOs are reviewed and approved by the Committee as it reviews the overall performance of executives against the established goals and objectives. The Committee, together with the Corporate Governance Committee, uses this same methodology to establish the year-end individual performance modifier for the Chief Executive Officer. The Committee determined that executives had met or exceeded these goals and assigned a rating of 100 percent for the Chief Executive Officer's individual performance. Individual performance modifiers for the other NEOs ranged from 98 percent to 107 percent.

**Table of Contents**

Below are the STI payouts, reflecting the actual payout to target and the individual performance modifiers applied for each of our NEOs for the 2015 plan year that were paid in March 2016:

Name	Base Salary as of December 31, 2015	STI Target Percentage	Company Performance Modifier	Individual	
				Performance Modifier	Incentive Award
Pierce H. Norton II	\$675,000	90%	161.5%	100%	\$981,000
Curtis L. Dinan	\$435,000	65%	161.5%	102%	\$466,000
Caron A. Lawhorn	\$360,000	65%	161.5%	101%	\$382,000
Robert S. McAnnally	\$300,000	55%	161.5%	107%	\$227,000
Joseph L. McCormick	\$300,000	55%	161.5%	98%	\$261,000

Mr. McAnnally was hired on March 16, 2015, and his incentive reflects that he spent 80 percent of his year at ONE Gas.

**Long-Term Incentive**

During 2015, we made grants of LTI awards under the ECP, consisting of RSUs and PSUs. Grants were awarded to all of our executives, including the Chief Executive Officer and all other NEOs. The structure of the grants for our Chief Executive Officer and our other NEOs was weighted approximately 80 percent PSUs and approximately 20 percent RSUs. The value of the grants was determined based on the competitive market data provided by Meridian and the expected individual performance of each executive.

The RSUs have a time-based, three-year cliff vesting requirement. The PSUs have a three-year performance requirement based on our TSR performance relative to our Peer Group. Our TSR positioning at the end of the three-year performance period against the following scale determines the payout on the PSUs:

Percentile Rank	Payout (as a % of Target)
90th percentile and above	200%
75th percentile	150%
50th percentile	100%
25th percentile	50%
Below the 25th percentile	0%

**CANCELLATION AND REPLACEMENT OF EXISTING GRANTS DUE TO SEPARATION FROM ONEOK**

The 2013 RSU grants awarded to our executives by ONEOK prior to the separation that were to vest in 2016 were cancelled and replaced with awards for ONE Gas shares. The number of ONEOK RSUs held by a ONE Gas participant was multiplied by a ratio of 2.04 (the Spinco Ratio), determined by dividing the ONEOK volume-weighted average share price on January 31, 2014 (\$68.22) by the ONE Gas volume-weighted average share price on February 3, 2014 (\$33.50), rounded to the nearest whole share.

The Spinco Ratio was also used to cancel and replace the 2013 PSU grants awarded to our executives by ONEOK prior to the separation into awards of ONE Gas shares. A pre-distribution payout factor was applied to each PSU grant based on the ONEOK peer group performance for the number of days lapsed from the day of the grant to January 31, 2014. The grants were prorated based on the number of days lapsed in the performance period to January 31, 2014, and 31.6 percent of the 2013 units were banked and will have a payout factor of 200 percent. The remaining units from the grant, 68.4 percent, will continue to be at risk based on the relative TSR of the ONE Gas peer group.

**SHARE OWNERSHIP GUIDELINES**

Our Board advocates executive share ownership as a means to align executive interests with those of our shareholders and has adopted share ownership guidelines for our Chief Executive Officer and other officers. These guidelines are mandatory and generally must be achieved by each officer over the course of five years after becoming subject to the guidelines. Our executives are not allowed to sell shares of the company

## Edgar Filing: ONE Gas, Inc. - Form DEF 14A

common stock (using established pre-clearance procedures) unless such executive's holdings of the company's common stock meet the minimum ownership guideline. An executive's holdings include shares owned in the open market, shares held in trust for the benefit of the executive or the benefit of the executive's immediate family, and shares held in qualified plans. Stock options, restricted units and performance unit shares that have not yet been earned and vested do not count toward an executive's personal holdings for the purpose of determining whether the executive is permitted to sell shares of the company's common stock. Therefore our executives are required to hold all shares, net of taxes, awarded under our ECP until the minimum ownership guideline is met. Because we became a stand-alone, publicly traded company on January 31, 2014, under the guidelines our officers have five years from this date to satisfy individual share ownership requirements.

**Table of Contents**

Below is the base salary multiples for share ownership for the NEOs:

Name	Multiple of Base Salary
Pierce H. Norton II	6
Curtis L. Dinan	4
Caron A. Lawhorn	3
Robert S. McAnnally	3
Joseph L. McCormick	4

As of December 31, 2015, all NEOs with the exception of Mr. McAnnally, had met their individual share ownership requirements. Mr. McAnnally joined the company in March 2015. In accordance with our corporate governance guidelines, Mr. McAnnally has until March 2020 to meet his individual share ownership requirement.

**CLAWBACK PROVISIONS**

Payouts under the annual STI and long-term equity-based compensation plans are subject to clawback provisions. The clawback provisions permit the Committee to use appropriate discretion to seek recoupment of awards paid to executives in the event of fraud, negligence or intentional misconduct that is determined to be a contributing factor of having to restate all or a portion of the company's financial statements. We believe executives who are responsible for material noncompliance with applicable financial reporting requirements should not benefit monetarily from such noncompliance.

**TERMINATION AND CHANGE-IN-CONTROL BENEFITS**

Our NEOs are eligible to participate in a change-in-control severance plan. The participants in the plan are reviewed and approved annually by the Committee. The cash severance multiple varies but is no greater than three times the participant's salary and target STI. The cash severance and acceleration of unvested equity requires a "double trigger" of a change-in-control of the company followed by a "qualifying" termination of the executive's employment. See page 54 for more information regarding the determination of when a "double trigger" has occurred. Qualifying terminations include involuntary termination without cause or voluntary termination with "good reason". Good reason includes:

Demotion or material reduction of authority or responsibility;

Material reduction in base salary;

Material reduction in annual incentive or LTI targets;

Relocation of greater than 35 miles; or

Failure to assume the change-in-control plan.

The plan does not provide for additional pension benefits upon a change-in-control. In addition, the plan does not provide for a tax gross-up feature for "golden parachute" excise taxes, but provides plan participants a "best after-tax results" approach to excise taxes in determining the benefit payable to a participant under the plan. Under this approach, the company will reduce the benefits payable to the participant to the extent necessary to avoid triggering the excise tax, but only if doing so would result in a higher after-tax payment to the participant.

**EMPLOYMENT AGREEMENTS**



We do not enter into individual employment agreements with any of our NEOs. Instead, in general, the rights of our NEOs with respect to specific events are covered by our compensation and benefit plans.

## **INTERNAL REVENUE CODE SERVICE LIMITATIONS ON DEDUCTIBILITY OF EXECUTIVE COMPENSATION**

Section 162(m) of the Internal Revenue Code places a limit of \$1,000,000 on the amount of compensation that the company may deduct in any one year with respect to our Chief Executive Officer or any of our three highest compensated executive officers, other than the principal financial officer, who are employed by us on the last day of the taxable year. There is an exception to the \$1,000,000 limitation for performance-based compensation that meets certain requirements. In May 2015, our shareholders approved the material terms of the performance goals for performance based awards that may be granted under our currently effective ECP, under Section 162(m). To maintain flexibility in compensating executive officers in a manner designed to promote varying corporate goals in the best interest of the company, the Committee has not adopted a policy requiring all compensation to be fully deductible under Section 162(m).

**Table of Contents**

**EXECUTIVE COMPENSATION COMMITTEE REPORT**

The Committee has met, reviewed and discussed with management the Compensation Discussion and Analysis contained in this proxy statement. Based on this review and discussion, the Committee recommended to the Board the inclusion of the Compensation Discussion and Analysis in this proxy statement.

Pattye L. Moore, Chair

Douglas H. Yaeger, Vice Chair

Robert B. Evans

Michael G. Hutchinson

Eduardo A. Rodriguez

**ONE Gas, Inc.** Notice of 2016 Annual Meeting of Stockholder and Proxy Statement

**45**

**Table of Contents****NAMED EXECUTIVE OFFICER COMPENSATION**

The following table reflects the compensation paid to the NEOs in respect to our 2015 fiscal year.

**SUMMARY COMPENSATION TABLE**

Name and Principal Position	Year	Salary	Stock Awards <sup>(1)</sup>	Non-Equity Incentive Plan Compensation <sup>(2)</sup>	Change in Pension Value and Nonqualified Deferred Compensation Earnings <sup>(3)</sup>	All Other Compensation <sup>(4)</sup>	Total
<i>Pierce H. Norton II</i>							
<i>President and Chief Executive Officer</i>							
	2015	\$ 675,000	\$ 1,324,662	\$ 981,000	\$ 474,957	\$ 91,838	\$ 3,547,457
	2014	\$ 650,000	\$ 1,067,088	\$ 850,000	\$ 551,325	\$ 50,329	\$ 3,168,742
	2013	\$ 500,000	\$ 766,341	\$ 165,000	\$ 60,695	\$ 53,232	\$ 1,592,198
<i>Curtis L. Dinan</i>							
<i>Senior Vice President, Chief Financial Officer, and Treasurer</i>							
	2015	\$ 435,000	\$ 423,303	\$ 466,000	\$ -	\$ 53,858	\$ 1,378,161
	2014	\$ 435,000	\$ 533,959	\$ 457,000	\$ 654,140	\$ 35,429	\$ 2,115,528
	2013	\$ 435,000	\$ 510,022	\$ 135,000	\$ -	\$ 44,832	\$ 1,156,223
<i>Caron A. Lawhorn</i>							
<i>Senior Vice President, Commercial</i>							
	2015	\$ 360,000	\$ 423,303	\$ 382,000	\$ 130,597	\$ 44,618	\$ 1,340,518
	2014	\$ 360,000	\$ 533,959	\$ 378,000	\$ 560,113	\$ 29,029	\$ 1,861,101
	2013	\$ 360,000	\$ 510,022	\$ 110,000	\$ -	\$ 37,932	\$ 1,049,323
<i>Robert S. McAnnally<sup>(5)</sup></i>							
<i>Senior Vice President, Operations</i>							
	2015	\$ 237,500	\$ 318,014	\$ 227,000	\$ -	\$ 149,886	\$ 932,400
	2014	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	2013	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<i>Joseph L. McCormick</i>							
<i>Senior Vice President, General Counsel and Assistant Secretary</i>							
	2015	\$ 300,000	\$ 318,014	\$ 261,000	\$ 30,946	\$ 44,438	\$ 954,398
	2014	\$ 280,000	\$ 319,698	\$ 200,000	\$ 171,279	\$ 24,349	\$ 995,326
	2013	\$ 255,000	\$ 256,370	\$ 52,000	\$ 20,817	\$ 26,512	\$ 623,666

(1) The amounts included in the table for 2014 and 2015 relate to RSUs and PSUs granted under our ECP and reflect the aggregate grant date fair value of such awards calculated pursuant to ASC Topic 718. Material assumptions used in the calculation of the value of these equity grants are included in Note 11 to our audited financial statements for the year ended December 31, 2015, included in our Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 18, 2016. The amounts included in the table for 2013 relate to RSUs and PSUs originally granted under ONEOK's Long Term Incentive Plan and ONEOK's Equity Compensation Plan that were canceled and replaced in conjunction with our separation from ONEOK with new RSUs and PSUs under our ECP on February 18, 2014, and reflect the aggregate grant date fair value calculated pursuant to ASC Topic 718. Material assumptions used in the calculation of the value of these equity grants are included in Note 11 to our audited financial statements for the year ended December 31, 2015, included in our Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 18, 2016. No incremental cost was recorded in our financial statements upon cancellation and replacement of the 2013 RSUs and PSUs on February 18, 2014, because the previous awards were canceled and replaced

## Edgar Filing: ONE Gas, Inc. - Form DEF 14A

pursuant to anti-dilution provisions of ONEOK's Long Term Incentive Plan and ONEOK's Equity Compensation Plan and therefore the fair value of the awards immediately after the cancellation and replacement was not higher than the fair value of the awards immediately before the cancellation and replacement.

**46**      **ONE Gas, Inc.** Notice of 2016 Annual Meeting of Stockholder and Proxy Statement

**Table of Contents**

The aggregate grant date fair value of RSUs for purposes of ASC Topic 718 was determined based on the closing price of our common stock on the grant date. With respect to the PSUs, the aggregate grant date fair value for purposes of ASC Topic 718 was determined using the probable outcome of the performance conditions as of the grant date based on a valuation model that considers the market condition (total shareholder return) and using assumptions developed from the referenced peer companies. The value included for the PSUs is based on 100 percent of the PSUs vesting at the end of the performance period. Using the maximum number of shares issuable upon vesting of the PSUs (200 percent of the units granted), the aggregate grant date fair value of the PSUs would be as follows:

Name	2015	2014	2013
Pierce H. Norton II	\$ 2,148,384	\$ 1,734,236	\$ 623,580
Curtis L. Dinan	\$ 687,216	\$ 867,118	\$ 415,743
Caron A. Lawhorn	\$ 687,216	\$ 867,118	\$ 415,743
Robert S. McAnnally	\$ 515,968	\$ -	\$ -
Joseph L. McCormick	\$ 515,968	\$ 519,911	\$ 194,338

- (2) Reflects STI awards earned in 2015 and 2014 and paid in 2016 and 2015, respectively, under our annual STI plan, and short-term cash incentives earned in 2013 and paid in 2014 under ONEOK's annual STI plan. For a discussion of the performance criteria established by the Committee for awards under the 2015 annual STI plan, see 2015 Performance and Compensation *Short-Term Incentive* above on page 41.
- (3) The amounts reflected represent the aggregate change during 2015 in the actuarial present value of the NEOs' accumulated benefits under the Qualified Pension Plan and the SERP. For a description of these plans, see Pension Benefits below. The change in the present value of the accrued pension benefit is impacted by variables such as additional years of service, age and the discount rate used to calculate the present value of the change. For 2015, the change in pension value reflects not only the increase due to additional service and pay for the year, but also an increase in present value due to the lower discount rate (4.25 percent from January 1 through September 30, 2015, and 4.75 percent from October 1 through December 31, 2015). The Qualified Pension Plan was closed to new participants as of December 31, 2004. All of our NEOs, with the exception of Mr. McAnnally, participate in the Qualified Pension Plan. The SERP was closed to new participants in 2013, although no new participants had been added since 2005. Ms. Lawhorn and Messrs. Norton and Dinan participate in the SERP. During 2015, the pension value for Mr. Dinan decreased \$10,991. During 2013, the pension value for Mr. Dinan decreased \$97,153 and the pension value for Ms. Lawhorn decreased \$19,067.
- (4) Reflects (i) the amounts paid as our dollar-for-dollar match of contributions made by the NEO under our NQDC Plan, 401(k) Plan for Employees of ONE Gas, Inc. and Subsidiaries and Profit-Sharing Plan, (ii) amounts paid for length of service awards, (iii) the value of shares received in 2013 under ONEOK's Employee Stock Award Program as of the date of issuance, (iv) the value of shares received in 2015 and 2014 under our Employee Stock Award Program as of the date of issuance, and (v) amounts paid for relocation and moving expenses as follows:

Name	Year	Match Under Nonqualified Deferred Compensation Plan		Match Under 401(k) Plan <sup>(b)</sup>	Service Award <sup>(c)(d)</sup>	ONEOK Stock Award <sup>(d)</sup>	ONE Gas Stock Award <sup>(d)</sup>	Relocation and Moving Expense <sup>(e)</sup>
		Plan <sup>(a)</sup>	Plan <sup>(a)</sup>					
Pierce H. Norton II	2015	\$ 75,600	\$ 15,900	\$ -	\$ -	\$ 338	\$ -	
	2014	\$ 33,300	\$ 15,600	\$ 600	\$ 396	\$ 433	\$ -	
	2013	\$ 37,200	\$ 15,300	\$ -	\$ 732	\$ -	\$ -	
Curtis L. Dinan	2015	\$ 37,620	\$ 15,900	\$ -	\$ -	\$ 338	\$ -	
	2014	\$ 18,600	\$ 15,600	\$ 400	\$ 396	\$ 433	\$ -	
	2013	\$ 28,800	\$ 15,300	\$ -	\$ 732	\$ -	\$ -	
Caron A. Lawhorn	2015	\$ 28,380	\$ 15,900	\$ -	\$ -	\$ 338	\$ -	
	2014	\$ 12,600	\$ 15,600	\$ -	\$ 396	\$ 433	\$ -	
	2013	\$ 21,300	\$ 15,300	\$ 600	\$ 732	\$ -	\$ -	
Robert S. McAnnally	2015	\$ -	\$ 12,000	\$ -	\$ -	\$ 246	\$ 137,639	
	2014	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
	2013	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Joseph L. McCormick	2015	\$ 28,200	\$ 15,900	\$ -	\$ -	\$ 338	\$ -	
	2014	\$ 7,920	\$ 15,600	\$ -	\$ 396	\$ 433	\$ -	
	2013	\$ 10,080	\$ 15,300	\$ 400	\$ 732	\$ -	\$ -	

## Edgar Filing: ONE Gas, Inc. - Form DEF 14A

- (a) For additional information on our NQDC Plan, see Pension Benefits NQDC Plan below on page 51.
  - (b) Our 401(k) Plan is a tax-qualified plan that covers substantially all of our employees. Employee contributions are discretionary. Subject to certain limits, we match 100 percent of employee contributions to the plan up to a maximum of six percent of eligible compensation.
  - (c) Service awards are amounts paid to employees of the company upon milestone anniversaries with the company beginning upon the employee's fifth anniversary with the company and continuing thereafter for every five years of service with the company.
  - (d) There are no tax gross-up payments in connection with shares awarded under the ONEOK Employee Stock Award Program, cash service awards, our Employee Stock Award Program, or relocation and moving expenses.
  - (e) The relocation and moving expenses reflected in the table relate to the expenses incurred in relocating Mr. McAnnally and his family from their home in Alabama to our headquarters in Tulsa, Oklahoma.
- (5) Mr. McAnnally joined the company as Senior Vice President, Operations on March 16, 2015. His salary and non-equity incentive plan compensation reflect the prorated amounts for his service from March 16, 2015, through December 31, 2015. The NEOs did not receive other perquisites or other personal benefits with an aggregate value of \$10,000 or more during 2015.

**Table of Contents****GRANTS OF PLAN-BASED AWARDS FOR 2015**

The following table reflects the grants of plan-based awards to the NEOs during 2015.

**Grants of Plan-Based Awards**

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards <sup>(1)</sup>			Estimated Future Payouts Under Equity Incentive Plan Awards <sup>(2)</sup>			All Other Stock Awards: Number of Shares of Stock or Units <sup>(3)</sup>	Grant Date Fair Value of Stock Awards <sup>(4)</sup>
		Threshold	Target	Maximum	Threshold	Target	Maximum		
Pierce H. Norton II									
Restricted Unit	2/17/2015							6,050	\$250,470
Performance Unit	2/17/2015				12,075	24,150	48,300		\$1,074,192
Short-Term Incentive	1/1/2015	\$-	\$608,000	\$1,519,000					
Curtis L. Dinan									
Restricted Unit	2/17/2015							1,925	\$79,695
Performance Unit	2/17/2015				3,863	7,725	15,450		\$343,608
Short-Term Incentive	1/1/2015	\$-	\$283,000	\$707,000					
Caron A. Lawhorn									
Restricted Unit	2/17/2015							1,925	\$79,695
Performance Unit	2/17/2015				3,863	7,725	15,450		\$343,608
Short-Term Incentive	1/1/2015	\$-	\$234,000	\$585,000					
Robert S. McAnnally									
Restricted Unit	3/17/2015							1,450	\$60,030
Performance Unit	3/17/2015				2,900	5,800	11,600		\$257,984
Short-Term Incentive	1/1/2015	\$-	\$131,000	\$329,000					
Joseph L. McCormick									
Restricted Unit	2/17/2015							1,450	\$60,030
Performance Unit	2/17/2015				2,900	5,800	11,600		\$257,984
Short-Term Incentive	1/1/2015	\$-	\$165,000	\$412,500					

(1) Reflects amounts that could be earned pursuant to our annual officer STI plan. The plan provides that our NEOs may receive annual short-term incentive cash awards based on the performance of the company measured by financial (EPS) and operational factors (TRIR and PVIR) and individual performance during the relevant fiscal year. Company targets and individual goals are established annually by the Committee. The Committee establishes annual target awards for each officer expressed as a percentage of their base salaries. The actual amounts earned by the NEOs in 2015 under the plan and paid in 2016 are set forth under the Non-Equity Incentive Plan Compensation column in the Summary Compensation Table for Fiscal 2015 above. For each performance measure of our annual officer STI plan, no incentive amount would be paid for that measure unless the company's actual result exceeds the established threshold levels. If the company's actual results are at or below the threshold level, the percentage payable for that measure is zero.

(2) Reflects the PSUs that could be earned pursuant to awards granted under our ECP that vest three years from the date of grant, at which time the holder is entitled to receive a percentage (0 to 200 percent) of the PSUs granted based on performance criteria. If actual performance is below the threshold level, the percentage of PSUs earned is zero. For this period, the criteria is our total shareholder return over the period of February 17, 2015, to February 17, 2018, compared with the total shareholder return of the Peer Group. If our actual relative total shareholder return is between the stated performance levels, the percentage of PSUs earned is interpolated between the stated performance levels. One share of our common stock is payable for each performance unit that vests. PSUs are also subject to accelerated vesting upon a change in control.

(3) Reflects RSUs granted under our ECP that vest three years from the date of grant, at which time the grantee is entitled to receive the grant in shares of our common stock.

(4) The aggregate grant date fair value of the RSUs for purposes of ASC Topic 718 was determined based on the closing price of our common stock on the grant date. With respect to the PSUs, the aggregate grant date fair value for purposes of ASC Topic 718 was determined using the probable outcome of the performance conditions as of the grant date based on a valuation model that considers market conditions (such as total shareholder return) and using assumptions developed from historical information of each of the peer companies referenced under 2015 Performance and Compensation Long Term Incentive

## Edgar Filing: ONE Gas, Inc. - Form DEF 14A

above. This amount is consistent with the estimate of aggregate compensation cost to be recognized over the performance period determined as of the grant date under ASC Topic 718. The value presented is based on 100 percent of the PSUs vesting at the end of the three-year performance period.

**48**      **ONE Gas, Inc.** Notice of 2016 Annual Meeting of Stockholder and Proxy Statement



Table of Contents**OUTSTANDING EQUITY AWARDS AT FISCAL YEAR END FOR 2015**

The following table shows the outstanding equity awards held by the NEOs as of December 31, 2015.

**Outstanding Equity Awards at Fiscal Year-End**

Name	Number of Shares or Units of Stock That Have Not Vested <sup>(1)(3)</sup>	Market Value of Shares or Units of Stock That Have Not Vested	Stock Awards	
			Equity Incentive Plan Awards: Number of Unearned Shares, Units or Rights That Have Not Vested <sup>(2)(3)</sup>	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested
Pierce H. Norton II	36,898	\$1,851,180	116,991	\$5,869,447
Curtis L. Dinan	21,352	\$1,071,250	55,292	\$2,774,012
Caron A. Lawhorn	21,352	\$1,071,250	55,292	\$2,774,012
Robert S. McAnnally	1,479	\$74,207	10,472	\$525,388
Joseph L. McCormick	11,704	\$587,198	32,790	\$1,645,057

(1) Represents RSUs that have not yet vested. RSUs vest three years from the date of grant, at which time the grantee is entitled to receive one share of our common stock for each vested RSU, plus accrued dividends. RSUs accrue dividends from the date of grant through the vesting date. Also reflects RSUs that were originally issued under the ONEOK Long-Term Incentive Plan in 2013 and canceled and replaced with RSUs under our ECP on February 18, 2014, in connection with our separation from ONEOK. For the RSUs that replaced the awards granted by ONEOK in 2013, each participant received a new restricted unit grant under our ECP equal to an amount of the number of RSUs held by the participant on January 31, 2014, multiplied by the Spinco Ratio. As noted in footnote (2) below, the banked amounts related to the replacement of PSUs for awards previously granted by ONEOK in 2013 are also reflected in this column and treated similarly to RSUs as those amounts are no longer subject to performance criteria. RSUs are scheduled to vest as follows:

**Restricted Unit Vesting Schedule**

Pierce H. Norton II	24,350	on February 20, 2016
	6,332	on February 18, 2017
	6,216	on February 17, 2018
Curtis L. Dinan	16,195	on February 20, 2016
	3,179	on February 18, 2017
	1,978	on February 17, 2018
Caron A. Lawhorn	16,195	on February 20, 2016
	3,179	on February 18, 2017
	1,978	on February 17, 2018
Robert S. McAnnally	-	on February 20, 2016
	-	on February 18, 2017
	1,479	on February 17, 2018
Joseph L. McCormick	8,323	on February 20, 2016
	1,892	on February 18, 2017

# Edgar Filing: ONE Gas, Inc. - Form DEF 14A

1,490      on February 17, 2018

(2) Represents PSUs that have not yet vested. PSUs vest three years from the date of grant, at which time the holder is entitled to receive a percentage (0 to 200 percent) of the PSUs granted based on our total shareholder return over the three-year performance period, compared with the total shareholder return of the Peer Group. One share of our common stock is payable in respect of each PSU granted that becomes vested, plus accrued dividends. PSUs accrue dividends from the date of grant through the vesting date. Reflects PSUs granted by us in 2014 and 2015 under our ECP, and also reflects the PSUs that were originally issued under the ONEOK Equity Compensation Plan in 2013 and canceled and replaced with PSUs under our ECP on February 18, 2014, in connection with our separation from ONEOK. For 2013 PSUs, each participant received a new performance unit grant under our ECP equal to the number of ONEOK PSUs held by the participant on January 31, 2014, multiplied the Spinco Ratio. The PSU grants to replace the 2013 ONEOK PSU grants were then multiplied by (a) the percentage of time between the original grant date and January 31, 2014 and (b) the total shareholder return payout factor as compared to the total shareholder return of the ONEOK referenced peer group over the performance period from the original grant date to January 31, 2014. This amount was frozen or banked for each of the 2013 replacement grants. The banked amounts are reflected in the Number of Shares or Units of Stock That Have Not Vested column as those amounts are no longer subject to performance criteria but remain subject to vesting, similar to the RSUs. The PSUs for the remaining portion of the performance period are at risk and are subject to our total shareholder return as compared to the total shareholder return of our referenced peer group over the performance period from February 3, 2014 to February 20, 2016, and are reflected in the Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested column. The following table sets forth the relevant factors for the 2013 PSU awards that replaced awards previously granted by ONEOK in 2013:

	<b>2013</b>
Percentage of performance period completed from original grant date to January 31, 2014	31.6%
Percentage of performance period remaining subject to our total shareholder return from February 3, 2014, to the end of the performance period	68.4%
Total shareholder return performance factor as of January 31, 2014	200%

**Table of Contents**

Example of 2013 PSU cancellation and replacement for 10,000 ONEOK PSUs held on January 31, 2014:

PSUs	x	Ratio of volume weighted share price of ONEOK to ONE Gas as of December 31, 2014	x	Percentage of performance period completed from original grant date to January 31, 2014	x	Total shareholder return performance factor as of January 31, 2014	=	Banked Amount
10,000	x	2.04	x	31.6%	x	200%	=	12,893
PSUs	x	Ratio of volume weighted share price of ONEOK to ONE Gas as of December 31, 2014	x	Percentage of performance period remaining subject to our total shareholder return from February 3, 2014, to the end of the performance period	x	Total shareholder return performance factor as of February 20, 2016	=	At risk amount
10,000	x	2.04	x	68.4%	x	177%	=	24,697

For the PSU awards that replaced the awards granted by ONEOK in 2013, on February 20, 2016, each participant received shares of our common stock equal to (i) the banked amount as described above plus (ii) the at risk PSUs times 177% performance factor. Therefore, in the example above, the payout of the at risk amount would be 24,697 (10,000 x 2.04 x 68.4% x 177%). The total payout would be 37,590 (24,697 + 12,893) in shares of our common stock.

The following table reflects the projected vesting level based on our total shareholder return compared with the total shareholder return of the referenced peer group at December 31, 2015, and also reflects the portion of the PSUs remaining at risk following the replacement of the awards previously granted by ONEOK in 2013 on February 18, 2014:

**Performance Unit Vesting Schedule**

Pierce H. Norton II	28,239	on February 20, 2016
	44,831	on February 18, 2017
	43,922	on February 17, 2018
Curtis L. Dinan	18,827	on February 20, 2016
	22,415	on February 18, 2017
	14,049	on February 17, 2018
Caron A. Lawhorn	18,827	on February 20, 2016
	22,415	on February 18, 2017
	14,049	on February 17, 2018
Robert S. McAnnally	-	on February 20, 2016
	-	on February 18, 2017
	10,472	on February 17, 2018
Joseph L. McCormick	8,801	on February 20, 2016
	13,440	on February 18, 2017
	10,548	on February 17, 2018

(3) The terms of both our RSUs and our PSUs provide that any such unvested units will become fully vested upon a change in control. See Potential Post-Employment Payments and Payments Upon a Change in Control on page 53.

## OPTION EXERCISES AND STOCK VESTED FOR 2015

The following table sets forth stock awards held by the NEOs that vested during 2015 including RSUs and PSUs granted in 2012 by ONEOK. No NEO exercised any options during 2015, and no NEO or other employee currently holds any unexercised options.

### Option Exercises and Stock Vested

Name	Stock Awards <sup>(1)</sup>	
	Number of Shares Acquired on Vesting <sup>(2)</sup>	Value Realized on Vesting <sup>(3)</sup>
Pierce H. Norton II	112,287	\$ 4,740,196
Curtis L. Dinan	70,581	\$ 2,979,556
Caron A. Lawhorn	70,581	\$ 2,979,556
Robert S. McAnnally	-	\$ -
Joseph L. McCormick	10,033	\$ 423,543

**Table of Contents**

(1) Certain of the NEOs elected to have vested shares withheld to cover applicable state and federal taxes incurred upon vesting. As a result, the net shares received upon the vesting and the related net value realized are as follows:

Name	Net Shares Acquired on Vesting	Net Value Realized on Vesting
Pierce H. Norton II	62,539	\$ 2,640,122
Curtis L. Dinan	40,659	\$ 1,716,437
Caron A. Lawhorn	40,647	\$ 1,715,954
Robert S. McAnnally	-	\$ -
Joseph L. McCormick	6,674	\$ 281,785

(2) Includes RSUs and PSUs originally granted by ONEOK in 2012 that were cancelled and replaced with RSUs and PSUs under our ECP in connection with our separation from ONEOK. These awards vested in 2015 and were paid in shares of our common stock. PSUs vested at 184% percent of the initial grant. This level of payout was achieved due to ONEOK's relative total shareholder return being above the 90th percentile of the total shareholder return of ONEOK's specified peer group of companies with respect to 65.4% of the total PSU award and our relative total shareholder return being above the 150th percentile of the total shareholder return of our specified peer group with respect to the remaining 34.6% of the total PSU award.

(3) The value received on vesting represents the market value of the shares received based on the average of the high and low prices of our common stock on the NYSE on the date of vesting.

**PENSION BENEFITS FOR 2015**

The following table sets forth the estimated present value of accumulated benefits as of December 31, 2015, and payments made during 2015, in respect to each NEO under the referenced retirement plans.

**Pension Benefits**

Name	Plan Name	Number of Years Credited Service	Present Value of Accumulated Benefit <sup>(1)</sup>	Payments During Last Fiscal Year
Pierce H. Norton II	Supplemental Executive Retirement Plan	11.08	\$ 1,498,338	\$-
	Qualified Pension Plan	11.08	\$ 492,275	\$-
Curtis L. Dinan	Supplemental Executive Retirement Plan	12.00 <sup>(2)</sup>	\$ 1,391,950	\$-
	Qualified Pension Plan	12.00 <sup>(2)</sup>	\$ 380,805	\$-
Caron A. Lawhorn	Supplemental Executive Retirement Plan	17.25	\$ 1,032,317	\$-
	Qualified Pension Plan	17.25	\$ 779,622	\$-
Robert S. McAnnally	Supplemental Executive Retirement Plan	- <sup>(3)</sup>	\$ -	\$-
	Qualified Pension Plan	- <sup>(3)</sup>	\$ -	\$-
Joseph L. McCormick	Supplemental Executive Retirement Plan	-	\$ -	\$-
	Qualified Pension Plan	13.00 <sup>(4)</sup>	\$ 583,383	\$-

(1) Each executive officer's benefit is determined as of age 62 when an unreduced benefit can be received under the SERP and Qualified Pension Plan. The present value of the unreduced benefit is determined using the assumptions from a measurement date of December 31, 2015. Material assumptions used in the calculation of the present value of accumulated benefits are included in Note 12 to our audited financial statements for the year ended December 31, 2015, included in our Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 18, 2016.

(2) Mr. Dinan's actual service is 11 years and ten months. There is no resulting benefit augmentation with respect to the additional two months credited to Mr. Dinan's years of service.

(3) Mr. McAnnally is not a participant in the SERP or the Qualified Pension Plan.

(4) Mr. McCormick's actual service is 12 years and ten months. There is no resulting benefit augmentation with respect to the additional two months credited to Mr. McCormick's years of service. Mr. McCormick is not a participant in the SERP.

**Qualified Pension Plan.** The Qualified Pension Plan is a defined benefit pension plan qualified under the Internal Revenue Code. At December 31, 2015, the plan covered non-bargaining unit employees hired prior to January 1, 2005, and certain bargaining-unit employees. Also, at December 31, 2015, non-bargaining unit employees hired after December 31, 2004, employees represented by Local No. 304 of the International Brotherhood of Electrical Workers hired on or after July 1, 2010, employees represented by United Steelworkers hired on or after December 15, 2011, and employees who accepted a one-time opportunity to opt out of the Qualified Pension Plan were covered by our Profit-Sharing Plan.

Benefits under the Qualified Pension Plan generally become vested and non-forfeitable after completion of five years of continuous employment. Under the plan, a vested participant receives a monthly retirement benefit at normal retirement age, unless an early retirement benefit is elected under the plan, in which case the retirement benefit may be actuarially reduced for early commencement. Generally, participants retiring on or after age 62 through normal retirement age receive 100 percent of their accrued monthly benefit which may be reduced depending on the optional

**Table of Contents**

form of payment elected at retirement. Benefits are calculated at retirement date based on a participant's credited service (limited to a maximum of 35 years) and final average earnings. The earnings utilized in the retirement plan benefit formula in the Qualified Pension Plan for employees includes the base salary and STI compensation paid to an employee during the period of the employee's final average earnings, less any amounts deferred under the NQDC Plan. The period of final average earnings means the employee's highest earnings during any 60 consecutive months of the last 120 months of employment. For any NEO who retires with vested benefits under the plan, the compensation shown as Salary and Non-Equity Incentive Plan Compensation in the Summary Compensation Table for Fiscal 2015 would be considered eligible compensation in determining benefits, except that the plan benefit formula takes into account only fixed percentages of final average earnings. The amount of eligible compensation that may be considered in calculating retirement benefits is also subject to limitations in the Internal Revenue Code and the limitations contained in certain collective bargaining agreements applicable to the plan.

**Supplemental Executive Retirement Plan.** We maintain a SERP in order to provide supplemental retirement benefits to certain officers. The SERP provides that officers may be selected for participation in a supplemental retirement benefit or an excess retirement benefit, or both. If a participant is eligible for both the supplemental retirement benefit and the excess retirement benefit, the excess retirement benefit and benefits payable under the Qualified Pension Plan are treated as an offset that reduces the supplemental retirement benefit.

Participants in the SERP were selected by our Chief Executive Officer or, in the case of our Chief Executive Officer, by our Board. Our Board may amend or terminate the SERP at any time, provided that accrued benefits to current participants may not be reduced.

No new participants have been added to our SERP since 2005, and the SERP was closed to any additional participants as of January 1, 2014.

Supplemental benefits payable to participating employees in the SERP are based upon a specified percentage (reduced for early retirement and commencement of payment of benefits under the SERP) of the highest 36 consecutive month's compensation of the employee's last 60 months of service. The excess retirement benefit under the SERP pays a benefit equal at least to the benefit that would be payable to the participant under the Qualified Pension Plan if limitations imposed by the Internal Revenue Code were not applicable, less the benefit payable under the Qualified Pension Plan with such limitations. Benefits under the SERP are offset by the payment of benefits under the Qualified Pension Plan that were or would have been paid if the Qualified Pension Plan benefits were commenced at the same time as the SERP benefits. We fund benefits payable under the SERP through a rabbi trust arrangement.

**NONQUALIFIED DEFERRED COMPENSATION FOR 2015**

The following table sets forth certain information regarding the participation by the NEOs in our NQDC Plan.

**Nonqualified Deferred Compensation**

Name	Year	Executive		Registrant	Aggregate	Aggregate	Aggregate
		Contributions in	Contributions in				
		Last Fiscal	Last Fiscal	Last Fiscal	Last Fiscal	Distributions	Year End <sup>(3)</sup>
Pierce H. Norton II	2015	\$ 87,000	\$ 75,600	\$ (14,379)	\$ 50,571	\$ 714,340	
	2014	\$ 44,400	\$ 33,300	\$ 49,195	\$ 44,502	\$ 616,690	
	2013	\$ 35,000	\$ 37,200	\$ 98,132	\$ 93,047	\$ 534,297	
Curtis L. Dinan	(6) 2015	\$ 62,060	\$ 598,606	\$ (4,925,045)	\$ -	\$ 9,205,357	
	(5) 2014	\$ 61,250	\$ 479,508	\$ (274,575)	\$ -	\$ 13,469,736	
	(4) 2013	\$ 77,750	\$ 2,966,328	\$ 3,720,445	\$ -	\$ 13,203,553	
Caron A. Lawhorn	2015	\$ 109,800	\$ 28,380	\$ 4,030	\$ 13,310	\$ 888,488	
	2014	\$ 65,500	\$ 12,600	\$ 47,294	\$ 15,854	\$ 759,588	
	2013	\$ 79,500	\$ 21,300	\$ 97,378	\$ 15,551	\$ 650,048	
Robert S. McAnnally	2015	\$ -	\$ -	\$ -	\$ -	\$ -	
	2014	\$ -	\$ -	\$ -	\$ -	\$ -	
	2013	\$ -	\$ -	\$ -	\$ -	\$ -	
Joseph L. McCormick	2015	\$ 122,000	\$ 28,200	\$ (5,226)	\$ -	\$ 472,608	
	2014	\$ 83,560	\$ 7,920	\$ 22,175	\$ -	\$ 327,634	
	2013	\$ 46,590	\$ 10,080	\$ 26,491	\$ -	\$ 213,979	

## Edgar Filing: ONE Gas, Inc. - Form DEF 14A

- (1) The All Other Compensation column of the Summary Compensation Table at page 46 includes these amounts paid under our NQDC Plan as our excess matching contributions with respect to our 401(k) Plan and excess quarterly and annual company contributions, if applicable, with respect to our Profit Sharing Plan.
- (2) There were no above-market earnings in 2015, 2014, or 2013.
- (3) Includes amounts previously reported in the Summary Compensation Table in the previous years when earned, if that officer's compensation was required to be disclosed in a previous year. Amounts reported in such years include previously earned, but deferred, salary and annual incentive awards, company matching contributions, and shares that were deferred upon vesting and the dividend equivalents accumulated on these deferrals.
- (4) Includes the value of 25,130 shares the receipt of which was deferred by Mr. Dinan upon vesting in January 2010, 27,594 shares the receipt of which was deferred upon vesting in January 2011, 74,504 shares, the receipt of which was deferred upon vesting in January 2012, and 56,000 shares, the receipt of which was deferred upon vesting in February 2013, in each case under the deferral provisions of ONEOK's Equity Compensation Plan, plus the dividend accumulation on these deferrals for a year-end deferred share balance of 55,451, 133,830, and 194,956 for 2011, 2012, and 2013, respectively.

52      **ONE Gas, Inc.** Notice of 2016 Annual Meeting of Stockholder and Proxy Statement



**Table of Contents**

(5) Includes the value of 25,130 ONEOK shares the receipt of which was deferred by Mr. Dinan upon vesting in January 2010, 27,594 ONEOK shares, the receipt of which was deferred by Mr. Dinan upon vesting in January 2011, 74,504 ONEOK shares the receipt of which was deferred upon vesting in January 2012, 56,000 ONEOK shares, the receipt of which was deferred upon vesting in January 2013, and 48,738 ONE Gas shares issued upon our separation from ONEOK, in the case of 2010, 2011, 2012 and 2013, under the deferral provisions of ONEOK's Equity Compensation Plan, plus the dividend accumulation on these deferrals for a year-end deferred share balance of 133,830, 194,956 and 201,805 for 2012, 2013, and 2014, respectively, in ONEOK shares and 49,849 for 2014 in ONE Gas shares.

(6) Includes the value of 25,130 ONEOK shares the receipt of which was deferred by Mr. Dinan upon vesting in January 2010, 27,594 ONEOK shares, the receipt of which was deferred by Mr. Dinan upon vesting in January 2011, 74,504 ONEOK shares the receipt of which was deferred upon vesting in January 2012, 56,000 ONEOK shares, the receipt of which was deferred upon vesting in January 2013, and 48,738 ONE Gas shares issued upon our separation from ONEOK, in the case of 2010, 2011, 2012 and 2013, under the deferral provisions of ONEOK's Equity Compensation Plan, plus the dividend accumulation on these deferrals for a year-end deferred share balance of 194,956, 201,805 and 215,182 for 2013, 2014, and 2015, respectively, in ONEOK shares and 49,849 and 50,911 for 2014 and 2015, respectively, in ONE Gas shares.

We maintain a NQDC Plan to provide select employees with the option to defer portions of their compensation and provide nonqualified deferred compensation benefits that are not otherwise available due to limitations on employer and employee contributions to qualified defined contribution plans under the federal tax laws. We match contributions for the benefit of plan participants to replace any company contributions a participant may lose because of limits imposed under the federal tax laws on contributions by a participant in the 401(k) Plan and our Profit-Sharing Plan, as well as participants in the Qualified Pension Plan who do not participate in the SERP.

The NQDC Plan also allows for supplemental credit amounts, which are amounts that can be contributed at the discretion of the Committee. Under the NQDC Plan, participants have the option to defer a portion of their salary and/or STI compensation to a short-term deferral account, which pays out a minimum of five years from the date of election to defer compensation into the short-term deferral account, or to a long-term deferral account, which pays out at retirement or termination of the participant's employment. Participants are immediately 100 percent vested. Short-term deferral accounts are credited with an investment return based on the five-year United States Treasury bond rate as of the first business day of January each year: for 2015, this was 1.61 percent. Long-term deferral accounts are credited with the actual investment return based on the amount of gains, losses and earnings for each of the investment options selected by the participant. For the year ended December 31, 2015, the investment return for the investment options for long-term investment accounts were as follows:

Fund Name	Plan Level Returns
Fidelity Balanced Fund Class K	.50%
Vanguard Institutional Index	1.37%
Dodge & Cox International Stock Fund	-11.35%
American Beacon Funds Large Cap Value	-6.04%
Vanguard PRIMECAP	2.58%
Schwab Managed Retirement Trust 2010 Class IV	0.05%
Schwab Managed Retirement Trust 2015 Class IV	0.07%
Schwab Managed Retirement Trust 2020 Class IV	-0.08%
Schwab Managed Retirement Trust 2025 Class IV	-0.07%
Schwab Managed Retirement Trust 2030 Class IV	-0.23%
Schwab Managed Retirement Trust 2035 Class IV	-0.34%
Schwab Managed Retirement Trust 2040 Class IV	-0.48%
Schwab Managed Retirement Trust 2045 Class IV	-0.64%
Schwab Managed Retirement Trust 2050 Class IV	-0.61%
Schwab Managed Retirement Trust 2055 Class IV	-0.71%
Schwab Managed Retirement Trust Income Fund	0.00%
JPMorgan Small Cap Equity (VSEIX)	-1.55%
JPMorgan Large Cap Growth Fund Class R6	7.94%
PIMCO Total Return Institutional Class	0.76%
Delaware Small Cap Value Institutional Class	-1.55%

At the distribution date, cash is distributed to participants based on the fair market value of the deemed investment of the participant's accounts at that date. We fund benefits payable under the NQDC Plan through a rabbi trust arrangement.

## POTENTIAL POST-EMPLOYMENT PAYMENTS AND PAYMENTS UPON A CHANGE IN CONTROL

## Edgar Filing: ONE Gas, Inc. - Form DEF 14A

Described below are the post-employment compensation and benefits that we provide to our NEOs. The objectives of these compensation and benefits are to:

assist in recruiting and retaining talented executives in a competitive market;

provide security for any compensation or benefits that have been earned;

## Table of Contents

permit executives to focus on our business;

eliminate any potential personal bias of an executive against a transaction that is in the best interests of our stakeholders;

avoid the costs associated with separately negotiating executive severance benefits; and

provide us with the flexibility needed to react to a continually changing business environment.

We do not enter into individual employment agreements with our executive officers. Instead, in general, the rights of our executives with respect to specific events are covered by our compensation and benefit plans. Under this approach, post-employment compensation and benefits are established separately from the other compensation elements of our executives.

The use of a plan approach instead of individual employment agreements serves several objectives. First, the plan approach provides us with more flexibility to change the terms of severance benefits from time to time if necessary. Second, the plan approach is more transparent, both internally and externally. Internal transparency eliminates the need to negotiate separation benefits on a case-by-case basis and assures an executive that his or her severance benefits are comparable with those of his or her peers. Finally, the plan approach is easier for us to administer, as it requires less time and expense.

**Payments Made Upon Any Termination.** Regardless of the manner in which an NEO's employment terminates, he or she is entitled to receive amounts earned during his or her term of employment. These amounts include:

accrued but unpaid salary;

amounts contributed under our 401(k) Plan, Profit-Sharing Plan and NQDC Plan; and

amounts accrued and vested through our Qualified Pension Plan and SERP.

**Payments Made Upon Retirement.** In the event of the retirement of an NEO, in addition to the items identified above, such NEO will be entitled to:

receive a prorated share of each outstanding performance unit granted under our ECP upon completion of the performance period;

receive a prorated portion of each outstanding RSU granted under our ECP upon completion of the restricted period;

receive a prorated portion of the outstanding STI upon completion of the plan year; and

participate, along with his or her qualifying dependents, in post-retirement health and life benefits.

**Payments Made Upon Death or Disability.** In the event of the death or disability of an NEO, in addition to the benefits listed under the headings **Payments Made Upon Any Termination** and **Payments Made Upon Retirement** above, the NEO will receive applicable benefits under our disability plan or payments under our life insurance plan.

**Payments Made Upon or Following a Change-in-Control.** We believe that the possibility of a change in control creates uncertainty for executive officers because such transactions frequently result in changes in senior management. Our Board has adopted a change-in-control

## Edgar Filing: ONE Gas, Inc. - Form DEF 14A

severance plan (the Change-in-Control Plan ) that covers all of our executive officers, including the NEOs. Subject to certain exceptions, the Change-in-Control Plan will provide our officers with severance benefits if they are terminated by us without cause (as defined below) or if they resign for good reason (as defined below), in each case within two years following a change in control of ONE Gas. All change-in-control benefits are double trigger, meaning that payments and benefits under the plan are payable only if the officer's employment is terminated by us without cause or by the officer for a good reason at any time during the two years following a change in control. Severance payments under the plan consist of a cash payment that may be up to three times the participant's base salary and target STI bonus, plus reimbursement of COBRA healthcare premiums for 18 months. Our Board, upon the recommendation of the Committee, established a severance multiplier of one, two or three times annual salary plus target annual bonus for all participants in the Change-in-Control Plan, including three times for the Chief Executive Officer and two times for each of the other NEOs.

The Change-in-Control Plan does not provide for additional pension benefits upon a change in control. In addition, the Change-in-Control Plan does not contain an excise tax gross-up for any participant. Rather, severance payments and benefits under the Change-in-Control Plan will be reduced if, as a result of such reduction, the officer would receive a greater total payment after taking taxes, including excise taxes, into account.

For the purposes of the Change-in-Control Plan, a change in control generally means any of the following events:

an acquisition of our voting securities by any person that results in the person having beneficial ownership of 20 percent or more of the combined voting power of our outstanding voting securities, other than an acquisition directly from us;

the current members of our Board, and any new director approved by a vote of at least two-thirds of our Board, cease for any reason to constitute at least a majority of our Board, other than in connection with an actual or threatened proxy contest (collectively, the Incumbent Board );

the consummation of a merger, consolidation or reorganization with us or in which we issue securities, unless (a) our shareholders immediately before the transaction, as a result of the transaction, directly or indirectly own at least 50 percent of the combined voting power of the voting securities of the company resulting from the transaction, (b) the members of our Incumbent Board, after the execution of the transaction agreement, constitute at least a majority of the members of the Board of the company resulting from the

**Table of Contents**

transaction, or (c) no person other than persons who, immediately before the transaction owned 20 percent or more of our outstanding voting securities, has beneficial ownership of 20 percent or more of the outstanding voting securities of the company resulting from the transaction; or

our complete liquidation or dissolution or the sale or other disposition of all or substantially all of our assets.

For the purposes of the Change-in-Control Plan, termination for cause means a termination of employment of a participant in the Change-in-Control Plan by reason of:

a participant's indictment for or conviction in a court of law of a felony, crime, or offense involving misuse or misappropriation of money or property;

a participant's violation of any covenant, agreement or obligation not to disclose confidential information regarding the business of the company (or a division or subsidiary) or a participant's violation of any covenant, agreement or obligation not to compete with the company (or a division or subsidiary);

any act of dishonesty by a participant that adversely affects the business of the company (or a division or subsidiary) or any willful or intentional act of a participant that adversely affects the business, or reflects unfavorably on the reputation, of the company (or a division or subsidiary);

a participant's material violation of any written policy of the company (or a division or subsidiary); or

a participant's failure or refusal to perform the specific directives of the Board or its officers, which are consistent with the scope and nature of the participant's duties and responsibilities, to be determined in the Board's sole discretion.

For the purposes of the Change-in-Control Plan, good reason means:

a participant's demotion or material reduction of the participant's significant authority or responsibility with respect to employment with the company as of the date the change-in-control occurred;

a material reduction in the participant's base salary as of the date immediately prior to the change-in-control;

a material reduction in short-term and/or LTI targets from those applicable to the participant immediately prior to the change-in-control;

the relocation to a new principal place of employment of the participant's employment by the company, which is more than 35 miles farther from the participant's principal place of employment prior to such change; and

the failure of a successor company to explicitly assume the Change-in-Control Plan.

***Potential Post-Employment Payments Tables.*** The following tables reflect estimates of the incremental amount of compensation due each NEO in the event of such executive's termination of employment by reason of death, disability or retirement, termination of employment without cause, or with good reason within two years following a change-in-control. The amounts shown assume that such termination was effective as of

## Edgar Filing: ONE Gas, Inc. - Form DEF 14A

December 31, 2015, and are estimates of the amounts that would be paid to the executives upon such termination, including, with respect to PSUs, the performance factor calculated as if the performance period ended on December 31, 2015. The amounts reflected in the **Qualifying Termination Following a Change-in-Control** column of the following tables are amounts that would be paid pursuant to our Change-in-Control Plan and, with respect to the PSUs, assume achievement of a performance factor at the target of 100 percent.

<b>Pierce H. Norton II</b>	<b>Termination Upon Death, Disability or Retirement</b>	<b>Termination Without Cause</b>	<b>Qualifying Termination Following a Change in Control</b>
Cash Severance	\$ -	\$ -	\$ 3,847,500
Health and Welfare Benefits Equity	\$ -	\$ -	\$ 29,319
Restricted Unit	\$ 1,434,524	\$ 1,434,524	\$ 1,851,180
Performance Unit	\$ 3,324,612	\$ -	\$ 3,460,147
Total	\$ 4,759,136	\$ 1,434,524	\$ 5,311,327
Total	\$ 4,759,136	\$ 1,434,524	\$ 9,188,146

**ONE Gas, Inc.** Notice of 2016 Annual Meeting of Stockholder and Proxy Statement

**55**

**Table of Contents**

<b>Curtis L. Dinan</b>	<b>Termination Upon Death, Disability or Retirement</b>	<b>Termination Without Cause</b>	<b>Qualifying Termination Following a Change in Control</b>
Cash Severance	\$ -	\$ -	\$ 1,435,500
Health and Welfare Benefits	\$ -	\$ -	\$ 29,319
Equity			
Restricted Unit	\$ 892,413	\$ 892,413	\$ 1,071,250
Performance Unit	\$ 1,775,132	\$ -	\$ 1,663,297
Total	\$ 2,667,545	\$ 892,413	\$ 2,734,547
Total	\$ 2,667,545	\$ 892,413	\$ 4,199,366

<b>Caron A. Lawhorn</b>	<b>Termination Upon Death, Disability or Retirement</b>	<b>Termination Without Cause</b>	<b>Qualifying Termination Following a Change in Control</b>
Cash Severance	\$ -	\$ -	\$ 1,188,000
Health and Welfare Benefits	\$ -	\$ -	\$ 29,319
Equity			
Restricted Unit	\$ 892,413	\$ 892,413	\$ 1,071,250
Performance Unit	\$ 1,775,132	\$ -	\$ 1,663,297
Total	\$ 2,667,545	\$ 892,413	\$ 2,734,547
Total	\$ 2,667,545	\$ 892,413	\$ 3,951,866

<b>Robert S. McAnnally</b>	<b>Termination Upon Death, Disability or Retirement</b>	<b>Termination Without Cause</b>	<b>Qualifying Termination Following a Change in Control</b>
Cash Severance	\$ -	\$ -	\$ 930,000
Health and Welfare Benefits	\$ -	\$ -	\$ 27,118
Equity			
Restricted Unit	\$ 20,613	\$ 20,613	\$ 74,207
Performance Unit	\$ 145,941	\$ -	\$ 296,829
Total	\$ 166,554	\$ 20,613	\$ 371,036
Total	\$ 166,554	\$ 20,613	\$ 1,328,154

<b>Joseph L. McCormick</b>	<b>Termination Upon Death, Disability or Retirement</b>	<b>Termination Without Cause</b>	<b>Qualifying Termination Following a Change in Control</b>
Cash Severance	\$ -	\$ -	\$ 930,000
Health and Welfare Benefits	\$ -	\$ -	\$ -
Equity			
Restricted Unit	\$ 473,108	\$ 473,108	\$ 587,198
Performance Unit	\$ 976,093	\$ -	\$ 974,315
Total	\$ 1,449,201	\$ 473,108	\$ 1,561,513
Total	\$ 1,449,201	\$ 473,108	\$ 2,491,513

**Table of Contents**

# **PROPOSAL 3 ADVISORY VOTE ON EXECUTIVE COMPENSATION**

## **INTRODUCTION**

At our 2015 annual meeting of shareholders, a substantial majority of our shareholders voted for an annual say on pay vote. As a result we intend to provide our shareholders with an annual, non-binding advisory say on pay vote on executive compensation until the next required non-binding advisory vote on the frequency of future advisory say on pay votes as required by the rules of the Securities and Exchange Commission.

## **OUR EXECUTIVE COMPENSATION PROGRAM**

As described in the Compensation Discussion and Analysis section of this proxy statement and the compensation tables and narratives discussion set forth above, our executive compensation program is based on our pay-for-performance philosophy and is designed with the following goals in mind:

to align the interests of our executive officers with the interests of our shareholders;

to attract, retain and motivate executives who are critical to the successful implementation of our strategic plan;

to pay our executives fairly relative to our industry peers based on their responsibilities, experience and performance; and

to implement sound governance practices by implementing executive compensation best practices and policies.

Our Executive Compensation Committee regularly reviews the compensation program for our NEOs to assess their effectiveness in delivering these goals.

Examples of how the various elements of our compensation program for our NEOs are linked to company performance and are designed to achieve the goals set forth above include:

a substantial portion of our NEOs compensation is variable or at-risk incentive compensation, meaning that it is tied to our performance relative to various short-term and long-term objectives, which are based on a number of financial and business goals;

awards to each executive officer are subject to fixed maximums established by our Executive Compensation Committee;

incentive awards are based on a review of a variety of indicators of performance, thus diversifying the risk associated with any single indicator of performance;

STI and LTI awards are not tied to formulas that are designed to focus executives on specific short- and intermediate-term outcomes;



## Edgar Filing: ONE Gas, Inc. - Form DEF 14A

the Executive Compensation Committee approves the final annual incentive plan awards after the review and confirmation of executive and operating and financial performance;

STI and LTI awards are subject to clawback provisions as described on page 44;

for executive officers, a significant portion of incentive award value is delivered in the form of our stock-based compensation that vests over multiple years;

for executive officers, approximately 80 percent of the long-term, stock-based incentive amounts are in the form of PSUs; and

executive officers are subject to our share-ownership guidelines, described on page 43.

For additional information on the compensation program for our NEOs, including specific information about compensation in fiscal year 2015, please read the Compensation Discussion and Analysis, along with the subsequent tables and narrative descriptions, beginning on page 36.

For the reasons discussed above, the Board recommends that shareholders vote in favor of the following resolution:

**RESOLVED**, that the shareholders hereby approve, on an advisory basis, the compensation paid to the NEOs, as disclosed in the company's proxy statement for the 2016 Annual Meeting of Shareholders pursuant to Item 402 of Regulation S-K, including the Compensation Discussion and Analysis, compensation tables and narrative discussion.

**Table of Contents**

**Vote Required and Board Recommendation**

This vote is advisory and will not be binding on the company, our Board or our Executive Compensation Committee. Our Board and our Executive Compensation Committee value the opinions of our shareholders and, to the extent there is any significant vote against the NEO compensation as disclosed in this proxy statement, we will consider our shareholders' concerns, and the Executive Compensation Committee will evaluate whether any actions are necessary to address those concerns.

Approval of this proposal requires the affirmative vote of the holders of a majority of the voting power of the shareholders present in person or by proxy and entitled to vote on the proposal at the meeting. Abstentions will have the same effect as votes against this proposal and broker non-votes do not count as present and entitled to vote for purposes of determining the outcome of the vote on this proposal.

**THE BOARD UNANIMOUSLY RECOMMENDS A VOTE FOR THE APPROVAL OF THE COMPENSATION OF OUR NEOs, AS DISCLOSED IN THIS PROXY STATEMENT PURSUANT TO ITEM 402 OF REGULATION S-K, INCLUDING THE COMPENSATION DISCUSSION AND ANALYSIS, THE COMPENSATION TABLES AND THE RELATED NARRATIVE DISCUSSION.**

**Table of Contents**

## **RELATED-PERSON TRANSACTIONS**

Our Board recognizes that transactions in which we participate and in which a related person (executive officer, director, director nominee, 5 percent or greater shareholder and their immediate family members) has a direct or indirect material interest can present potential or actual conflicts of interest and create the appearance that company decisions are based on considerations other than the best interests of the company and its stakeholders. Accordingly, as a general matter, it is our preference to avoid related-person transactions. Nevertheless, we recognize that there are situations where related-person transactions may be in, or may be consistent with, the best interests of the company and its stakeholders including, but not limited to, situations where we provide products or services to related persons on an arm's length basis and on terms comparable with those provided to unrelated third parties.

In the event we enter into a transaction in which an executive officer (other than an employment relationship), director (other than compensation arrangements for service on our Board provided to each director), director nominee, 5 percent or greater shareholder, or a member of their immediate family has a direct or indirect material interest, the transaction is presented to our Audit Committee and, if warranted, our Board, for review to determine if the transaction creates a conflict of interest is otherwise fair to the company. In determining whether a particular transaction creates a conflict of interest and, if so, is fair to the company, our Audit Committee and, if warranted, our Board, consider the specific facts and circumstances applicable to each such transaction, including: the parties to the transaction, their relationship to the company and nature of their interest in the transaction; the nature of the transaction; the aggregate value of the transaction; the length of the transaction; whether the transaction occurs in the normal course of our business; the benefits to our company provided by the transaction; if applicable, the availability of other sources of comparable products or services; and, if applicable, whether the terms of the transaction, including price or other consideration, are the same or substantially the same as those available to the company if the transaction were entered into with an unrelated party.

We require each executive officer and director to annually provide us written disclosure of any transaction in which we participate and in which the officer or director or any of his or her immediate family members has a direct or indirect material interest. Our Corporate Governance Committee reviews our disclosure of related-party transactions in connection with its annual review of director independence. These procedures are not in writing but are documented through the meeting agendas and minutes of our Audit and Corporate Governance Committees.

**Table of Contents**

## **SHAREHOLDER PROPOSALS**

The rules of the Securities and Exchange Commission provide when a company must include a shareholder's proposal in its proxy statement and identify the proposal in its form of proxy when the company holds an annual or special meeting of shareholders. Under these rules, proposals that shareholders would like to submit for inclusion in our proxy statement for our 2017 annual meeting of shareholders should be received by our corporate secretary at our principal executive offices no later than December 6, 2016. Only those shareholder proposals eligible for inclusion under the rules of the Securities and Exchange Commission will be included in our proxy statement.

If a shareholder desires to present a proposal, other than the nomination of directors at our 2017 annual meeting, outside the process provided by the rules of the Securities and Exchange Commission, the shareholder must follow the procedures set forth in our bylaws. Our bylaws generally provide that a shareholder may present a proposal at an annual meeting if (1) the shareholder is a shareholder of record at the time the shareholder gives written notice of the proposal and is entitled to vote at the meeting and (2) the shareholder gives timely written notice of the proposal, including any information regarding the proposal required under our bylaws, to our corporate secretary. To be timely for our 2017 annual meeting, a shareholder's notice must be delivered to, or mailed to and received at, our principal executive offices no later than December 6, 2016.

**60**      **ONE Gas, Inc.** Notice of 2016 Annual Meeting of Stockholder and Proxy Statement

**Table of Contents**

## **HOUSEHOLDING**

Shareholders with multiple accounts that share the same last name and household mailing address will receive a single copy of shareholder documents (annual report, proxy statement, or other informational statement) unless we are instructed otherwise. Each shareholder, however, will continue to receive a separate proxy card. This practice, known as householding, is designed to reduce our printing and postage costs.

If you are a registered shareholder and received only one copy of the proxy statement and annual report in your household, we will promptly deliver additional copies, to the extent you request copies, for each member of your household who was a registered shareholder as of the record date by providing written instructions to Wells Fargo Shareowner Services, Attn: Household/ONE Gas, Inc., P.O. Box 64854, St. Paul, Minnesota 55164-0854. You also may contact us in the same manner if you are currently receiving a single copy of the proxy statement and annual report in your household and desire to receive separate copies in the future for each member of your household who is a registered shareholder, or if your household is currently receiving multiple copies of the proxy statement and annual report and you desire to receive a single copy in the future for your entire household. If you are not a registered shareholder and your shares are held by a broker, bank or other holder of record, you will need to contact that entity to revoke your election and receive multiple copies of these documents.

**Table of Contents**

**ANNUAL REPORT ON FORM 10-K**

Our 2015 annual report to shareholders (which includes our Annual Report on Form 10-K for the year ended December 31, 2015) is available on our corporate website at [www.ONEGas.com](http://www.ONEGas.com). Additionally, and in accordance with the rules of the Securities and Exchange Commission, you may access our 2015 annual report at <http://shareholder.onegas.com>, which does not infringe on the anonymity of a person accessing such website. The website does not employ cookies or other user-tracking features. We will provide, without charge, on the written request of any person solicited hereby, a copy of our Annual Report on Form 10-K as filed with the Securities and Exchange Commission for the year ended December 31, 2015. Written requests should be mailed to Brian K. Shore, Secretary, ONE Gas, Inc., 15 E. Fifth Street, Tulsa, Oklahoma 74103.

62 ONE Gas, Inc. Notice of 2016 Annual Meeting of Stockholder and Proxy Statement

Table of Contents

## OTHER MATTERS

So far as is now known to us, there is no business other than that described above in this proxy statement to be presented to the shareholders for action at the annual meeting. Should other business come before the annual meeting, votes may be cast pursuant to proxies in respect to any such business in the best judgment of the persons acting under the proxies.

Please return your proxy as soon as possible. Unless a quorum consisting of a majority of the outstanding shares entitled to vote is represented at the annual meeting, no business can be transacted. Therefore, please authorize a proxy electronically via the Internet, by telephone, or by mail. Please act promptly to ensure that you will be represented at this important meeting.

By order of the Board.

**Brian K. Shore**

Secretary

Tulsa, Oklahoma

April 5, 2016

**Table of Contents**

15 East Fifth Street  
Tulsa, OK 74103  
*www.ONEGas.com*



**Table of Contents**

Shareowner Services

P.O. Box 64945

St. Paul, MN  
55164-0945

**Vote by Internet, Telephone or Mail**

**24 Hours a Day, 7 Days a Week**

Your phone or Internet vote authorizes the named proxies to vote your shares in the same manner as if you marked, signed and returned your proxy card.

**INTERNET/MOBILE**

[www.proxypush.com/ogs](http://www.proxypush.com/ogs)

Use the Internet to vote your proxy until 11:59 p.m. (CT) on May 25, 2016

**PHONE 1-866-883-3382**

Use a touch-tone telephone to vote your proxy until 11:59 p.m. (CT) on May 25, 2016

**MAIL** Mark, sign and date your proxy card and return it in the postage-paid envelope provided.

**If you vote your proxy by Internet or by Telephone, you do NOT need to mail back your Proxy Card.**

*Please detach here*

**Your Board of Directors recommends a vote FOR the re-election of each of the**

**Class II director nominees listed below.**

1. Election of two Class II directors:

	<b>FOR</b>	<b>AGAINST</b>	<b>ABSTAIN</b>
01 Pierce H. Norton II	..	..	..
02 Eduardo A. Rodriguez	..	..	..

**Your Board of Directors recommends a vote FOR Proposal 2:**

2. Ratification of the selection of PricewaterhouseCoopers LLP as the independent registered public accounting firm of ONE Gas, Inc. for the year ending December 31, 2016. .. For .. Against .. Abstain

**Your Board of Directors recommends a vote FOR Proposal 3:**

3. Advisory vote to approve the Company's executive compensation. .. For .. Against .. Abstain

**THIS PROXY WHEN PROPERLY EXECUTED WILL BE VOTED AS DIRECTED OR, IF NO DIRECTION IS GIVEN, WILL BE VOTED AS THE BOARD RECOMMENDS.**

Address Change? Mark box, sign, and indicate changes below:  Date \_\_\_\_\_

Signature(s) in  
Box

Please sign exactly as your name(s) appears on Proxy. If held in joint tenancy, all persons should sign. Trustees, administrators, etc., should include title and authority. Corporations should provide full name of corporation and title of authorized officer signing the Proxy.

**Table of Contents**

**ONE Gas, Inc.**

**ANNUAL MEETING OF SHAREHOLDERS**

**Thursday, May 26, 2016**

**9:00 a.m. Central Time**

**15 East Fifth Street**

**Tulsa, Oklahoma 74103**

**proxy**

**ANNUAL MEETING OF SHAREHOLDERS MAY 26, 2016**

**THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS**

The undersigned hereby appoints John W. Gibson and Joseph L. McCormick, or either of them, with the power of substitution in each, proxies to vote all shares of stock of the undersigned in ONE Gas, Inc. at the Annual Meeting of Shareholders to be held May 26, 2016, and at any and all adjournments or postponements thereof, upon the matter of the election of directors, the proposals referred to in Items 2 and 3 of this Proxy, and any other business that may properly come before the meeting.

Shares will be voted as specified. IF YOU SIGN BUT DO NOT GIVE SPECIFIC INSTRUCTIONS, YOUR SHARES WILL BE VOTED FOR THE ELECTION OF DIRECTORS AS PROPOSED AND FOR PROPOSALS 2 AND 3.

This card also constitutes voting instructions by the undersigned participant to the trustee of the ONE Gas, Inc. 401(k) Plan, the ONE Gas, Inc. Profit Sharing Plan, the ONEOK, Inc. 401(k) Plan and the ONEOK, Inc. Profit Sharing Plan for all shares votable by the undersigned participant and held of record by such trustee, if any. The trustee will vote these shares as directed provided your voting instruction is received by 11:59 p.m. Central Daylight Time on May 23, 2016. If there are any shares for which instructions are not

timely received, the trustee will cause all such shares to be voted in the same manner and proportion as the shares of the plan for which timely instructions have been received, unless to do so would be contrary to ERISA. All voting instructions for shares held of record by the plans shall be confidential.

**THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE ELECTION OF CLASS II DIRECTORS AS PROPOSED AND FOR PROPOSALS 2 AND 3.**

If you vote by the Internet or Telephone, DO NOT return your proxy card.

Please complete, sign and date the proxy card and return it in the postage-paid envelope.  
*See reverse for voting instructions.*