

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934 (FEE REQUIRED)
OR
 TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934 (NO FEE REQUIRED)

For the fiscal year ended December 31, 1997 Commission File Number 1-12579

OGE ENERGY CORP.
(Exact name of registrant as specified in its charter)

Oklahoma 73-1481638
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)
321 North Harvey
P.O. Box 321
Oklahoma City, Oklahoma 73101-0321
(Address of principal executive offices) (Zip Code)
Registrant's telephone number, including area code: 405-553-3000

Securities registered pursuant to Section 12(b) of the Act:

Title of each class so registered	Name of each exchange on which each class is registered
Common Stock	New York Stock Exchange and Pacific Stock Exchange
Rights to Purchase- Series A Preferred Stock	New York Stock Exchange and Pacific Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

As of February 27, 1998, Common Shares outstanding were 40,385,917. Based upon the closing price on the New York Stock Exchange on February 27, 1998, the aggregate market value of the voting stock held by nonaffiliates of the Company was: Common Stock \$2,172,426,750.

The proxy statement for the 1998 annual meeting of shareowners is incorporated by reference into Part III of this Report.

TABLE OF CONTENTS

ITEM -----		PAGE -----
PART I		
Item 1.	Business.....	1
	The Company.....	1
	Electric Operations.....	2
	General.....	2
	Regulation and Rates.....	5
	Rate Structure, Load Growth and Related Matters.....	12
	Fuel Supply.....	13
	Enogex.....	15
	Origen.....	18
	Finance and Construction.....	19
	Environmental Matters.....	21
	Employees.....	22
Item 2.	Properties.....	23
Item 3.	Legal Proceedings.....	24
Item 4.	Submission of Matters to a Vote of Security Holders.....	27
PART II		
Item 5.	Market for Registrant's Common Equity and Related Stockholder Matters.....	32
Item 6.	Selected Financial Data.....	33
Item 7.	Management's Discussion and Analysis of Financial Condition and Results of Operations.....	34
Item 8.	Financial Statements and Supplementary Data.....	47
Item 9.	Changes in and Disagreements with Accountants and Financial Disclosure.....	75
PART III		
Item 10.	Directors and Executive Officers of the Registrant.....	75
Item 11.	Executive Compensation.....	75
Item 12.	Security Ownership of Certain Beneficial Owners and Management.....	75
Item 13.	Certain Relationships and Related Transactions.....	75
PART IV		
Item 14.	Exhibits, Financial Statement Schedules and Reports on Form 8-K.....	75

PART I

ITEM 1. BUSINESS.

THE COMPANY

OGE Energy Corp. (the "Company") is a public utility holding company which was incorporated in August 1995 in the State of Oklahoma. The Company became the parent company of Oklahoma Gas and Electric Company ("OG&E") and its former subsidiary, Enogex Inc. on December 31, 1996 pursuant to a mandatory share exchange whereby each share of outstanding common stock of OG&E was exchanged on a share-for-share basis for common stock of the Company. Immediately following this exchange, OG&E transferred its shares of Enogex stock to the Company and Enogex Inc. became a direct subsidiary of the Company.

The Company now serves as the parent company to OG&E, Enogex Inc., Origen Inc. (a newly formed company), and any other companies that may be formed within the organization in the future. The holding company structure is intended to provide greater flexibility to take advantage of opportunities in an increasingly competitive business environment and to clearly separate the Company's electric utility business from its non-utility businesses. At December 31, 1997, the Company was not engaged in any business independent of that conducted through its subsidiaries OG&E, Enogex Inc. and Enogex Inc.'s subsidiaries ("Enogex"), and Origen Inc. and Origen Inc.'s subsidiaries ("Origen").

The Company's principal subsidiary is OG&E and, accordingly, the Company's financial results and condition are substantially dependent at this time on the financial results and conditions of OG&E. OG&E is a regulated public utility engaged in the generation, transmission and distribution of electricity to retail and wholesale customers. OG&E was incorporated in 1902 under the laws of the Oklahoma Territory and is the largest electric utility in the State of Oklahoma. OG&E sold its retail gas business in 1928 and now owns and operates an interconnected electric production, transmission and distribution system which includes eight active generating stations with a total capability of 5,647,300 kilowatts.

Enogex owns and operates approximately 3,500 miles of natural gas transmission and gathering pipelines, has interests in five gas processing plants, markets electricity, natural gas and natural gas products and invests in the drilling for and production of crude oil and natural gas.

OG&E's regulated utility business has been and will continue to be affected by competitive changes to the utility industry. Significant changes already have occurred in the wholesale electric markets at the Federal level. In Oklahoma, legislation was passed in 1997 to provide for the orderly restructuring of the electric industry with the goal to provide retail customers with the ability to choose their generation suppliers by July 1, 2002. This legislation, if implemented as proposed, would significantly impact OG&E. The Arkansas Public Service Commission ("APSC") recently initiated proceedings to consider the implementation of a competitive retail market in Arkansas. See "Electric Operations - Regulation and Rates - Recent Regulatory Matters" for further discussion of these developments.

The Company's executive offices are located at 321 North Harvey, P. O. Box 321, Oklahoma City, Oklahoma 73101-0321; telephone (405) 553-3000.

ELECTRIC OPERATIONS

GENERAL

OG&E furnishes retail electric service in 277 communities and their contiguous rural and suburban areas. During 1997, five other communities and two rural electric cooperatives in Oklahoma and western Arkansas purchased electricity from OG&E for resale. The service area, with an estimated population of 1.7 million, covers approximately 30,000 square miles in Oklahoma and western Arkansas; including Oklahoma City, the largest city in Oklahoma, and Ft. Smith, Arkansas, the second largest city in that state. Of the 282 communities served, 254 are located in Oklahoma and 28 in Arkansas. Approximately 91 percent of total electric operating revenues for the year ended December 31, 1997, were derived from sales in Oklahoma and the remainder from sales in Arkansas.

OG&E's system control area peak demand as reported by the system dispatcher for the year was approximately 5,287 megawatts, and occurred on July 28, 1997. OG&E's load responsibility peak demand was approximately 4,982 megawatts on July 28, 1997, resulting in a capacity margin of approximately 18.4 percent. OG&E is a member, along with neighboring utilities and other electric suppliers, in the Southwest Power Pool ("SPP"), which requires that OG&E maintain a capacity reserve margin of 13 percent. As reflected in the table below and in the operating statistics on page 4, total kilowatt-hour sales increased 1.6 percent in 1997 as compared to an increase of 1.5 percent in 1996 and a 7.0 percent increase in 1995. In 1997, kilowatt-hour sales to OG&E customers ("system sales") increased slightly due to continued customer growth. Sales to other utilities ("off-system sales") decreased in 1997. Off-system sales are at much lower prices per kilowatt-hour and have less impact on operating revenues and income than system sales. In 1996 and 1995, total kilowatt-hour sales increased due to continued customer growth.

Variations in kilowatt-hour sales for the three years are reflected in the following table:

	SALES (Millions of Kwh)					
	1997	Inc/ (Dec)	1996	Inc/ (Dec)	1995	Inc/ (Dec)
System Sales	22,183	3.0%	21,541	3.4%	20,828	0.9%
Off-System Sales	1,202	(18.5%)	1,475	(20.4%)	1,852	232.6%
Total Sales	23,385	1.6%	23,016	1.5%	22,680	7.0%
	=====		=====		=====	

In 1997, OG&E's Sooner Generating Station (consisting of two coal-fired units with an aggregate capability of 1,015 Mw) and OG&E's three coal-fired units at its Muskogee Generating Station (with an aggregate capability of 1,515 Mw) were again recognized by an industry survey as being in the top ten lowest cost producers of electricity for 1996 among the 850 electric generating stations surveyed.

OG&E is subject to competition in various degrees from government-owned electric systems, municipally-owned electric systems, rural electric cooperatives and, in certain respects, from other private utilities, power marketers and cogenerators. Oklahoma law forbids the granting of an exclusive franchise to a utility for providing electricity.

Besides competition from other suppliers or marketers of electricity, OG&E competes with suppliers of other forms of energy. The degree of competition between suppliers may vary depending on

relative costs and supplies of other forms of energy. See "Electric Operations - Regulation and Rates - Recent Regulatory Matters" for a discussion of potential impact of competition of federal and state legislation.

OKLAHOMA GAS AND ELECTRIC COMPANY
CERTAIN OPERATING STATISTICS

YEAR ENDED DECEMBER 31

	1997	1996	1995
ELECTRIC ENERGY:			
(Millions of Kwh)			
Generation (exclusive of station use).....	21,620	21,253	20,639
Purchased.....	3,528	3,564	3,578
Total generated and purchased.....	25,148	24,817	24,217
Company use, free service and losses.....	(1,763)	(1,801)	(1,537)
Electric energy sold.....	23,385	23,016	22,680
ELECTRIC ENERGY SOLD:			
(Millions of Kwh)			
Residential.....	7,179	7,143	6,848
Commercial and industrial.....	11,586	11,161	10,963
Public street and highway lighting.....	68	67	66
Other sales to public authorities.....	2,202	2,096	2,087
Sales for resale.....	2,350	2,549	2,716
Total.....	23,385	23,016	22,680
ELECTRIC OPERATING REVENUES:			
(Thousands)			
Electric Revenues:			
Residential.....	\$ 474,419	\$ 479,574	\$ 471,313
Commercial and industrial.....	526,673	530,213	512,212
Public street and highway lighting.....	9,456	9,367	9,115
Other sales to public authorities.....	98,818	98,209	95,660
Sales for resale.....	57,695	60,141	63,340
Provision for rate refund.....	---	(1,221)	(2,437)
Miscellaneous.....	24,630	24,054	19,084
Total Electric Revenues.....	\$ 1,191,691	\$ 1,200,337	\$ 1,168,287
NUMBER OF ELECTRIC CUSTOMERS:			
(At end of period)			
Residential.....	593,699	588,778	583,741
Commercial and industrial.....	85,315	84,032	82,577
Public street and highway lighting.....	249	249	249
Other sales to public authorities.....	10,897	10,688	10,340
Sales for resale.....	40	41	43
Total.....	690,200	683,788	676,950
RESIDENTIAL ELECTRIC SERVICE:			
Average annual use (Kwh).....	12,133	12,178	11,786
Average annual revenue.....	\$ 801.74	\$ 817.62	\$ 811.10
Average price per Kwh (cents).....	6.61	6.71	6.88

REGULATION AND RATES

OG&E's retail electric tariffs in Oklahoma are regulated by the Oklahoma Corporation Commission ("OCC"), and in Arkansas by the APSC. The issuance of certain securities by OG&E is also regulated by the OCC and the APSC. OG&E's wholesale electric tariffs, short-term borrowing authorization and accounting practices are subject to the jurisdiction of the Federal Energy Regulatory Commission ("FERC"). The Secretary of the Department of Energy has jurisdiction over some of OG&E's facilities and operations.

As part of the corporate reorganization whereby the Company became the holding company parent of OG&E, OG&E obtained the approval of the OCC. The order of the OCC authorizing OG&E to reorganize into a holding company structure contains certain provisions which, among other things, ensure the OCC access to the books and records of the Company and its affiliates relating to transactions with OG&E; require the Company and its subsidiaries to employ accounting and other procedures and controls to protect against subsidization of non-utility activities by OG&E's customers; and prohibit the Company from pledging OG&E assets or income for affiliate transactions.

For the year ended December 31, 1997, approximately 88 percent of OG&E's electric revenue was subject to the jurisdiction of the OCC, seven percent to the APSC, and five percent to the FERC.

RECENT REGULATORY MATTERS: In January 1998, OG&E filed an application

with the OCC seeking approval to revise an existing cogeneration contract with Mid-Continent Power Company ("MCPC"), a cogeneration plant near Pryor, Oklahoma. Under Public Utility Regulatory Policies Act of 1978 ("PURPA"), OG&E was obligated to enter into the original contract, which was approved by the OCC in 1987, and which required OG&E to purchase peaking capacity from the plant for 10 years beginning in 1998 -- whether the capacity was needed or not. In December 1997, the Company agreed to purchase the stock of Oklahoma Loan Acquisition Corporation, the company that owns the MCPC plant. As part of the transaction, the duration of the existing cogeneration contract with OG&E would be reduced from 10 years ending December 31, 2007, to four and one-half years ending June 30, 2002. If the transaction is approved by the necessary regulatory agencies and is consummated, OG&E estimates that it will provide aggregate savings for its Oklahoma customers of approximately \$46 million as compared to the existing cogeneration contract. On March 13, 1998, the OCC issued its order granting the relief requested by OG&E. Additional regulatory approvals of the FERC and the APSC, among others, are needed to complete the transaction.

On February 11, 1997, the OCC issued an order that, among other things, effectively lowered OG&E's rates to its Oklahoma retail customers by \$50 million annually (based on a test year ended December 31, 1995). Of the \$50 million rate reduction, approximately \$45 million became effective on March 5, 1997, and the remaining \$5 million became effective March 1, 1998. The February 11, 1997 order also directed OG&E to transition to competitive bidding of its gas transportation requirements currently met by Enogex no later than April 30, 2000 and set annual compensation for the transportation services provided by Enogex to OG&E at \$41.3 million until competitively-bid gas transportation begins. In 1997, approximately \$41.7 million or 12.9 percent of Enogex's revenues were attributable to transporting gas for OG&E. Other pipelines seeking to compete with Enogex for OG&E's business will likely have to pay a fee to Enogex for transporting gas on Enogex's system or incur capital expenditures to develop the necessary infrastructure to connect with OG&E's gas-fired generating stations. See Note 10 of Notes to Consolidated Financial Statements.

The Order also contained a Generation Efficiency Performance Rider ("GEP Rider"), which is designed so that when OG&E's average annual cost of fuel per kwh is less than 96.261 percent of the average non-nuclear fuel cost per kwh of certain other investor-owned utilities, OG&E is allowed to collect, through the GEP Rider, one-third of the amount by which OG&E's average annual cost of fuel comes in below 96.261 percent of the average of the other specified utilities. If OG&E's fuel cost exceeds 103.739 percent of the stated average, the Company will not be allowed to recover one-third of the fuel costs above that average from Oklahoma customers.

The fuel cost information used to calculate the GEP Rider is based on fuel cost data submitted by each of the utilities in their Form No. 1 Annual Report filed with the FERC. The GEP Rider is revised effective July 1 of each year to reflect any changes in the relative annual cost of fuel reported for the preceding calendar year. For 1997, the GEP Rider increased revenues by approximately \$18.0 million, or approximately \$0.28 per share. The current GEP Rider is estimated to positively impact revenue by \$27 million, or approximately \$0.41 per share during the 12 months ending June 1998.

As previously reported, Oklahoma enacted in April 1997 the Electric Restructuring Act of 1997 (the "Act"). If implemented as proposed, the Act will significantly affect OG&E's future operations.

The following summary of the Act does not purport to be complete and is subject to the specific provisions of the Act, which is codified at Sections 190.2 et. seq. of Title 17 of the Oklahoma Statutes. The Act consists of eight sections, with Section 1 designating the name of the Act. Section 2 describes the purposes of the Act, which is generally to restructure the electric industry to provide for more competition and, in particular, to provide for the orderly restructuring of the electric utility industry in the State of Oklahoma in order to allow direct access by retail consumers to the competitive market for the generation of electricity while maintaining the safety and reliability of the electric system in the state.

The primary goals of a restructured electric utility industry, as set forth in Section 2 of the Act, are as follows:

1. To reduce the cost of electricity for as many consumers as possible, helping industry to be more competitive, to create more jobs in Oklahoma and help lower the cost of government by reducing the amount and type of regulation now paid for by taxpayers;
2. To encourage the development of a competitive electricity industry through the unbundling of prices and services and separation of generation services from transmission and distribution services;
3. To enable retail electric energy suppliers to engage in fair and equitable competition through open, equal and comparable access to transmission and distribution systems and to avoid wasteful duplication of facilities;
4. To ensure that direct access by retail consumers to the competitive market for generation be implemented in Oklahoma by July 1, 2002; and
5. To ensure that proper standards of safety, reliability and service are maintained in a restructured electric service industry.

Section 3 of the Act sets forth various definitions and exempts in large part several electric cooperatives and municipalities from the Act unless they choose to be governed by it.

Sections 4, 5 and 6 of the Act are designed to implement the goals of the Act and provide for various studies and task forces to assess the issues and consequences associated with the proposed restructuring of the electric utility industry. In Section 4, the OCC is directed to undertake a study of all relevant issues relating to restructuring the electric utility industry in Oklahoma including, but not limited to, the issues set forth in Section 4, and to develop a proposed electric utility framework for Oklahoma under the direction of the Joint Electric Utility Task Force (which task force is described below). However, the OCC is prohibited from promulgating orders relating to the restructuring without prior authorization of the Oklahoma Legislature. Also, in developing a framework for a restructured electric utility industry, the OCC is to adhere to fourteen principles set forth in Section 4, including the following:

1. Appropriate rules shall be promulgated, ensuring that reliable and safe electric service is maintained.
2. Consumers shall be allowed to choose among retail electric energy suppliers to help ensure competitive and innovative markets. A process should be established whereby all retail consumers are permitted to choose their retail electric energy suppliers by July 1, 2002.
3. When consumer choice is introduced, rates shall be unbundled to provide clear price information on the components of generation, transmission and distribution and any other ancillary charges. Charges for public benefit programs currently authorized by statute or the OCC, or both, shall be unbundled and appear in line item format on electric bills for all classes of consumers.
4. An entity providing distribution services shall be relieved of its traditional obligation to provide electric supply but shall have a continuing obligation to provide distribution service for all consumers in its service territory.
5. The benefits associated with implementing an independent system planning committee composed of owners of electric distribution systems to develop and maintain planning and reliability criteria for distribution facilities shall be evaluated.
6. A defined period for the transition to a restructured electric utility industry shall be established. The transition period shall reflect a suitable time frame for full compliance with the requirements of a restructured utility industry.
7. Electric rates for all consumer classes shall not rise above current levels throughout the transition period. If possible, electric rates for all consumers shall be lowered when feasible as markets become more efficient in a restructured industry.
8. The OCC shall consider the establishment of a distribution access fee to be assessed to all consumers in Oklahoma connected to electric distribution systems regulated by the OCC. This fee shall be charged to cover social costs, capital costs, operating costs, and other appropriate costs associated with the operation

of electric distribution systems and the provision of electric services to the retail consumer.

9. Electric utilities have traditionally had an obligation to provide service to consumers within their established service territories and have entered into contracts, long-term investments and federally mandated cogeneration contracts to meet the needs of consumers. These investments and contracts have resulted in costs which may not be recoverable in a competitive restructured market and thus may be "stranded." Procedures shall be established for identifying and quantifying stranded investments and for allocating costs; and mechanisms shall be proposed for recovery of an appropriate amount of prudently incurred, unmitigable and verifiable stranded costs and investments. As part of this process, each entity shall be required to propose a recovery plan which establishes its unmitigable and verifiable stranded costs and investments and a limited recovery period designed to recover such costs expeditiously, provided that the recovery period and the amount of qualified transition costs shall yield a transition charge which shall not cause the total price for electric power, including transmission and distribution services, for any consumer to exceed the cost per kilowatt-hour paid on the effective date of this Act during the transition period. The transition charge shall be applied to all consumers including direct access consumers, and shall not disadvantage one class of consumer or supplier over another, nor impede competition and shall be allocated over a period of not less than three (3) years nor more than seven (7) years.
10. It is the intent that all transition costs shall be recovered by virtue of the savings generated by the increased efficiency in markets brought about by restructuring of the electric utility industry. All classes of consumers shall share in the transition costs.

Subject to the principles set forth in Section 4, the OCC is directed to prepare a four-part study to be delivered to the Joint Electric Utility Task Force (the "Joint Task Force"). The first part of the study, which was due February 1, 1998, was to address independent operation issues. The second part, which is due December 31, 1998, is to address technical issues, such as reliability, safety, unbundling of generation, transmission and distribution services, transition issues and market power. The third part of the study is due December 31, 1999, and is to address financial issues, including rates, charges, access fees, transition costs and stranded costs. The final part of the study is due August 31, 2000 and is to cover consumer issues, such as the obligation to serve, service territories, consumer choices, competition and consumer safeguards.

Section 5 of the Act directs the Oklahoma Tax Commission to study and submit a report to the Joint Task Force by December 31, 1998 on the impact of the restructuring of the electric utility industry on state tax revenues and all other facets of the current utility tax structure on the state and all political subdivisions of the state. The Oklahoma Tax Commission is precluded from issuing any rules on such matters without the approval of the Oklahoma Legislature or the Joint Task Force. Also, in the event a uniform tax policy that allows all competitors to be taxed on a fair and equitable basis is not established on or before July 1, 2002, then the effective date for implementing customer choice of retail electric suppliers shall be extended until a uniform tax policy is established.

Section 6 creates the Joint Task Force, which shall consist of seven members from the Oklahoma Senate and seven members from the Oklahoma House of Representatives. The Joint Task Force is to direct and oversee the studies of the OCC and Oklahoma Tax Commission set forth in Sections 4 and 5 of the Act. The Joint Task Force is permitted to make final recommendations to the Governor and Oklahoma Legislature. The Joint Task Force is also empowered to retain consultants to study the creation of an Independent System Operator, which would coordinate the physical supply of electricity throughout Oklahoma and maintain reliability, security and stability of the bulk power system. In addition, such study shall assess the benefits of establishing a power exchange that would operate as a power pool allowing power producers to compete on common ground in Oklahoma. In fulfilling its tasks, the Joint Task Force can appoint advisory councils made up of electric utilities, regulators, residential customers and other constituencies.

Section 7 provides generally that, with respect to electric distribution providers, no customer switching will be allowed from the effective date of the Act until July 1, 2002, except by mutual consent. It also provides that any municipality that fails to become subject to the Act will be prohibited from selling power outside its municipal limits except from lines owned on the effective date of the Act. Section 8 sets forth the effective date of the Act as April 25, 1997.

A new bill was introduced in the State Senate in the 1998 legislative session and was passed by a State Senate committee in February 1998. This bill, if adopted, would modify the Act by (i) directing the Joint Task Force, instead of the OCC, to conduct the required studies and (ii) accelerating the deadlines for completion of such studies to October 1, 1999.

OG&E intends to actively participate in the restructuring of the electric utility industry in Oklahoma and to remain a competitive supplier of electricity. However, due to the early stages of the process, OG&E cannot predict the impact that the restructuring will have on its operations in the future. OG&E continues to be generally supportive of the restructuring efforts in Oklahoma. However, the Company and OG&E believe that federal legislation mandating retail competition in all states is appropriate to ensure that OG&E's ability to compete for retail customers of other suppliers is commensurate with the ability of such suppliers to compete for OG&E's jurisdictional customers in Oklahoma.

In December 1997, the APSC established four generic proceedings to consider the implementation of a competitive retail electric market in the State of Arkansas. Among the topics to be considered are competitive retail generation, market structure, market power, taxation, recovery and mitigation of stranded costs, service and reliability, low income assistance, independent system operators and transition issues. The Company intends to participate actively in these proceedings.

On February 25, 1994, the OCC issued an order that, among other things, effectively lowered OG&E's rates to its Oklahoma retail customers by approximately \$17 million annually and required OG&E to refund approximately \$41.3 million. Of the \$41.3 million refund, \$39.1 million was associated with revenues prior to January 1, 1994, while the remaining \$2.2 million related to 1994. The entire \$41.3 million refund related to the OCC's disallowance of a portion of the fees paid by OG&E to Enogex for prior transportation and related gas gathering services.

In 1994, OG&E underwent a significant restructuring effort and redesign of its operations to more favorably position itself for the competitive electric utility environment. As part of this process, OG&E implemented a Voluntary Early Retirement Package ("VERP") and a severance package that reduced its workforce by approximately 900 employees. The Company incurred \$63.4 million of

restructuring costs in 1994. Pending an OCC order, OG&E deferred the costs associated with the VERP and severance package in the third quarter of 1994. Between August 1 and December 31, 1994, the amount deferred was reduced by approximately \$14.5 million. In response to an application filed by OG&E on August 9, 1994, the OCC issued an order on October 26, 1994, that permitted OG&E to amortize the December 31, 1994, regulatory asset of \$48.9 million over 26 months and reduced OG&E's electric rates during such period by approximately \$15 million annually, effective January 1995. In 1997, 1996 and 1995, the labor savings substantially offset the amortization of the regulatory asset and the annual rate reduction of \$15 million.

On February 13, 1998, the APSC Staff filed a motion for a show cause order to review OG&E's electric rates in the State of Arkansas. The staff is recommending a \$3.1 million annual rate reduction (based on a test year ended December 31, 1996) and that OG&E file a cost of service study with the APSC. While OG&E does not agree that any refund is appropriate, it is in the process of evaluating and responding to the staff's position.

AUTOMATIC FUEL ADJUSTMENT CLAUSES: Variances in the actual cost of fuel

used in electric generation and certain purchased power costs, as compared to that component in cost-of-service for ratemaking, are charged to substantially all of the Company's electric customers through automatic fuel adjustment clauses, which are subject to periodic review by the OCC, the APSC and the FERC.

NATIONAL ENERGY LEGISLATION: Federal law imposes numerous

responsibilities and requirements on OG&E. The Public Utility Regulatory Policies Act of 1978 requires electric utilities, such as OG&E, to purchase electric power from, and sell electric power to, qualified cogeneration facilities and small power production facilities ("QFs"). Generally stated, electric utilities must purchase electric energy and production capacity made available by QFs at a rate reflecting the cost that the purchasing utility can avoid as a result of obtaining energy and production capacity from these sources; rather than generating an equivalent amount of energy itself or purchasing the energy or capacity from other suppliers. OG&E has entered into agreements with four such cogenerators. See "Finance and Construction." Electric utilities also must furnish electric energy to QFs on a non-discriminatory basis at a rate that is just and reasonable and in the public interest and must provide certain types of service which may be requested by QFs to supplement or back up those facilities' own generation.

The Energy Policy Act of 1992 ("EPAAct") has resulted in some significant changes in the operations of the electric utility industry and the federal policies governing the generation, transmission and sale of electric power. The EPAAct, among other things, authorized the FERC to order transmitting utilities to provide transmission services to any electric utility, Federal power marketing agency, or any other person generating electric energy for sale or resale, at transmission rates set by the FERC. The EPAAct also is designed to promote competition in the development of wholesale power generation in the electric industry. It exempts a new class of independent power producers from regulation under the Public Utility Holding Company Act of 1935.

In April 1996, FERC issued two final rules, Orders 888 and 889, which have had a significant impact on wholesale markets. These orders were subsequently amended in orders issued in March and November 1997. These orders have been appealed by many entities, including representatives of the states, the electric utility industry and consumers. Order 888 set forth rules on non-discriminatory open access transmission service to promote wholesale competition. Order 888, which was effective on July 9, 1996, requires utilities and other transmission users to abide by comparable terms, conditions and pricing in transmitting power. Order 889, which had its effective date extended to January 3, 1997, requires public utilities to implement Standards of Conduct and an Open Access Same Time Information System

("OASIS," formerly known as "Real-Time Information Networks"). These rules require transmission personnel to provide the same information about the transmission system to all transmission customers using the OASIS.

OG&E is complying with these rules from the FERC. To implement the requirements of Order 888, as amended, OG&E has filed an Open Access Transmission Tariff ("OATT"), OG&E's original OATT, which was accepted for filing by FERC on June 11, 1997, had an effective date of July 9, 1996. OG&E filed an updated OATT on July 30, 1997 to comply with FERC's changes to Order 888. That filing remains pending before FERC. Among other things, the OATT includes network transmission service ("NTS") to transmission customers. NTS allows transmission service customers to fully integrate load and resources on an instantaneous basis, in a manner similar to how OG&E has historically integrated its load and resources. Under NTS, OG&E and participating customers share the total annual transmission cost, net of related transmission revenues, based upon each company's share of the total system load.

On December 27, 1996, OG&E submitted, in accordance with Order 889, "Standards of Conduct" governing interactions between its transmission-function employees and its wholesale merchant-function employees. On March 12, 1998, the FERC issued an order requiring OG&E and many other utilities to submit revised Standards of Conduct. In accordance with the FERC's directive, revised Standards will be submitted in April 1998. Generally speaking, the FERC has required only that OG&E provide a more detailed version of the Standards it has already submitted, or that the Standards reflect changes required by amendments to Order 889 that occurred after OG&E originally submitted its Standards. Management expects minimal annual expense increases, as a result of Orders 888 and 889.

Orders 888 and 889 are cornerstones of the FERC's efforts to encourage competition in the wholesale electric power market. As part of its own efforts to better its competitive position in the wholesale market, OG&E on November 3, 1997 sought from the FERC authority to sell capacity and energy at "market-based," negotiated rates. OG&E was granted market-based rate authority on December 18, 1997, subject to certain restrictions on interactions with its affiliates. For example, OG&E is prohibited from selling power to its affiliates under its market-based rate schedule without separate approval from the FERC. Such restrictions on affiliate interactions, which are intended to prevent affiliate abuse, are the norm for traditional utilities with market-based rate authority.

Enogex's newly formed subsidiary, OGE Energy Resources, Inc. ("OERI") is a power marketer that received market-based rate authority in 1997. OERI is an indirect wholly-owned subsidiary of OG&E's parent, OGE Energy Corp. and, as a result, is an affiliate of OG&E. Like OG&E, OERI is subject to certain restrictions on its dealings with OG&E, such as the prohibition on sales to OG&E without separate approval from the FERC. OERI is authorized to "broker" power purchases and sales for OG&E, again subject to certain restrictions. These restrictions, which are intended to prevent affiliate abuse are the norm for power marketers with traditional utility affiliates.

As discussed previously, Oklahoma enacted legislation that will restructure the electric utility industry in Oklahoma by July 2002, assuming that all the conditions in the legislation are met. This legislation would deregulate OG&E's electric generation assets and the continued use of Statement of Financial Accounting Standards ("SFAS") No. 71, "Accounting for the Effects of Certain Types of Regulation", with respect to the related regulatory assets may no longer be appropriate. This may result in either full recovery of generation-related regulatory assets (net of related regulatory liabilities) or a non-cash, pre-tax write-off as an extraordinary charge of up to \$32 million, depending on the transition mechanisms developed by the legislature for the recovery of all or a portion of these net regulatory assets.

The enacted Oklahoma legislation does not affect OG&E's electric transmission and distribution assets and the Company believes that the continued use of SFAS No. 71 with respect to the related regulatory assets is appropriate. However, if utility regulators in Oklahoma and Arkansas were to adopt regulatory methodologies in the future that are not based on cost-of-service, the continued use of SFAS No. 71 with respect to the regulatory assets related to the electric transmission and distribution assets may no longer be appropriate.

Based on a current evaluation of the various factors and conditions that are expected to impact future cost recovery, management believes that its regulatory assets, including those related to generation, are probable of future recovery.

The EAct, the actions of the FERC, the restructuring proposal in Oklahoma, the Arkansas proceedings and other factors are expected to significantly increase competition in the electric industry. The Company has taken steps in the past and intends to take appropriate steps in the future to remain a competitive supplier of electricity. Past actions include the redesign and restructuring effort in 1994, continuing actions to reduce fuel costs, improvements in customer service and efforts to improve OG&E's electric transmission and distribution network to reduce outages, all of which enhance OG&E's ability to deliver electricity competitively. While the Company is supportive of competition, it believes that all electric suppliers must be required to compete on a fair and equitable basis and the Company intends to advocate this position vigorously.

RATE STRUCTURE, LOAD GROWTH AND RELATED MATTERS

Two of OG&E's primary goals are: (i) to increase electric revenues by attracting and expanding job-producing businesses and industries; and (ii) to encourage the efficient electrical energy use by all of OG&E's customers. In order to meet these goals, OG&E has reduced and restructured its rates to its customers. At the same time, OG&E has implemented numerous energy efficiency programs and tariff schedules. In 1997, these programs and schedules included: (i) elimination of the Low Use Residential Service rate (because it did not effectively reach those customers it was intended to serve); (ii) an increased level of OG&E funding to the LIHEAP assistance program (the LIHEAP program helps low income residential customers meet their winter heating needs with lower electrical heating energy costs); (iii) the "Surprise Free Guarantee" program, which guarantees residential customers comfort and annual energy consumption for heating, cooling and water heating for new homes built to energy efficient standards; (iv) the elimination of the PEAKS program (a program that helped reduce the summer residential air conditioning peak) because continuation of this program was not cost effective as compared to other alternatives; (v) a load curtailment rate for industrial and commercial customers who can demonstrate a load curtailment of at least 500 kilowatts (the minimum load of the curtailment rate was raised in the February 11, 1997, OCC order); and (vi) the time-of-use rate schedules for various commercial, industrial and residential customers designed to shift energy usage from peak demand periods during the hot summer afternoon to non-peak hours.

OG&E implemented a Real Time Pricing ("RTP") pilot program, for industrial and commercial customers that can meet the requirements of the tariff. This tariff gives customers additional options on total kilowatt hour growth and the control of growth of peak demand. Real Time Pricing is a tariff option

which prices electricity so that current price varies hourly with short notice to reflect current expected costs. The RTP technique will allow a measure of competitive pricing, a broadening of customer choice, the balancing of electricity usage and capacity in the short and long term, and the helping of customers in control of their costs.

OG&E's 1997 marketing efforts included geothermal heat pumps, electrotechnologies, electric food service promotion and a heat pump promotion in the residential, commercial and industrial markets. OG&E works closely with individual customers to provide the best information on how current technologies can be combined with OG&E's marketing programs to maximize the customer's benefit.

Other recent efforts to improve OG&E's services included the implementation of a new customer service telephone system, capable of handling approximately ten times more calls simultaneously than the prior system and implementation of a Company-wide enterprise software system that, besides being Year 2000 compliant, enables OG&E and the Company's other subsidiaries to obtain extensive business information on nearly a real-time basis. Also, OG&E is in the process of implementing a new outage management system that should improve OG&E's ability to restore service, and a new mapping system that, when completed, will provide OG&E up-to-date information on its transmission and distribution assets.

Electric and magnetic fields ("EMFs") surround all electric tools and appliances, internal home wiring and external power lines such as those owned by OG&E. During the last several years considerable attention has focused on possible health effects from EMFs. While some studies indicate a possible weak correlation, other similar studies indicate no correlation between EMFs and health effects. The nation's electric utilities, including OG&E, have participated with the Electric Power Research Institute ("EPRI") in the sponsorship of more than \$75 million in research to determine the possible health effects of EMFs. In addition, the Edison Electric Institute ("EEI") is helping fund \$65 million for EMF studies over a five-year period, that began in 1994. One-half of this amount is expected to be funded by the federal government, and two-thirds of the non-federal funding is expected to be provided by the electric utility industry. Through its participation with the EPRI and EEI, OG&E will continue its support of the research with regard to the possible health effects of EMFs. OG&E is dedicated to delivering electric service in a safe, reliable, environmentally acceptable and economical manner.

FUEL SUPPLY

During 1997, approximately 81 percent of the OG&E-generated energy was produced by coal-fired units and 19 percent by natural gas-fired units. It is estimated that the fuel mix for 1998 through 2002, based upon expected generation for these years, will be as follows:

	1998	1999	2000	2001	2002
Coal.....	80%	80%	79%	79%	79%
Natural Gas.....	20%	20%	21%	21%	21%

The slight decline from 80 percent to 79 percent in the percentage of coal-fired generation relative to total generation is expected to result from increases in natural gas-fired generation, not from a reduction in Kwh of coal-fired generation.

The average cost of fuel used, by type, per million Btu for each of the 5 years was as follows:

	1997	1996	1995	1994	1993
Coal.....	\$0.84	\$0.83	\$0.83	\$0.78	\$1.16
Natural Gas.....	\$3.60	\$3.61	\$3.19	\$3.58	\$3.64
Weighted Avg.....	\$1.39	\$1.45	\$1.41	\$1.58	\$1.92

A portion of the fuel cost is included in base rates and differs for each jurisdiction. The portion of these costs that is not included in base rates is recovered through automatic fuel adjustment clauses. See "Electric Operations - Regulation and Rates - Automatic Fuel Adjustment Clauses."

COAL-FIRED UNITS: All OG&E coal units, with an aggregate capability of

2,530 megawatts, are designed to burn low sulfur western coal. OG&E purchases coal under a mix of long- and short-term contracts. During 1997, OG&E purchased 9.6 million tons of coal from the following Wyoming suppliers: Amax Coal West, Inc., Caballo Rojo, Inc., Kennecott Energy Company, Thunder Basin Coal Company and Powder River Coal Company. The combination of all coals has a weighted average sulfur content of 0.3 percent and can be burned in these units under existing federal, state and local environmental standards (maximum of 1.2 pounds of sulfur dioxide per million Btu) without the addition of sulfur dioxide removal systems. Based upon the average sulfur content, OG&E units have an approximate emission rate of 0.63 pounds of sulfur dioxide per million Btu. In anticipation of the more strict provisions of Phase II of The Clean Air Act starting in the year 2000, OG&E has contracts in place that will allow for a supply of very low sulfur coal from suppliers in the Powder River Basin to meet the new sulfur dioxide standards.

During 1997, rail congestion on the Union Pacific Railroad caused a coal shortage among many of the utilities in the Southwest Power Pool and the state of Texas. As a result, OG&E depleted its coal stockpiles and was forced to take some coal conservation measures in November and December. Since that time, rail service has improved. During 1997 and 1996, OG&E used larger unit trains with a maximum of 135 cars instead of a maximum of 112 cars in unit train service to the Muskogee generating station. Increasing the unit train size allows for an increase of delivered tons by approximately 21 percent. The combination of high volume, aluminum design and increased train size to the Muskogee generating station reduces the number of trips from Wyoming by approximately 29 percent. OG&E continued its efforts to maximize the utilization of its coal units by optimizing the boiler operations at both the Sooner and Muskogee generating plants, resulting in a record capacity factor of approximately 79 percent. See "Environmental Matters" for a discussion of an environmental proposal that, if implemented as proposed, could inhibit OG&E's ability to use coal as its primary boiler fuel.

GAS-FIRED UNITS: For calendar year 1998, OG&E expects to acquire less

than 2 percent of its gas needs from long-term gas purchase contracts. The remainder of OG&E's gas needs during 1998 will be supplied by contracts with at-market pricing or through day-to-day purchases on the spot market.

In 1993, OG&E began utilizing a natural gas storage facility which helps lower fuel costs by allowing OG&E to optimize economic dispatch between fuel types and take advantage of seasonal variations in natural gas prices. By diverting gas into storage during low demand periods, OG&E is able to use as much coal as possible to generate electricity and utilize the stored gas to meet the additional demand for electricity.

ENOGEX

The Company's wholly-owned non-utility subsidiary, Enogex Inc., is the 38th largest pipeline in the nation in terms of miles of pipeline. At January 1, 1998, Enogex Inc. had three wholly-owned subsidiaries, Enogex Products Corporation ("Products"), OGE Resources Inc., formerly known as Enogex Services Corporation ("Resources") and Enogex Exploration Corporation ("Exploration"). The operations of Enogex and its subsidiaries are organized into four business units focused in the areas of natural gas gathering and transportation ("Gas Transportation"), gas processing ("Gas Processing"), marketing of natural gas, liquids and electricity ("Marketing") and development and production of oil and natural gas ("Development and Production").

The operations of the Gas Transportation unit are conducted exclusively by Enogex Inc. The Gas Processing unit consists of Products, which owns interests in and operates natural gas processing plants and some gas gathering lines. The Gas Marketing unit consists of Resources, which through subsidiaries is engaged in the marketing of natural gas, natural gas liquids and electricity. The Development and Production unit consists of Exploration, which is engaged in investing in the development and production of oil and natural gas and the purchase of oil and gas reserves. Enogex Inc. disposed of its 80 percent interest in Centoma Gas Systems, Inc., effective April 1, 1997, for an amount approximate to its net book value through the sale of its stock to the minority interest owner.

For the year ended December 31, 1997, and before elimination of intercompany items between OG&E and Enogex, Enogex's consolidated revenues and net income were approximately \$322.0 million and \$16.2 million, respectively.

Recent Actions. As stated previously, Enogex is the exclusive

transporter of natural gas to OG&E's electric power generating stations. The OCC in its order on February 11, 1997 directed OG&E to transition to competitive bidding of its gas transportation no later than April 30, 2000. The order also set annual compensation for the transportation services provided by Enogex to OG&E at \$41.3 million until competitively-bid gas transportation begins. As a result of the foregoing, Enogex expects that revenues generated from its transportation services for OG&E (which in 1996 and 1997 represented 19 percent and 12.9 percent, respectively, of Enogex's consolidated revenues) will remain at \$41.3 million per year through 1999 and may decline after 1999 since Enogex may no longer be the exclusive provider of transportation services to OG&E after 1999.

As a result, the Company's plan has been and is for Enogex to diversify its revenue and income sources by increasing revenues from transmission services provided to third parties, by increasing the net income of Enogex subsidiaries' natural gas processing and development and production operations, and by actively evaluating potential acquisitions of complementary businesses or assets.

In May 1997, Products acquired an 80 percent interest in the NuStar Joint Venture from Nuevo Liquids Inc. for \$26 million, subject to certain post-closing adjustments. The joint venture assets include a 66.67 percent interest in the Benedum gas processing plant with an inlet capacity of 110 million cubic feet per day; a 100 percent interest in a second bypass plant with a capacity of 30 million cubic feet per day; 52 miles of natural gas liquid pipeline and over 200 miles of related gas gathering facilities located in Upton, Crockett, Reagan and neighboring counties in the Permian Basin in West Texas.

In January 1998, Enogex, through a newly-formed subsidiary, Enogex Arkansas Pipeline Corp. ("EAPC") agreed to acquire interests in two natural gas pipelines, NOARK Pipeline System, L.P. ("NOARK") and Ozark Pipeline ("Ozark"), for approximately \$30 million and \$55 million, respectively. The NOARK line is a 302 mile intra-state pipeline system that extends from near Fort Chaffee, Arkansas to near Paragould, Arkansas. Current throughput capacity on the NOARK line is approximately 130 million cubic feet per day. The Ozark line is a 437 mile interstate pipeline system that begins near McAlester, Oklahoma and terminates near Searcy, Arkansas. Current throughput capacity on the Ozark line is approximately 170 million cubic feet per day. The transactions are subject to certain regulatory approvals, including that of the FERC.

Following regulatory approvals, EAPC will contribute Ozark to the NOARK partnership and the two pipelines will be integrated into a single, interstate transmission system at an estimated additional cost of \$15 million and with an estimated throughput of 330 million cubic feet per day. After the integration, which is to be funded by EAPC, EAPC will own a 75 percent interest in the NOARK partnership and Southwestern Energy Pipeline Co. will retain its 25 percent interest in the partnership.

Gas Transportation. Enogex's primary business is natural gas

transportation and it consists primarily of gathering and transporting natural gas in Oklahoma for OG&E and on an interruptible basis, for other customers. Enogex's system consists of approximately 3,500 miles of pipeline, which extends from the Arkoma Basin in eastern Oklahoma to the Anadarko Basin in western Oklahoma. Since 1960, Enogex has had a gas transmission contract with OG&E under which Enogex transports OG&E's natural gas supply on a fee basis. Under the gas transmission contract, OG&E agrees to tender to Enogex and Enogex agrees to transport, on a firm, load-following basis, all of OG&E's natural gas requirements for boiler fuel for its seven gas-fired electric generating stations. In 1997, Enogex transported 151 Bcf of natural gas; of which approximately 40 Bcf, or about 26 percent, was delivered to OG&E's electric generating stations and storage facility, which resulted in approximately 63 percent of Enogex Inc.'s transportation revenues of \$66.5 million for 1997.

Enogex's pipeline system also gathers and transports natural gas destined for interstate markets through interconnections in Oklahoma with other pipeline companies. Among others, these interconnections include Panhandle Eastern Pipeline, Williams Natural Gas Pipeline, Natural Gas Pipeline Company of America, Northern Natural Gas Company, NorAm Gas Transmission Company and Ozark Gas Transmission Company.

The rates charged by Enogex for transporting natural gas on behalf of an interstate natural gas pipeline company or a local distribution company served by an interstate natural gas pipeline company are subject to the jurisdiction of FERC under Section 311 of the Natural Gas Policy Act. The statute entitles Enogex to charge a "fair and equitable" rate that is subject to review and approval by the FERC at least once every three years. This rate review may involve an administrative-type trial and an administrative appellate review. In addition, Enogex has agreed to open its system to all interstate shippers that are interested in moving natural gas through the Enogex system. Enogex is required to conduct this transportation on a non-discriminatory basis, although this transportation is subordinate to that performed for OG&E. This decision does not increase appreciably the federal regulatory burden on Enogex, but does give Enogex the opportunity to utilize any unused capacity on an interruptible basis and thus increase its transportation revenues.

The fees charged by Enogex for transporting natural gas for OG&E and other intrastate shippers are not subject to FERC regulation. With respect to state regulation, the fees charged by Enogex for any intrastate transportation service have not been subject to direct state regulation by the OCC. Even though

the intrastate pipeline business of Enogex is not directly regulated, the OCC, the APSC and the FERC have the authority to examine the appropriateness of any transportation charge or other fees paid by OG&E to Enogex, which OG&E seeks to recover from ratepayers. As stated above, OCC issued an order on February 11, 1997 directing OG&E to transition to competitive bidding of its gas transportation no later than April 30, 2000 and set an annual compensation for the transportation services provided by Enogex to OG&E at \$41.3 million until competitively-bid gas transportation begins.

Gas Processing. Products has been active since 1968 in the processing

of natural gas and marketing of natural gas liquids. The NuStar Joint Venture, in which Products recently acquired an 80 percent interest, has been engaged in the processing of natural gas since 1951. Products' and NuStar's natural gas processing plant operations consist of the extraction and sale of natural gas liquids. The products extracted from the gas stream include marketable ethane, propane, butane and natural gasoline mix. The residue gas remaining after the liquid products have been extracted consists primarily of ethane and methane. In addition to the 66.67 percent interest in the Benedum gas processing plant owned by NuStar Joint Venture, Products also owns the second largest natural gas processing plant in Oklahoma, which is located near Calumet, Oklahoma and has the capacity to process 250 million cubic feet of natural gas per day. Prior to 1997, Products shared ownership equally of the Calumet plant with a third party and, in 1997, Products purchased all of the third party's interest in the plant. Products also owns interests in three other natural gas processing plants in Oklahoma, which have, in the aggregate, the capacity to process approximately 46 million cubic feet of natural gas per day.

Most of the commercial grade propane processed at Products' Oklahoma facilities is sold on the local market. The other natural gas liquids, commonly referred to as Group 140 are delivered to Conway, Kansas (which is one of the nation's largest wholesale markets for gas liquids), where they are sold on the spot market. Ethane, which is produced at all of Products' plants except Calumet, is sold under a contract with Equistar Chemicals. This contract expired in February 1998, but is renewable on an annual basis. Natural gas liquids are marketed by Resources. Natural gas liquids from the NuStar Joint Venture are sold to the Rexene Chemicals plant in Midland, Texas pursuant to a contract expiring in February 1999.

In processing and marketing natural gas liquids, the Enogex companies compete against virtually all other gas processors selling natural gas liquids. The Enogex companies believe they will be able to continue to compete favorably against such companies. With respect to factors affecting the natural gas liquids industry generally, as the price of natural gas liquids fall without a corresponding decrease in the price of natural gas, it may become uneconomical to extract certain natural gas liquids. As to factors affecting the Enogex companies specifically, the volume of natural gas processed at their plants is dependent upon the volume of natural gas transported through the pipeline system located "behind the plants." If the volume of natural gas transported by such pipeline increases "behind the plants," then the volume of liquids extracted by Products should normally increase.

Marketing. Enogex's natural gas marketing is conducted through

Resources and its subsidiaries. Resources serves both producers and consumers of natural gas by buying natural gas at the wellhead or at gathering points both on and off the Enogex pipeline system and reselling to interstate pipelines, end-users or downstream purchasers both within and outside Oklahoma. Resources has placed primary emphasis on the purchase and sale of volumes of gas moving on the Enogex pipeline system in order to enhance utilization of pipeline capacity. During 1997, Resources sold approximately 223 billion BTUs of natural gas per day, of which about 81 percent moved on the Enogex pipeline system.

Resources purchases and sells gas under long-term contracts, as well as in the "spot" market. In response to changes currently taking place in the gas industry, Resources has been de-emphasizing its short-term markets, and an increasing proportion of its revenues are earned pursuant to long-term sales contracts. However, short-term or "spot" sales of natural gas will continue to play a critical role in overall strategy because they provide an important source of market intelligence, while serving a portfolio balancing function. Price risk on extended term gas purchase or sales contracts entered into by Resources is hedged on the NYMEX futures exchange as a matter of corporate policy. Commencing in 1995, Resources began serving Products by purchasing and marketing the natural gas liquids produced by Products. In addition, Resources also markets natural gas developed by Exploration when volumes are sufficiently concentrated to justify Resources marketing these volumes directly instead of through the property operator. Other services to be provided include energy forward price evaluations, centralized corporate risk management, and gas and electric marketing to large end-users.

Enogex Inc. is committed to continue the activities of Resources in order to increase the amount of natural gas transported through the pipeline and the amount of natural gas processed by Products.

In its marketing and transportation services for third parties, Enogex Inc. and Resources encounter competition from other natural gas transporters and marketers and from other available alternative energy sources. The effect of competition from alternative energy sources is dependent upon the availability and cost of competing supply sources. Resources competes with all major suppliers of natural gas and natural gas liquids in the geographic markets they serve. For natural gas, those geographic markets are primarily the areas served by pipelines with which Enogex is interconnected. Although the price of the gas is an important factor to a buyer of natural gas from Resources, the primary factor is the total cost (including transportation fees) that the buyer must pay. Natural gas transported for Resources by Enogex Inc. is billed at the same rate Enogex Inc. charges for comparable third-party transportation.

The activities of Resources and its subsidiaries were recently expanded in early 1998 to include the marketing of electricity. As stated previously, OERI (a subsidiary of Resources) is a power marketer that received market-based rate authority in 1997 from the FERC. See "Electric Operations - Regulation and Rates".

Development and Production. Exploration was formed in 1988 primarily to

engage in the development and production of oil and natural gas. Exploration has focused its drilling activity in the Antrim Devonian shale trend in the state of Michigan and also has interests in Oklahoma, Utah, Texas, Indiana, Mississippi and Louisiana. As of December 31, 1997, Exploration had interest in 510 active wells. Exploration's estimated proved reserves were 89,408 Mmcfe. The standardized measure of discounted future net cash flow with related Section 29 tax credits of Exploration's proved reserves was \$60.1 million at December 31, 1997.

ORIGEN

The Company's newest wholly-owned non-regulated subsidiary, Origen is currently involved in the development of energy related products and services. At December 31, 1997, Origen's primary business unit was Geothermal Design and Engineering, Inc. ("GD&E"). GD&E is engaged in the design and engineering of geothermal heating and cooling systems.

GD&E was incorporated in April 1997 and immediately began developing the geothermal market for HVAC/R. GD&E is a licensed consulting engineering firm that specializes in design and project management of comprehensive geothermal HVAC/R systems, loop field design and building controls automation. GD&E is licensed in four states and has submitted applications to nine others. GD&E is a nationally recognized geothermal design and engineering company with thousands of tons of geothermal systems installed. Systems designed by GD&E carry a system's performance guarantee. The performance guarantee states that GD&E will warrant the system to perform within 5 percent of the design criteria in terms of comfort, operating efficiencies (energy and demand) and maintenance reliability. No other design-build company or engineering firm will offer this guarantee to an owner. Developing the market has been the main goal for GD&E during the first year. GD&E is working closely with several government agencies and national associations such as the Dept. of Energy, Oklahoma State University, International Ground Source Heat Pump Association, EPRI, Geothermal Heat Pump Consortium and several others to promote the development of this market. GD&E is also combining efforts with several utilities from across the country to establish the geothermal market. GD&E was named a Certified Energy Savings Performance Contractor for all civilian federal facilities. This award came from the Department of Energy and was only given to a select few outstanding candidates. The award enables GD&E to contract directly with federal facilities for new or retrofitted HVAC/R systems.

Origen did not contribute to earnings in 1997, however, the first year results were better than anticipated. The Company anticipates that Origen will contribute to earnings in 1998.

FINANCE AND CONSTRUCTION

The Company generally meets its cash needs through internally generated funds, short-term borrowings and permanent financing. Cash flows from operations remained strong in 1997 and 1996, which enabled the Company to internally generate the required funds to satisfy construction expenditures during these years.

Management expects that internally generated funds will be adequate over the next three years to meet the Company's anticipated construction expenditures. The primary capital requirements for 1998 through 2000 are estimated as follows:

(dollars in millions)	1998	1999	2000

Electric utility construction expenditures including AFUDC.....	\$108.0	\$100.0	\$100.0
Non-utility construction expenditures and pending acquisitions.....	192.0	10.0	10.0
Maturities of long-term debt and sinking fund requirement.....	25.0	12.5	167.0

Total.....	\$325.0	\$122.5	\$277.0
=====			

The three-year estimate includes expenditures for construction of new facilities to meet anticipated demand for service, to replace or expand existing facilities in both its electric and non-utility businesses to fund pending acquisitions (including any related capital expenditures), and to some extent, for satisfying maturing debt and sinking fund obligations. Approximately \$.9 million of the Company's construction expenditures budgeted for 1998 are to comply with environmental laws and regulations. OG&E's construction program was developed to support an anticipated peak demand growth of one to two percent annually and to maintain minimum capacity reserve margins as stipulated by the Southwest Power Pool. See "Electric Operations - Rate Structure, Load Growth and Related Matters."

OG&E intends to meet its customers' increased electricity needs during the foreseeable future primarily by maintaining the reliability and increasing the utilization of existing capacity. OG&E's current resource strategy includes the reactivation of existing plants and the addition of peaking resources. OG&E does not anticipate the need for another base-load plant in the foreseeable future.

The ability of the Company and its subsidiaries to sell additional securities on satisfactory terms to meet its capital needs is dependent upon numerous factors, including general market conditions for utility securities, which will impact OG&E's ability to meet earnings tests for the issuance of additional first mortgage bonds and preferred stock. Based on earnings for the twelve months ended December 31, 1997, and assuming an annual interest rate of 7.6 percent, OG&E could issue more than \$1.0 billion in principal amount of additional first mortgage bonds under the earnings test contained in OG&E's Trust Indenture (assuming adequate property additions were available). Under the earnings test contained in OG&E's Restated Certificate of Incorporation and assuming none of the foregoing first mortgage bonds are issued, more than \$.9 billion of additional preferred stock at an assumed annual dividend rate of 6.8 percent could be issued as of December 31, 1997. As explained below, OG&E's Trust Indenture is expected to be discharged and no longer in effect in April 1998.

The Company will continue to use short-term borrowings to meet temporary cash requirements. OG&E has the necessary regulatory approvals to incur up to \$400 million in short-term borrowings at any one time. The maximum amount of outstanding short-term borrowings during 1997 was \$129.3 million.

In October 1995, OG&E changed its primary method of long-term debt financing from issuing first mortgage bonds under its First Mortgage Bond Trust Indenture to issuing Senior Notes under a new Indenture (the "Senior Note Indenture"). Each series of Senior Notes issued under the Senior Note Indenture was secured in essence by a series of first mortgage bonds (the "Back-up First Mortgage Bonds"), subject to the condition that, upon retirement or redemption of all first mortgage bonds issued prior to October 1995 (the "Prior First Mortgage Bonds"), each series of Back-up First Mortgage Bonds would automatically be canceled. In April 1998, all of the Prior First Mortgage Bonds will have been redeemed or retired with the result that no first mortgage bonds will remain outstanding. At that time, OG&E will cancel its First Mortgage Bond Trust Indenture and cause the related first mortgage lien currently on substantially all of its properties to be discharged and released. OG&E expects to have more flexibility in future financings under its Senior Note Indenture than existed under the First Mortgage Bond Trust Indenture.

In accordance with the requirements of the PURPA (see "Electric Operations - Regulation and Rates - National Energy Legislation"), OG&E is obligated to purchase 110 megawatts of capacity annually from Smith Cogeneration, Inc. and 320 megawatts annually from Applied Energy Services, Inc., another qualified cogeneration facility. In 1986, a contract was signed with Sparks Regional Medical Center to purchase energy not needed by the hospital from its nominal seven megawatt cogeneration

facility. In 1987, OG&E signed a contract to purchase up to 110 megawatts of capacity from MCPC. This obligation to purchase capacity began in 1998, but OG&E has no obligation to purchase energy. The Company is seeking to obtain ownership of this cogeneration facility and, as part of the transaction, to amend the existing power purchase agreement. See "Regulation and Rates".

The Company's financial results continue to depend to a large extent upon the tariffs OG&E charges customers and the actions of the regulatory bodies that set those tariffs, the amount of energy used by OG&E's customers, the cost and availability of external financing and the cost of conforming to government regulations.

ENVIRONMENTAL MATTERS

The Company's management believes all of its operations are in substantial compliance with present federal, state and local environmental standards. It is estimated that the Company's total expenditures for capital, operating, maintenance and other costs to preserve and enhance environmental quality will be approximately \$43.0 million during 1998, compared to approximately \$49.1 million utilized in 1997. Approximately \$.9 million of the Company's construction expenditures budgeted for 1998 are to comply with environmental laws and regulations. The Company continues to evaluate its environmental management systems to ensure compliance with existing and proposed environmental legislation and regulations and to better position itself in a competitive market.

As required by Title IV of the Clean Air Act Amendments of 1990 ("CAAA"), OG&E has completed installation and certification of all required continuous emissions monitors ("CEMS") at its generating stations. OG&E submits emissions data quarterly to the Environmental Protection Agency ("EPA") as required by the CAAA. Phase II sulfur dioxide ("SO₂") emission requirements will affect OG&E beginning in the year 2000. Based on current information, OG&E believes it can meet the SO₂ limits without additional capital expenditures. In 1997 OG&E emitted 61,475 tons of SO₂.

With respect to the nitrogen oxide ("NO_x") regulations of Title IV of the CAAA, OG&E committed to meeting a 0.45 lbs/mm Btu NO_x emission level in 1997. As a result, OG&E was eligible to exercise its option to extend the effective date of the lower emission requirements from the year 2000 until 2008. OG&E's average NO_x emissions for 1997 was 0.38 lbs/mm Btu.

OG&E has submitted all of its required Title V permit applications. As a result of the Title V Program, OG&E paid approximately \$.3 million in fees in 1997.

Other potential air regulations have emerged that could impact OG&E. The Ozone Transport Assessment Group ("OTAG") studied long range transport of ozone and its precursors across a thirty-seven state area. The study was completed in 1997 but as a result of the efforts of OG&E and others, Oklahoma was exempted from any OTAG emission reduction requirements. If reductions had been required in Oklahoma, OG&E could have been forced to reduce its NO_x emissions even further from the limits imposed by Title IV of the Act.

EPA has finalized revisions to the ambient ozone and particulate standards. Based on historic data and EPA projections, Tulsa and Oklahoma counties would fail to meet the proposed standard for ozone. In addition, Muskogee, Kay, Tulsa and Comanche counties in Oklahoma would fail to meet the

standard for particulate matter. If reductions are required in Muskogee, Kay and Oklahoma counties, significant capital expenditures could be required by OG&E.

In December 1997, the United States agreed to a global treaty for the reduction of greenhouse gases that contribute to global warming. The U.S. committed to a 7 percent reduction from the 1990 levels. If the Senate ratifies the treaty, this reduction could have a significant impact on OG&E's use of coal as a boiler fuel. Based on current load and fuel budget projections, a 7 percent reduction of greenhouse gases would require OG&E to substantially increase gas burning in the year 2008 and to significantly reduce its use of coal as a boiler fuel. Since there are numerous issues which will affect how this reduction would be implemented, if at all, the cost to the Company to comply with this reduction cannot be established at this time, but is expected to be substantial.

The Company has and will continue to seek new pollution prevention opportunities and to evaluate the effectiveness of its waste reduction, reuse and recycling efforts. In 1997, the Company obtained refunds of approximately \$.5 million from its recycling efforts. This figure does not include the additional savings gained through the reduction and/or avoidance of disposal costs and the reduction in material purchases due to reuse of existing materials. Similar savings are anticipated in future years.

OG&E has made application for renewal of all of its National Pollutant Discharge Elimination system permits. OG&E has received two of the permits in final form and the others are pending regulatory action. It is anticipated, because of regulation changes, that all of the permits when finally issued will offer greater operational flexibility than those in the past.

OG&E has requested from the State agency responsible for the development of Water Quality Standards removal of the agriculture beneficial use classification from one of its cooling water reservoirs. Without removal of this classification, the facility could be subjected to standards that will require costly treatment and/or facility reconfiguration. It is anticipated that the request for the removal of this classification will be successful.

OG&E remains a party to two separate actions brought by the EPA concerning cleanup of disposal sites for hazardous and toxic waste. See "Item 3. Legal Proceedings".

The Company has and will continue to evaluate the impact of its operations on the environment. As a result, contamination on Company property will be discovered from time to time. One site identified as having been contaminated by historical operations was addressed during 1997. Remedial options based on the future use of this site are being pursued with appropriate regulatory agencies. The cost of these actions has not had and is not anticipated to have a material adverse impact on the Company's financial position or results of operations.

EMPLOYEES

The Company and its subsidiaries had 2,809 employees at December 31, 1997.

ITEM 2. PROPERTIES.

OG&E owns and operates an interconnected electric production, transmission and distribution system, located in Oklahoma and western Arkansas, which includes eight active generating stations with an aggregate active capability of 5,647 megawatts. The following table sets forth information with respect to present electric generating facilities, all of which are located in Oklahoma:

Station & Unit	Fuel	Year Installed	Unit Capability (Megawatts)	Station Capability (Megawatts)	
Seminole	1	Gas	1971	549	
	2	Gas	1973	507	
	3	Gas	1975	500	1,556
Muskogee	3	Gas	1956	184	
	4	Coal	1977	500	
	5	Coal	1978	500	
	6	Coal	1984	515	1,699
Sooner	1	Coal	1979	505	
	2	Coal	1980	510	1,015
Horseshoe Lake	6	Gas	1958	178	
	7	Gas	1963	238	
	8	Gas	1969	404	820
Mustang	1	Gas	1950	58	Inactive
	2	Gas	1951	57	Inactive
	3	Gas	1955	122	
	4	Gas	1959	260	
	5	Gas	1971	64	446
Conoco	1	Gas	1991	26	
	2	Gas	1991	26	52
Arbuckle	1	Gas	1953	74	Inactive
Enid	1	Gas	1965	12	
	2	Gas	1965	12	
	3	Gas	1965	12	
	4	Gas	1965	12	48
Woodward	1	Gas	1963	11	11
Total Active Generating Capability (all stations)					5,647

At December 31, 1997, OG&E's transmission system included: (i) 65 substations with a total capacity of approximately 15.5 million kVA and approximately 4,003 structure miles of lines in Oklahoma; and (ii) six substations with a total capacity of approximately 1.9 million kVA and approximately 241 structure miles of lines in Arkansas. OG&E's distribution system included: (i) 301 substations with a total capacity of approximately 4.1 million kVA, 19,896 structure miles of overhead lines, 1,585 miles of underground conduit and 6,502 miles of underground conductors in Oklahoma; and (ii) 30 substations with a total capacity of approximately 617,500 kVA, 1,642 structure miles of overhead lines, 154 miles of underground conduit and 353 miles of underground conductors in Arkansas.

Substantially all of OG&E's electric facilities are subject to a direct first mortgage lien under the Trust Indenture securing OG&E's first mortgage bonds. The Trust Indenture and related lien are expected to be discharged in April 1998.

Enogex owns: (i) approximately 3,500 miles of natural gas pipeline extending from the Arkoma Basin in eastern Oklahoma to the Anadarko Basin in western Oklahoma; (ii) a natural gas processing plant near Calumet, Oklahoma, which has the capacity to process 250 Mmcf of natural gas per day; (iii) three other natural gas processing plants in Oklahoma, which have, in the aggregate, the capacity to process approximately 46 Mmcf of natural gas per day; and (iv) an 80 percent interest in the NuStar Joint Venture, whose assets include a 66.67 percent interest in the Benedum gas processing plant with an inlet capacity of 110 million cubic feet per day; a 100 percent interest in a second bypass plant with a capacity of 30 million cubic feet per day; 52 miles of natural gas liquid pipeline and over 200 miles of related gas gathering facilities located in Upton, Crockett, Reagan and neighboring counties in the Permian Basin in West Texas.

During the three years ended December 31, 1997, the Company's gross property, plant and equipment additions approximated \$463 million and gross retirements approximated \$118 million. These additions were provided by internally generated funds. The additions during this three-year period amounted to approximately 11.1 percent of total property, plant and equipment at December 31, 1997.

ITEM 3. LEGAL PROCEEDINGS.

1. On July 8, 1994, an employee of OG&E filed a lawsuit in state court against OG&E in connection with OG&E's VERP. The case was removed to the U.S. District Court in Tulsa, Oklahoma. On August 23, 1994, the trial court granted OG&E's Motion to Dismiss Plaintiff's Complaint in its entirety.

On September 12, 1994, Plaintiff, along with two other Plaintiffs, filed an Amended Complaint alleging substantially the same allegations which were in the original complaint. The action was filed as a class action, but no motion to certify a class was ever filed. Plaintiffs want credit, for retirement purposes, for years they worked prior to a pre-ERISA (1974) break in service. They allege violations of ERISA, the Veterans Reemployment Act, Title VII, and the Age Discrimination in Employment Act. State law claims, including one for intentional infliction of emotional distress, are also alleged.

On October 10, 1994, Defendants filed a Motion to Dismiss Counts II, IV, V, VI and VII of Plaintiffs' Amended Complaint. With regard to Counts I and III, Defendants filed a Motion for Summary Judgment on January 18, 1996. On September 8, 1997, the United States Magistrate Judge recommended the Defendant's motion to dismiss or for summary judgment should be granted and that the case be dismissed in its entirety and judgment entered for OG&E. The United States District Judge accepted the

recommendation of the Magistrate and granted the motion to dismiss or summary judgment. Plaintiffs have filed an appeal which is pending with the Tenth Circuit Court of Appeals.

While the Company cannot predict the precise outcome of the proceeding, the Company continues to believe that the lawsuit is without merit and will not have a material adverse effect on its consolidated results of operations or financial condition.

2. OG&E is also involved, along with numerous other Potentially Responsible Party's ("PRP"), in an EPA administrative action involving the facility in Holden, Missouri, of Martha C. Rose Chemicals, Inc. ("Rose"). Beginning in early 1983 through 1986, Rose was engaged in the business of brokering of polychlorinated biphenyls ("PCBs") and PCB items, processing of PCB capacitors and transformers for disposal, and decontamination of mineral oil dielectric fluids containing PCBs. During this time period, various generators of PCBs ("Generators"), including OG&E, shipped materials containing PCBs to the facility. Contrary to its contractual obligation with OG&E and other Generators, it appears that Rose failed to manage, handle and dispose of the PCBs and the PCB items in accordance with the applicable law. Rose has been issued citations by both the EPA and the Occupational Safety and Health Administration. Several Generators, including OG&E, formed a Steering Committee to investigate and clean up the Rose facility.

The Company's share of the total hazardous wastes at the Rose facility was less than six percent. The remediation of this site was completed in 1995 by the Steering Committee and is currently in the final stages of closure with the EPA, which includes operation and maintenance activities as required in the Administrative Order on Consent with the EPA. Due to additional funds resulting from payments by third party companies who were not a part of the Steering Committee, and also reduced remedy implementation costs, the Company received a refund in December 1995 under the allocation formula. OG&E has reached a settlement agreement with its insurance carrier, AEGIS Insurance Company, with respect to costs incurred at this site. The Company considers this insurance matter to be closed.

Management believes that OG&E's ultimate liability for any additional cleanup costs of this site will not have a material adverse effect on OG&E's financial position or its results of operations. Management's opinion is based on the following: (i) the present status of the site; (ii) the cleanup costs already paid by certain parties; (iii) the financial viability of the other PRPs; (iv) the portion of the total waste disposed at this site attributable to OG&E; and (v) the Company's settlement agreement with its insurer. Management also believes that costs incurred in connection with this site, which are not recovered from insurance carriers or other parties, may be allowable costs for future ratemaking purposes.

3. On January 11, 1993, OG&E received a Section 107 (a) Notice Letter from the EPA, Region VI, as authorized by the CERCLA, 42 USC Section 9607 (a), concerning the Double Eagle Refinery Superfund Site located at 1900 NE First Street in Oklahoma City, Oklahoma. The EPA has named OG&E and 45 others as PRPs. Each PRP could be held jointly and severally liable for remediation of this site.

On February 15, 1996, OG&E elected to participate in the de minimis settlement of EPA's Administrative Order on Consent. This would limit OG&E's financial obligation and also would eliminate its involvement in the design and implementation of the site remedy. A third party is currently contesting OG&E's participation as a de minimis party. Regardless of the outcome of this issue, OG&E

believes that its ultimate liability for this site will not be material primarily due to the limited volume of waste sent by OG&E to the site.

4. As previously reported, on September 18, 1996, Trigen-Oklahoma City Energy Corporation ("Trigen") sued OG&E in the United States District Court, Western District of Oklahoma, Case No. CIV-96-1595-M. Trigen alleged six causes of action: (i) monopolization in violation of Section 2 of the Sherman Act; (ii) attempt to monopolize in violation of Section 2 of the Sherman Act; (iii) acts in restraint of trade in violation of Oklahoma law, 79 O.S. 1991, ss. 1; (iv) discriminatory sales in violation of 79 O.S. 1991, ss. 4; (v) tortious interference with contract; and (vi) tortious interference with a prospective economic advantage. Trigen seeks actual damages of at least \$7 million, trebled, together with its costs, pre- and post-judgment interest and attorney fees, in connection with each of the first four counts. It seeks actual damages of at least \$7 million, plus punitive damages together with its costs, pre- and post-judgment interest and attorney fees, in connection with each of the remaining counts. Trigen also seeks permanent injunctive relief against the alleged Sherman Act violations and against OG&E's alleged practice of offering cooling services to customers in Oklahoma City in the form of RTP-priced electricity "bundled" together with financing, construction, and/or other consulting services at guaranteed rates.

OG&E filed an answer and counterclaim on November 7, 1996 asserting that Trigen made false claims, misrepresented facts, published false statements and other defamatory conduct which damaged OG&E, and asserting violation of the Oklahoma Deceptive Trade Practices Act. OG&E seeks punitive and actual damages. While OG&E cannot predict the outcome of this proceeding, OG&E believes that it will not have a material adverse effect on OG&E's consolidated financial position or results of operations.

5. As previously reported, the State of Oklahoma, ex rel., Teresa Harvey (Carroll); Margaret B. Fent and Jerry R. Fent v. Oklahoma Gas and Electric Company, et al., District Court, Oklahoma County, Case No. CJ-97-1242-63. On February 24, 1997, the taxpayers instituted litigation against OG&E and Co-Defendants Oklahoma Corporation Commission, Oklahoma Tax Commission and individual commissioners seeking judgment in the amount of \$970,184.14 and treble penalties of \$2,910,552.42, plus interest and costs, for overcharges refunded by OG&E to its ratepayers in compliance with an Order of the OCC which Plaintiffs allege was illegal. Plaintiffs allege the refunds should have been paid into the state Unclaimed Property Fund. In June 1997, OG&E's Motion for Summary Judgment was granted. Plaintiffs have appealed. Management believes that the lawsuit is without merit and will not have a material adverse effect on the Company's consolidated financial position or its results of operations.

6. As reported, the City of Enid, Oklahoma ("Enid") through its City Council, notified OG&E of its intent to purchase OG&E's electric distribution facilities for Enid and to terminate OG&E's franchise to provide electricity within Enid as of June 26, 1998. On August 22, 1997, the City Council of Enid adopted Ordinance No. 97-30, which in essence granted OG&E a new 25-year franchise subject to approval of the electorate of Enid on November 18, 1997. In October 1997, eighteen residents of Enid filed a lawsuit against Enid, OG&E and others in the District Court of Garfield County, State of Oklahoma, Case No. CJ-97-829-01. Plaintiffs seek a declaration holding that (a) the Mayor of Enid and the City Council breached their fiduciary duty to the public and violated Article 10, Section 17 of the Oklahoma Constitution by allegedly "gifting" to OG&E the option to acquire OG&E's electric system when the City Council approved the new franchise by Ordinance No. 97-30; (b) the subsequent approval of the new franchise by the electorate of the City of Enid at the November 18, 1997, franchise election cannot cure the alleged breach of fiduciary duty or the alleged constitutional violation; (c) violations of the Oklahoma Open Meetings Act occurred and that such violations render the resolution approving Ordinance No. 97-30 invalid; (d) OG&E's support of the Enid Citizens' Against the Government Takeover was improper; (e) OG&E has violated the favored nations clause of the existing franchise; and (f) the City of Enid and OG&E have violated the

competitive bidding requirements found at 11 O.S.35-201, ET SEQ. Plaintiffs seek money damages against the Defendants under 62 O.S. 372 and 373. Plaintiffs allege that the action of the City Council in approving the proposed franchise allowed the option to purchase OG&E's property to be transferred to OG&E for inadequate consideration. Plaintiffs demand judgment for treble the value of the property allegedly wrongfully transferred to OG&E. On October 28, 1997, another resident filed a similar lawsuit against OG&E, Enid and the Garfield County Election Board in the District Court of Garfield County, State of Oklahoma, Case No. CJ-97-852-01. However, Case No. CJ-97-852-01 was dismissed without prejudice in December 1997. On December 8, 1997, OG&E filed a Motion to Dismiss Case No. CJ-97-829-01 for failure to state claims upon which relief may be granted. This motion is currently pending. While the Company cannot predict the precise outcome of this proceeding, the Company believes at the present time that this lawsuit is without merit and intends to vigorously defend this case.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

None

EXECUTIVE OFFICERS OF THE REGISTRANT.

The following persons were Executive Officers of the Registrant as of March 15, 1998:

Name	Age	Title
-----	---	-----
Steven E. Moore	51	Chairman of the Board, President and Chief Executive Officer
Al M. Strecker	54	Senior Vice President
Michael G. Davis	48	Vice President
James R. Hatfield	40	Vice President and Treasurer
Irma B. Elliott	59	Vice President and Corporate Secretary
Melvin D. Bowen, Jr.	56	Vice President - Power Delivery - OG&E
Jack T. Coffman	54	Vice President - Power Supply - OG&E
Donald R. Rowlett	40	Controller Corporate Accounting - OG&E
Don L. Young	57	Controller Corporate Audits - OG&E

No family relationship exists between any of the Executive Officers of the Registrant. Each Officer is to hold office until the Board of Directors meeting following the next Annual Meeting of Shareowners, currently scheduled for May 21, 1998.

Messrs. Moore, Strecker, Davis, Hatfield and Ms. Elliott were named to the position shown above following the corporate reorganization effective December 31, 1996, pursuant to which the Registrant became the holding company parent of OG&E. Such persons are also officers of OG&E.

The business experience of each of the Executive Officers of the Registrant for the past five years is as follows:

Name	Business Experience	
-----	-----	
Steven E. Moore	1996-Present:	Chairman of the Board, President and Chief Executive Officer
	1996-Present:	Chairman of the Board, President and Chief Executive Officer - OG&E
	1995-1996:	President and Chief Operating Officer - OG&E
	1992-1995:	Vice President - Law and Public Affairs - OG&E
Al M. Strecker	1996-Present:	Senior Vice President
	1994-Present:	Senior Vice President - Finance and Administration - OG&E
	1992-1994:	Vice President and Treasurer - OG&E
Michael G. Davis	1996-Present:	Vice President
	1994-Present:	Vice President - Marketing and Customer Services - OG&E
	1992-1994:	Director - Marketing Division - OG&E
	1992:	Manager - Industrial Services - OG&E

Name

Business Experience

Name	Business Experience	
James R. Hatfield	1997-Present:	Vice President and Treasurer
	1997-Present:	Vice President and Treasurer - OG&E
	1994-1997:	Treasurer - OG&E
	1994:	Vice President - Investor Relations & Corporate Secretary - Aquila Gas Pipeline Corporation (an intrastate gas pipeline subsidiary of UtiliCorp United Inc.)
	1992-1993:	Assistant Treasurer - UtiliCorp United Inc. (an electric and natural gas utility company)
Irma B. Elliott	1996-Present:	Vice President and Corporate Secretary
	1996-Present:	Vice President and Corporate Secretary - OG&E
	1992-1996:	Corporate Secretary - OG&E
Melvin D. Bowen, Jr.	1994-Present:	Vice President - Power Delivery - OG&E
	1992-1994:	Metro Region Superintendent - OG&E
Jack T. Coffman	1994-Present:	Vice President - Power Supply - OG&E
	1992-1994:	Manager - Generation Services - OG&E

Name

Business Experience

Name	Business Experience
Donald R. Rowlett	1996-Present: Controller Corporate Accounting - OG&E 1994-1996: Assistant Controller - OG&E 1992-1994: Senior Specialist - Tax Accounting - OG&E 1992: Specialist - Tax Accounting - OG&E
Don L. Young	1996-Present: Controller Corporate Audits - OG&E 1992-1996: Controller - OG&E

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED

STOCKHOLDER MATTERS.

The Company's Common Stock is listed for trading on the New York and Pacific Stock Exchanges under the ticker symbol "OGE." Quotes may be obtained in daily newspapers where the common stock is listed as "OGE Engy" in the New York Stock Exchange listing table. The following table gives information with respect to price ranges, as reported in THE WALL STREET JOURNAL as New York Stock

Exchange Composite Transactions, and dividends paid for the periods shown.

	1997			1996		
	DIVIDEND PAID	HIGH	LOW	Dividend Paid	High	Low
First Quarter	\$0.66 1/2	\$43	\$40 1/2	\$0.66 1/2	\$43 5/8	\$38 7/8
Second Quarter	0.66 1/2	45 7/8	40 5/8	0.66 1/2	40 1/8	36 7/8
Third Quarter	0.66 1/2	47 1/4	44	0.66 1/2	41 7/8	38 1/8
Fourth Quarter	0.66 1/2	54 3/4	46 5/16	0.66 1/2	41 7/8	38 1/8

The number of record holders of Common Stock at December 31, 1997, was 41,893. The book value of the Company's Common Stock at December 31, 1997, was \$24.39.

ITEM 6. SELECTED FINANCIAL DATA.

HISTORICAL DATA

	1997	1996	1995	1994	1993
SELECTED FINANCIAL DATA					
(DOLLARS IN THOUSANDS EXCEPT FOR PER SHARE DATA)					
Operating revenues.....	\$1,472,307	\$1,387,435	\$1,302,037	\$1,355,168	\$1,447,252
Operating expenses.....	1,278,309	1,186,216	1,099,890	1,154,702	1,252,009
Operating income.....	193,998	201,219	202,147	200,466	195,153
Other income and deductions.....	5,047	97	800	(2,167)	(1,301)
Interest charges.....	66,495	67,984	77,691	74,514	79,575
Net income.....	132,550	133,332	125,256	123,785	114,277
Preferred dividend requirements.....	2,285	2,302	2,316	2,317	2,317
Earnings available for common.....	\$ 130,265	\$ 131,030	\$ 122,940	\$ 121,468	\$ 111,960
Long-term debt.....	\$ 841,924	\$ 829,281	\$ 843,862	\$ 730,567	\$ 838,660
Total assets.....	\$2,765,865	\$2,762,355	\$2,754,871	\$2,782,629	\$2,731,424
Earnings per average common share.....	\$ 3.23	\$ 3.25	\$ 3.05	\$ 3.01	\$ 2.78
CAPITALIZATION RATIOS					
Common equity.....	52.50%	52.26%	51.19%	54.13%	50.51%
Cumulative preferred stock.....	2.63%	2.68%	2.73%	2.94%	2.78%
Long-term debt.....	44.87%	45.06%	46.08%	42.93%	46.71%
INTEREST COVERAGES					
Before federal income taxes (including AFUDC).....	4.11X	4.07X	3.48X	3.59X	3.32X
(excluding AFUDC).....	4.10X	4.06X	3.46X	3.58X	3.32X
After federal income taxes (including AFUDC).....	2.98X	2.94X	2.59X	2.64X	2.43X
(excluding AFUDC).....	2.97X	2.93X	2.57X	2.62X	2.42X

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION

AND RESULTS OF OPERATIONS.

MANAGEMENT'S DISCUSSION AND ANALYSIS.

OVERVIEW

(THOUSANDS EXCEPT PER SHARE AMOUNTS)	1997	1996	1995	Percent Change From Prior Year	
				1997	1996
Operating revenues.....	\$1,472,307	\$1,387,435	\$1,302,037	6.1	6.6
Earnings available for common stock.....	\$ 130,265	\$ 131,030	\$ 122,940	(0.6)	6.6
Average shares outstanding.....	40,373	40,367	40,356	---	---
Earnings per average common share.....	\$ 3.23	\$ 3.25	\$ 3.05	(0.6)	6.6
Dividends paid per share.....	\$ 2.66	\$ 2.66	\$ 2.66	---	---

The following discussion and analysis presents factors which had a material effect on the operations and financial position of OGE Energy Corp. (the "Company") and its subsidiaries: Oklahoma Gas and Electric Company ("OG&E"), Enogex Inc. and its subsidiaries ("Enogex") and Origen Inc. and its subsidiaries ("Origen") during the last three years and should be read in conjunction with the Consolidated Financial Statements and Notes thereto. Trends and contingencies of a material nature are discussed to the extent known and considered relevant.

The Company became the parent company of OG&E and OG&E's former subsidiary, Enogex, on December 31, 1996, in a corporate reorganization whereby all common stock of OG&E was exchanged on a share-for-share basis for common stock of the Company. Prior to December 31, 1996, the Company had no operations and the financial results discussed herein for 1995 and 1996 essentially represent the consolidated statements of OG&E; and comparisons to prior year results represent comparisons to the consolidated results of OG&E. Under this corporate structure, the Company serves as the parent holding company to OG&E, Enogex, Origen and any other companies that may be formed within the organization in the future. This holding company structure is intended to provide greater flexibility, allowing the Company to take advantage of opportunities in an increasingly competitive business environment and to clearly separate the Company's electric utility business from its non-utility businesses. Because OG&E is the Company's principal subsidiary, the Company's financial results and condition are substantially dependent at this time on the financial results and condition of OG&E.

Earnings for 1997 decreased 0.6 percent from \$3.25 per share in 1996 to \$3.23 per share in 1997. The decrease is primarily the result of the \$45 million annual reduction in OG&E's electric rates that became effective in March 1997, slightly lower earnings by Enogex and a loss by Origen, the Company's new non-regulated subsidiary, during its first year of operation. The decrease in earnings was partially offset by the Generation Efficiency Performance Rider ("GEP Rider"), continued customer growth in the OG&E service area and lower interest costs. The GEP Rider allows OG&E to retain part of the fuel savings achieved through cost efficiencies and is discussed in more detail below. The 1996 increase from \$3.05 per share to \$3.25 per share resulted primarily from customer growth in the OG&E service area, lower interest costs and increased earnings by Enogex.

The dividend payout ratio (expressed as a percentage of earnings available for common) remained at 82 percent in 1997. The Company's long-term goal is to achieve a dividend payout ratio of 75 percent based on long-term earnings expectations.

The Company's regulated utility business has been and will continue to be affected by competitive changes to the utility industry. Significant changes already have occurred in the wholesale electric markets at the Federal level. In Oklahoma, legislation was passed in 1997 to provide for the orderly restructuring of the electric industry with the goal to provide retail customers with the ability to choose their generation suppliers by June 30, 2002. The Arkansas Public Service Commission ("APSC") recently initiated proceedings to consider the implementation of a competitive retail market in Arkansas. These developments are described in more detail below under "Regulation; Competition."

In 1996, the Company decided upon an enterprise-wide software future for its businesses. Enterprise software is a corporate software system designed to handle most of the Company's information processing needs and to improve work processes throughout the Company. The enterprise software system was successfully implemented throughout the Company on January 1, 1997 and is expected to significantly enhance the Company's abilities in the more competitive years ahead.

In May 1997, Enogex acquired an 80 percent interest in the NuStar Joint Venture for approximately \$26 million. The assets of the joint venture include a two-thirds interest in a gas processing plant, a 100 percent interest in a gas bypass plant, approximately 50 miles of natural gas liquid pipeline and approximately 200 miles of related gas gathering facilities in West Texas.

In January 1998, the Company, through various subsidiaries, agreed to acquire interests in two natural gas pipelines, NOARK Pipeline Systems, L.P., and Ozark Pipeline. In January 1998, the Company also agreed to acquire an existing cogeneration facility in Pryor, Oklahoma. These transactions, which are described in detail below under "Future Capital Requirements", are contingent on various regulatory approvals and, assuming such approvals are obtained, are expected to enhance the Company's results in the years ahead.

Except for the historical statements contained herein, the matters discussed in the following discussion and analysis, are forward-looking statements that are subject to certain risks, uncertainties and assumptions. Such forward-looking statements are intended to be identified in this document by the words "anticipate", "estimate", "objective", "possible", "potential" and similar expressions. Actual results may vary materially. Factors that could cause actual results to differ materially include, but are not limited to: general economic conditions, including their impact on capital expenditures; business conditions in the energy industry; competitive factors; unusual weather; regulatory decisions; and the other risk factors listed in the reports filed by the Company with the Securities and Exchange Commission.

RESULTS OF OPERATIONS

REVENUES

(THOUSANDS)	1997	1996	1995	Percent Change From Prior Year	
				1997	1996
Sales of electricity to OG&E customers.....	\$ 1,168,663	\$ 1,172,740	\$ 1,133,283	(0.3)	3.5
Sales of electricity to other utilities.....	23,027	27,597	35,004	(16.6)	(21.2)
Enogex.....	280,272	187,098	133,750	49.8	39.9
Origen.....	345	---	---	---	---
Total operating revenues.....	\$ 1,472,307	\$ 1,387,435	\$ 1,302,037	6.1	6.6
System kilowatt-hour sales.....	22,182,992	21,540,670	20,828,415	3.0	3.4
Kilowatt-hour sales to other utilities.....	1,201,933	1,475,449	1,851,839	(18.5)	(20.3)
Total kilowatt-hour sales.....	23,384,925	23,016,119	22,680,254	1.6	1.5

In 1997, approximately 81 percent of the Company's revenues consisted of regulated sales of electricity as a public utility, while the remaining 19 percent was provided by the non-utility operations of Enogex and Origen. Revenues from sales of electricity are somewhat seasonal, with a large portion of the Company's annual electric revenues occurring during the summer months when the electricity needs of its customers increase. Enogex's primary operations consist of transporting natural gas through its intra-state pipeline to various customers (including OG&E), buying and selling natural gas to third parties ("gas marketing"), selling natural gas liquids extracted by its natural gas processing plants and investing in natural gas exploration and production activities. Origen's primary operations consist of geothermal systems design and engineering and the development of new products. Actions of the regulatory commissions that set OG&E's electric rates will continue to affect the Company's financial results. The commissions also have the authority to examine the appropriateness of OG&E's recovery from its customers of fuel costs, which include the transportation fees that OG&E pays Enogex for transporting natural gas to OG&E's generating units. See "Regulation; Competition" and Note 10 of Notes to Consolidated Financial Statements for a discussion of the impact of the Oklahoma Corporation Commission ("OCC") February 11, 1997, rate order on these transportation fees.

Operating revenues increased \$84.9 million or 6.1 percent during 1997, primarily due to a significant increase in revenue from Enogex. In 1997, Enogex revenues increased \$93.2 million or 49.8 percent, primarily as a result of significant increases in the volume of natural gas sold through its gas marketing activities (\$82.4 million), and of natural gas liquids processed and sold (\$7.2 million), mainly due to the acquisition of NuStar Joint Venture in May 1997, with a modest increase in prices for natural gas.

The increased revenues from Enogex were partially offset by decreased revenues at OG&E. Decreased revenues at OG&E were primarily attributable to the rate reduction in March 1997, and milder weather in the first and second quarters of 1997, partially offset by continued customer growth, the effect of the GEP Rider and warmer weather in the third quarter of 1997.

On February 11, 1997, the OCC issued an order (the "Order") that, among other things, effectively lowered OG&E's rates to its Oklahoma retail customers by \$50 million annually (based on a test year ended December 31, 1995). Of the \$50 million rate reduction, approximately \$45 million became effective on March 5, 1997, and the remaining \$5 million became effective March 1, 1998. This \$50 million rate reduction is in addition to the \$15 million rate reduction that was effective January 1, 1995 and that related to OG&E's workforce reduction in 1994. The Order also directed OG&E to transition to competitive bidding of its gas transportation requirements, currently met by Enogex, no later than April 30, 2000, and set annual compensation for the transportation services provided by Enogex to OG&E at \$41.3 million until competitively-bid gas transportation begins.

On June 18, 1997, OG&E filed documents with the OCC relating to the GEP Rider, pursuant to the Order. The GEP Rider is designed so that when OG&E's average annual cost of fuel per kwh is less than 96.261 percent of the average non-nuclear fuel cost per kwh of certain other investor-owned utilities in the region, OG&E is allowed to collect, through the GEP Rider, one-third of the amount by which OG&E's average annual cost of fuel is less than 96.261 percent of the average of the other specified utilities. If OG&E's fuel cost exceeds 103.739 percent of the stated average, OG&E will not be allowed to recover one-third of the fuel costs above that amount from Oklahoma customers.

The fuel cost information used to calculate the GEP Rider is based on fuel cost data submitted by each of the utilities in their Form No. 1 Annual Report filed with the Federal Energy Regulatory Commission ("FERC"). The GEP Rider is revised effective July 1 of each year to reflect any changes in the relative annual cost of fuel reported for the preceding calendar year. For 1997, the GEP Rider increased revenues by approximately \$18.0 million, or approximately \$0.28 per share. The current GEP Rider is estimated to positively impact revenue by \$27 million, or approximately \$0.41 per share during the 12 months ending June 1998.

During 1996, operating revenues increased \$85.4 million or 6.6 percent, primarily due to continued growth in kilowatt-hour sales to OG&E customers ("system sales") (\$14.0 million) and a significant increase in revenue from Enogex businesses. In 1996, Enogex revenues increased 39.9 percent. This increase was primarily attributable to increased gas marketing sales (\$26.1 million), increased petroleum product sales (\$13.9 million), increased oil and gas development and production activities (\$6.9 million) and increased third party gas transportation services (\$6.5 million).

EXPENSES AND OTHER ITEMS

(DOLLARS IN THOUSANDS)	1997	1996	1995	Percent Change From Prior Year	
				1997	1996
Fuel	\$ 277,806	\$ 279,083	\$ 260,443	(0.5)	7.2
Purchased power.....	222,464	222,070	216,598	0.2	2.5
Gas purchased for resale (Enogex).....	201,461	117,343	87,293	71.7	34.4
Other operation and maintenance.....	311,337	307,154	290,824	1.4	5.6
Depreciation and Amortization.....	142,632	136,140	132,135	4.8	3.0
Taxes.....	122,609	124,426	112,597	(1.5)	10.5
Total operating expenses.....	\$1,278,309	\$1,186,216	\$1,099,890	7.8	7.8

Total operating expenses increased \$92.1 million or 7.8 percent in 1997, primarily due to increases at Enogex in quantities and prices of gas purchased for resale and other operation and maintenance costs.

Enogex's gas purchased for resale pursuant to its gas marketing operations increased \$84.1 million or 71.7 percent for 1997 compared to an increase of \$30.0 million or 34.4 percent for 1996. The 1997 increase was due to a significant increase in sales volumes (29,236 Bbtu or 53.7 percent) and a modest increase in purchase prices of approximately 15 percent, while the 1996 increase resulted from increased sales volumes and significantly higher purchase prices.

OG&E's generating capability is evenly divided between coal and natural gas and provides for flexibility to use either fuel to the best economic advantage for OG&E and its customers. In 1997, despite a slight increase in kwh sales, fuel costs decreased \$1.3 million or 0.5 percent primarily due to an increase in the percentage of coal-fired generation relative to total generation. During 1996, fuel costs increased \$18.6 million or 7.2 percent because of increased generation of electricity resulting from continued customer growth and favorable weather conditions in the electric service area.

Other operation and maintenance expenses increased \$4.2 million in 1997 primarily because of increased costs associated with expansion activities at Enogex and Origen (\$5.3 million). These increases were partially offset by the higher costs associated with the development of the enterprise-wide software in 1996 and the completion in February 1997 of the amortization of the \$48.9 million regulatory asset established in connection with OG&E's 1994 workforce reduction. Other operation and maintenance increased \$16.3 million in 1996 primarily due to the new enterprise-wide software information processing system (\$6.9 million), increased pension expense (\$1.7 million), and increased pipeline operating and maintenance associated with increased gas gathering and sales by Enogex (\$3.7 million).

In 1997, taxes had a net decrease of \$1.8 million or 1.5 percent primarily due to slightly lower pre-tax income and normally occurring temporary differences. Income taxes increased in 1996 primarily due to a decrease in tax credits earned and higher pre-tax earnings.

Purchased power costs were \$222.5 million in 1997, remaining relatively constant compared to the \$222.1 million in 1996. Purchased power costs increased \$5.5 million or 2.5 percent in 1996 primarily due to the availability of larger quantities of economically-priced energy from other utilities. As required by the Public Utility Regulatory Policy Act ("PURPA"), OG&E is currently purchasing power from qualified cogeneration facilities. As discussed below, OG&E recently took action to restructure one of its cogeneration contracts. See related discussion of purchased power in Note 9 of Notes to Consolidated Financial Statements.

Variances in the actual cost of fuel used in electric generation and certain purchased power costs, as compared to that component in cost-of-service for ratemaking, are passed through to OG&E's electric customers through automatic fuel adjustment clauses. The automatic fuel adjustment clauses are subject to periodic review by the OCC, the APSC and the FERC. The OCC, the APSC and the FERC have authority to review the appropriateness of gas transportation charges or other fees OG&E pays Enogex, which OG&E seeks to recover through the fuel adjustment clause or other tariffs. In addition to the February 11, 1997, OCC order, the APSC issued an order in July 1996 requiring, among other things, a \$4.5 million refund; and the OCC issued an order in February 1994 requiring, among other things, a \$41.3 million refund relating to the fees OG&E paid Enogex. See Note 10 of Notes to Consolidated Financial Statements for a discussion of the July 1996 and February 1994 orders.

OG&E has initiated numerous other ongoing programs that have helped reduce the cost of generating electricity over the last several years. These programs include: 1) utilizing a natural gas storage facility; 2) spot market purchases of coal; 3) renegotiated contracts for coal, gas, railcar maintenance and coal transportation; and 4) a heat-rate awareness program to produce kilowatt-hours with less fuel. Reducing fuel costs helps OG&E remain competitive, which in turn helps OG&E's electric customers remain competitive in a global economy.

The increases in depreciation and amortization for 1997 and 1996 reflect higher levels of depreciable plant.

The decrease in interest expense for 1997 was attributable to OG&E retiring \$15 million of 5.125 percent First Mortgage Bonds in January 1997, the successful refinancing of \$336 million of short-term and long-term debt by OG&E and Enogex in 1997, and a lower average daily balance in short-term debt. The decrease in interest expense for 1996 was primarily attributable to the successful refinancing of approximately \$396 million of short-term and long-term debt in 1995.

LIQUIDITY AND CAPITAL RESOURCES

The primary capital requirements for 1997 and as estimated for 1998 through 2000 are as follows:

(DOLLARS IN MILLIONS)	1997	1998	1999	2000
Electric utility construction expenditures including AFUDC.....	\$100.1	\$108.0	\$100.0	\$100.0
Non-utility construction expenditures and pending acquisitions.....	63.5	192.0	10.0	10.0
Maturities of long-term debt and sinking fund requirements.....	15.0	25.0	12.5	167.0
Total.....	\$178.6	\$325.0	\$122.5	\$277.0

The Company's primary needs for capital are related to construction of new facilities to meet anticipated demand for utility service, to replace or expand existing facilities in both its electric and non-utility businesses, to expand its non-utility businesses and to some extent, for satisfying maturing debt and sinking fund obligations. The Company generally meets its cash needs through a combination of internally generated funds, short-term borrowings and permanent financing.

1997 CAPITAL REQUIREMENTS AND FINANCING ACTIVITIES

Capital requirements were \$163.6 million in 1997. Approximately \$1.1 million of the 1997 capital requirements were to comply with environmental regulations. This compares to capital requirements of \$150 million in 1996, of which \$1.3 million was to comply with environmental regulations.

During 1997, the Company's primary source of capital was internally generated funds from operating cash flows. Operating cash flow remained strong in 1997 as internally generated funds and medium-term notes issued by Enogex provided financing for all of the Company's capital expenditures. Variations in accounts receivable and accounts payable are not generally significant indicators of the Company's liquidity, as such variations are primarily attributable to fluctuations in weather in OG&E's service territory, which has a direct effect on sales of electricity.

Short-term borrowings were used during 1997 to meet temporary cash requirements. At December 31, 1997, the Company had outstanding short-term borrowings of \$1.0 million.

In March 1997, the Company made a \$17 million capital contribution to Enogex reflecting the Company's commitment to maintaining Enogex's strong credit rating and financial health. In April 1997, the Company made a \$5 million initial capital contribution to Origen.

In July 1997, OG&E issued \$250 million of long-term debt with \$125 million at 6.50 percent due July 15, 2017, and \$125 million at 6.65 percent due July 15, 2027. The proceeds from the sale of this new debt were applied to the redemption on August 21, 1997, of: \$75 million principal amount of OG&E's 8.375 percent First Mortgage Bonds due January 1, 2007; \$100 million principal amount of OG&E's 8.25 percent First Mortgage Bonds due August 15, 2016; and \$75 million principal amount of OG&E's 8.875 percent First Mortgage Bonds due December 1, 2020; all at the stated principal amount, plus the applicable redemption premiums and accrued interest to the redemption date. In July 1997, OG&E also refinanced its obligations with respect to \$56 million of 7 percent Pollution Control Revenue Bonds due March 1, 2017, through the issuance of a new series due June 1, 2027, and bearing interest at a variable rate. The annualized interest rate on these bonds from their date of issuance through December 31, 1997, was approximately 4.4 percent.

Effective March 31, 1997, Enogex disposed of its 80 percent interest in Centoma Gas Systems, Inc. for \$3.2 million, which approximated the net book value of Enogex's share of Centoma's assets at December 31, 1996. Enogex purchased its interest in Centoma in 1994 for approximately \$6.5 million. In addition, during the third quarter of 1997, Enogex recognized a \$2.5 million pre-tax gain on the sale of underutilized assets.

As discussed previously, in May 1997, Enogex acquired an 80 percent interest in the NuStar Joint Venture for approximately \$26 million. Enogex financed this acquisition with borrowings from the Company and in July 1997, issued \$30 million of medium-term notes at 6.79 percent, due July 23, 2004, to repay the amounts borrowed from the Company.

In February 1997, OG&E filed a registration statement for up to \$50 million of grantor trust preferred securities. Assuming favorable market conditions, OG&E may issue all or part of the \$50 million of grantor trust preferred stock.

In January 1998, all outstanding shares of OG&E's cumulative preferred stock were redeemed. In February 1998, OG&E filed a registration statement for up to \$112.5 million of senior notes. Assuming favorable market conditions, OG&E may issue all or part of these senior notes to refinance first mortgage bonds.

FUTURE CAPITAL REQUIREMENTS

The Company's construction program for the next several years does not include additional base-load generating units. Rather, to meet the increased electricity needs of OG&E's electric utility customers during the balance of the century, OG&E will concentrate on maintaining the reliability, increasing the utilization of existing capacity and increasing demand-side management efforts. Approximately \$.9 million of the Company's construction expenditures budgeted for 1998 are to comply with environmental laws and regulations.

Future financing requirements may be dependent, to varying degrees, upon numerous factors such as general economic conditions, abnormal weather, load growth, acquisitions of other businesses, inflation, changes in environmental laws or regulations, rate increases or decreases allowed by regulatory agencies, new legislation and market entry of competing electric power generators.

In January 1998, Enogex, through a newly-formed subsidiary, Enogex Arkansas Pipeline Corp. ("EAPC") agreed to acquire interests in two natural gas pipelines, NOARK Pipeline System, L.P. ("NOARK") and Ozark Pipeline ("Ozark"), for approximately \$30 million and \$55 million, respectively. The NOARK line is a 302 mile intra-state pipeline system that extends from near Fort Chafee, Arkansas to near Paragould, Arkansas. Current throughput capacity on the NOARK line is approximately 130 million cubic feet per day. The Ozark line is a 437 mile interstate pipeline system that begins near McAlester, Oklahoma and terminates near Searcy, Arkansas. Current throughput capacity on the Ozark line is approximately 170 million cubic feet per day. The transactions are subject to certain regulatory approvals, including that of the FERC.

Following regulatory approvals, EAPC will contribute Ozark to the NOARK partnership and the two pipelines will be integrated into a single, interstate transmission system at an estimated additional cost of \$15 million. After the integration, which is to be funded by EAPC, EAPC will own a 75 percent interest in the NOARK partnership and Southwestern Energy Pipeline Co. will retain its 25 percent interest in the partnership. If the necessary regulatory approvals are obtained, Enogex expects to fund these acquisitions through the issuance of medium-term notes.

In January 1998, OG&E filed an application with the OCC seeking approval to revise an existing cogeneration contract with Mid-Continent Power Company ("MCPC"), a cogeneration plant near Pryor, Oklahoma. Under the PURPA, OG&E was obligated to enter into the original contract, which was approved by the OCC in 1987, and which required OG&E to purchase 110 megawatts of peaking capacity from the plant for 10 years beginning in 1998 -- whether the capacity was needed or not. As part of this transaction, the Company agreed to purchase the stock of Oklahoma Loan Acquisition Corporation, the company that owns the MCPC plant, for approximately \$25 million. Completion of the transaction is subject to receipt of numerous regulatory approvals in addition to the OCC, including the FERC and the APSC. Assuming the transaction is approved by the necessary regulatory agencies and the transaction is completed, the term of the existing cogeneration contract will be reduced by four and one-half years, which should reduce the amounts to be paid by OG&E, and should provide savings for its Oklahoma customers, of approximately \$46 million as compared to the existing cogeneration contract. Funding for the \$25 million purchase price is expected to be provided by internally generated funds and short-term borrowings.

FUTURE SOURCES OF FINANCING

Management expects that internally generated funds will be adequate over the next three years to meet anticipated construction expenditures, while maturities of long-term debt will require permanent financing, the amount and type dependent on market conditions at the time. Short-term borrowings will continue to be used to meet temporary cash requirements. The Company has the necessary regulatory approvals to incur up to \$400 million in short-term borrowings at any one time. The Company has in place a line of credit for up to \$160 million which expires December 6, 2000.

The Company continues to evaluate opportunities to enhance shareowner returns and achieve long-term financial objectives through acquisitions of non-utility businesses. Permanent financing could be required for such acquisitions.

THE YEAR 2000 ISSUE

Many computer systems and applications currently use two-digit date fields to designate a year. As the year 2000 approaches, date-sensitive systems will recognize the year 2000 as 1900, or not at all. This inability to recognize or properly treat the Year 2000 may cause systems, including those of the Company, its customers and suppliers to process critical financial and operational information incorrectly if they are not Year 2000 compliant.

The Company is aggressively addressing the century date-change issues. This is reflected by the January 1, 1997, implementation throughout the Company of the enterprise-wide software system which is Year 2000 compliant. As a result of the enterprise-wide software installation, the Company was able to significantly reduce the potential risks of its older computer systems, because many programs were replaced by the new software which is Year 2000 compliant. As part of the Company's lease agreement for personal computers, all new personal computers are being issued with operating systems that are Year 2000 compliant. All existing personal computers will be upgraded with Year 2000 compliant operating systems before the turn of the century. In addition, the Company has formed a multifunctional team of experienced and knowledgeable Company members from each business unit to review and test the operational systems in an effort to further eliminate any potential problems should they exist. Year 2000 compliance may also adversely affect the operations and financial performance of the Company indirectly by causing complications at the Company's suppliers and customers. The Company intends to determine the status of its significant customers and suppliers in becoming Year 2000 compliant. There can be no assurance that the Company's operations will not be adversely affected by Year 2000 problems of its customers and suppliers. At this time, the Company is currently unable to anticipate the magnitude of the operational or financial impact on the Company of Year 2000 issues with its suppliers and customers.

Other than costs incurred to implement the enterprise-wide software system and the replacement of personal computers, both of which were part of the normal budgeting process and would have occurred regardless of the Year 2000 issues, the Company has not incurred any incremental costs associated with Year 2000. At this time, the Company currently anticipates incurring less than \$2.0 million for future Year 2000 compliance expenses. Anticipated spending for any such modifications will be expensed as incurred and is not expected to have a material impact on the Company's consolidated financial position or results of operations.

It is the Company's goal to minimize the impact the turn of the century date-change will have for its shareowners, customers and employees.

CONTINGENCIES

The Company through its subsidiaries is defending various claims and legal actions, including environmental actions, which are common to its operations. As to environmental matters, OG&E has been designated as a "potentially responsible party" ("PRP") with respect to two waste disposal sites to which OG&E sent materials. Remediation of one of these sites has been completed. OG&E's total waste disposed at the remaining site is minimal and on February 15, 1996, the Company elected to participate in the de minimis settlement offered by the Environmental Protection Agency ("EPA"), which is being contested by one party. This limits the Company's financial obligation in addition to removing any participation in the site remedy. While it is not possible to determine the precise outcome of these matters, in the opinion of management, OG&E's ultimate liability for these sites will not be material.

The Company has contracted for low-sulfur coal to comply with the sulfur dioxide limitations of the Clean Air Act Amendments of 1990 ("CAAA"). OG&E also has completed installation and certification of all required continuous emissions monitors at each of its generating units. Phase II sulfur dioxide emission requirements will affect OG&E beginning in the year 2000. OG&E believes it can meet these sulfur dioxide limits without additional capital expenditures. With respect to nitrogen oxide limits, OG&E is meeting the current emission standards and has exercised its option to extend the effective date of the further reductions from 2000 to 2008. OG&E is continuing to monitor regulatory proposals including nitrogen oxide regulations proposed by the EPA in October 1997. These regulations address long-range ozone transport from Midwest emissions sources that allegedly contribute to ozone problems in the Northeast. As proposed, such regulations would not apply to OG&E, but if these or similar regulations were to be adopted and applied to OG&E, OG&E could be required to incur significant capital expenditures and significantly increased operation and maintenance costs.

The Oklahoma Department of Environmental Quality's CAAA Title V air permitting program was approved by the EPA in March 1996. By March of 1997, OG&E had submitted comprehensive site air permit applications for all of its major source generating stations. Air permit fees for generating stations were approximately \$.3 million in 1997 and are estimated to be approximately \$.3 million in 1998.

REGULATION; COMPETITION

As previously reported, Oklahoma enacted in April 1997 the Electric Restructuring Act of 1997 (the "Act"). If implemented as proposed, the Act will significantly affect OG&E's future operations.

The purpose of the Act, as set forth therein, is generally to restructure the electric utility industry to provide for more competition and, in particular, to provide for the orderly restructuring of the electric utility industry in the State of Oklahoma in order to allow customers to choose their electricity suppliers while maintaining the safety and reliability of the electric system in the state.

The Act directs the OCC to undertake a study of all relevant issues relating to restructuring the electric utility industry in Oklahoma and to develop a proposed electric utility framework for Oklahoma under the direction of the Joint Electric Utility Task Force, composed of seven members from the Oklahoma Senate and seven members from the Oklahoma House of Representatives. The OCC Study is to be delivered in four parts. The first part of the Study, which was delivered February 1, 1998, addressed operational issues. The second part of the Study, which is due December 1, 1998, is to address technical issues, such as reliability, safety, unbundling of generation, transmission and distribution services, transition issues and market power. The third part of the Study is due December 31, 1999, and

is to address financial issues, including rates, charges, access fees, transition costs and stranded costs. The final part of the Study is due August 31, 2000, and is to cover consumer issues, such as the obligation to serve, service territories, consumer choices, competition and consumer safeguards.

The Act similarly directs the Oklahoma Tax Commission to study and submit a report to the Joint Task Force by December 31, 1998, regarding the impact of the restructuring of the electric utility industry on state tax revenues and all other facets of the current utility tax structure on the state and all political subdivisions of the state.

Neither the Oklahoma Tax Commission nor the OCC is authorized to issue any rules on such matters without the approval of the Oklahoma Legislature. Other provisions of the Act (i) authorize the Joint Task Force to retain consultants to study, among other things, the creation of an independent system operator, (ii) prohibit customer switching prior to July 1, 2002, except by mutual consent, and (iii) prohibit municipalities that do not become subject to the Act, from selling power outside their municipal limits, except from lines owned on April 25, 1997.

A new bill was introduced in the State Senate in the 1998 legislative session and was passed by a State Senate committee in February 1998. This bill, if adopted, would modify the Act by (i) directing the Joint Task Force, instead of the OCC, to conduct the required studies and (ii) accelerating the deadlines for completion of such studies to October 1, 1999.

The Company intends to actively participate in the restructuring of the electric utility industry in Oklahoma and to remain a competitive supplier of electricity. However, due to the early stages of the process, the Company cannot predict the impact that the restructuring will have on its operations in the future.

In December 1997, the APSC established four generic proceedings to consider the implementation of a competitive retail electric market in the State of Arkansas. Among the topics to be considered are competitive retail generation, market structure, market power, taxation, recovery and mitigation of stranded costs, service and reliability, low income assistance, independent system operators and transition issues. The Company intends to participate actively in these proceedings.

On February 11, 1997, the OCC issued an order, among other things, directing OG&E to transition to competitive bidding for its gas transportation requirements, currently met by Enogex, no later than April 30, 2000. This order also set annual compensation for the transportation services provided by Enogex to OG&E at \$41.3 million until competitively-bid gas transportation begins. In 1997, approximately \$41.7 million or 12.9 percent of Enogex's revenues were attributable to transporting gas for OG&E. Other pipelines seeking to compete with Enogex for OG&E's business will likely have to pay a fee to Enogex for transporting gas on Enogex's system or incur capital expenditures to develop the necessary infrastructure to connect with OG&E's gas-fired generating stations. Nevertheless, a potential outcome of the competitive bidding process is that the revenues of Enogex derived from transporting gas for OG&E may be significantly less after April 30, 2000.

The OCC recently adopted rules that are designed to make the gas utility business in Oklahoma more competitive. These rules do not impact the electric industry. Yet, if implemented, the rules are expected to offer increased opportunities to Enogex's pipeline and related businesses.

In October 1992, the National Energy Policy Act of 1992 ("Energy Act") was enacted. Among many other provisions, the Energy Act is designed to promote competition in the development of

wholesale power generation in the electric utility industry. It exempts a new class of independent power producers from regulation under the Public Utility Holding Company Act of 1935 and allows the FERC to order wholesale "wheeling" by public utilities to provide utility and non-utility generators access to public utility transmission facilities.

In April 1996, the FERC issued two final rules, Orders 888 and 889, which may have a significant impact on wholesale markets. Order 888, which was preceded by a Notice of Proposed Rulemaking referred to as the "Mega-NOPR", sets forth rules on non-discriminatory open access transmission service to promote wholesale competition. Order 888, which was effective on July 9, 1996, requires utilities and other transmission users to abide by comparable terms, conditions and pricing in transmitting power. Order 889, which had its effective date extended to January 3, 1997, requires public utilities to implement Standards of Conduct and an Open Access Same Time Information System ("OASIS", formerly known as "Real-Time Information Networks"). These rules require transmission personnel to provide the same information about the transmission system to all transmission customers using the OASIS. OG&E is complying with these new rules from the FERC.

Another impact of complying with FERC's Order 888 is a requirement for utilities to offer a transmission tariff that includes network transmission service ("NTS") to transmission customers. NTS allows transmission service customers to fully integrate load and resources on an instantaneous basis, in a manner similar to how OG&E has historically integrated its load and resources. Under NTS, OG&E and participating customers share the total annual transmission cost for their combined joint-use systems, net of related transmission revenues, based upon each company's share of the total system load. Management expects minimal annual expenses as a result of Orders 888 and 889.

As discussed previously, Oklahoma enacted legislation that will restructure the electric utility industry in Oklahoma by July 2002, assuming that all the conditions in the legislation are met. This legislation would deregulate OG&E's electric generation assets and the continued use of Statement of Financial Accounting Standards ("SFAS") No. 71, "Accounting for the Effects of Certain Types of Regulation", with respect to the related regulatory assets may no longer be appropriate. This may result in either full recovery of generation-related regulatory assets (net of related regulatory liabilities) or a non-cash, pre-tax write-off as an extraordinary charge of up to \$32 million, depending on the transition mechanisms developed by the legislature for the recovery of all or a portion of these net regulatory assets.

The enacted Oklahoma legislation does not affect OG&E's electric transmission and distribution assets and the Company believes that the continued use of SFAS No. 71 with respect to the related regulatory assets is appropriate. However, if utility regulators in Oklahoma and Arkansas were to adopt regulatory methodologies in the future that are not based on cost-of-service, the continued use of SFAS No. 71 with respect to the regulatory assets related to the electric transmission and distribution assets may no longer be appropriate.

Based on a current evaluation of the various factors and conditions that are expected to impact future cost recovery, management believes that its regulatory assets, including those related to generation, are probable of future recovery.

On February 13, 1998, the APSC Staff filed a motion for a show cause order to review OG&E's electric rates in the State of Arkansas. The staff is recommending a \$3.1 million annual rate reduction (based on a test year ended December 31, 1996) and that OG&E file a cost of service study within 60 days. OG&E is in the process of evaluating the application.

Besides the existing contingencies described above, and those described in Note 9 of Notes to Consolidated Financial Statements, the Company's ability to fund its future operational needs and to finance its construction program is dependent upon numerous other factors beyond its control, such as general economic conditions, abnormal weather, load growth, inflation, new environmental laws or regulations, and the cost and availability of external financing.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

CONSOLIDATED STATEMENTS OF INCOME

Year ended December 31 (DOLLARS IN THOUSANDS EXCEPT PER SHARE DATA)	1997	1996	1995
OPERATING REVENUES.....	\$1,472,307	\$1,387,435	\$1,302,037
OPERATING EXPENSES:			
Fuel.....	277,806	279,083	260,443
Purchased power.....	222,464	222,070	216,598
Gas purchased for resale.....	201,461	117,343	87,293
Other operation and maintenance.....	311,337	307,154	290,824
Depreciation.....	142,632	136,140	132,135
Current income taxes.....	57,347	81,227	77,895
Deferred income taxes, net.....	22,255	2,150	(3,928)
Deferred investment tax credits, net.....	(5,150)	(5,150)	(5,150)
Taxes other than income.....	48,157	46,199	43,780
Total operating expenses.....	1,278,309	1,186,216	1,099,890
OPERATING INCOME.....	193,998	201,219	202,147
OTHER INCOME AND DEDUCTIONS:			
Interest income.....	3,873	2,198	4,380
Other.....	1,174	(2,101)	(3,580)
Net other income and deductions.....	5,047	97	800
INTEREST CHARGES:			
Interest on long-term debt.....	62,572	62,412	67,549
Allowance for borrowed funds used during construction.....	(599)	(709)	(1,224)
Other.....	4,522	6,281	11,366
Total interest charges, net.....	66,495	67,984	77,691
NET INCOME.....	132,550	133,332	125,256
PREFERRED DIVIDEND REQUIREMENTS.....	2,285	2,302	2,316
EARNINGS AVAILABLE FOR COMMON STOCK.....	\$ 130,265	\$ 131,030	\$ 122,940
AVERAGE COMMON SHARES OUTSTANDING (thousands).....	40,373	40,367	40,356
EARNINGS PER AVERAGE COMMON SHARE.....	\$ 3.23	\$ 3.25	\$ 3.05

THE ACCOMPANYING NOTES TO CONSOLIDATED FINANCIAL STATEMENTS ARE AN INTEGRAL PART
HEREOF.

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

Year ended December 31 (DOLLARS IN THOUSANDS)	1997	1996	1995
BALANCE AT BEGINNING OF PERIOD.....	\$ 449,198	\$ 425,545	\$ 409,960
ADD - net income.....	132,550	133,332	125,256
Total.....	581,748	558,877	535,216
DEDUCT:			
Cash dividends declared on preferred stock.....	2,285	2,302	2,316
Cash dividends declared on common stock.....	107,400	107,377	107,355
Total.....	109,685	109,679	109,671
BALANCE AT END OF PERIOD.....	\$ 472,063	\$ 449,198	\$ 425,545

THE ACCOMPANYING NOTES TO CONSOLIDATED FINANCIAL STATEMENTS ARE AN INTEGRAL PART
HEREOF.

CONSOLIDATED BALANCE SHEETS

December 31 (DOLLARS IN THOUSANDS)	1997	1996	1995
ASSETS			
PROPERTY, PLANT AND EQUIPMENT:			
In service.....	\$4,125,858	\$4,005,532	\$3,898,829
Construction work in progress.....	25,799	27,968	29,705
Total property, plant and equipment.....	4,151,657	4,033,500	3,928,534
Less accumulated depreciation.....	1,797,806	1,687,423	1,585,274
Net property, plant and equipment.....	2,353,851	2,346,077	2,343,260
OTHER PROPERTY AND INVESTMENTS, at cost.....	37,898	24,802	23,775
CURRENT ASSETS:			
Cash and cash equivalents.....	4,257	2,523	5,420
Accounts receivable - customers, less reserve of \$4,507, \$4,626 and \$4,205, respectively.....	117,842	128,974	112,441
Accrued unbilled revenues.....	36,900	34,900	43,550
Accounts receivable - other.....	11,470	11,748	9,152
Fuel inventories, at LIFO cost.....	49,369	62,725	60,356
Materials and supplies, at average cost.....	28,430	24,827	22,996
Prepayments and other.....	4,489	4,300	4,535
Accumulated deferred tax assets.....	6,925	10,067	10,759
Total current assets.....	259,682	280,064	269,209
DEFERRED CHARGES:			
Advance payments for gas.....	10,500	9,500	6,500
Income taxes recoverable through future rates.....	42,549	44,368	41,934
Other.....	61,385	57,544	70,193
Total deferred charges.....	114,434	111,412	118,627
TOTAL ASSETS.....	\$2,765,865	\$2,762,355	\$2,754,871

THE ACCOMPANYING NOTES TO CONSOLIDATED FINANCIAL STATEMENTS ARE AN INTEGRAL PART
HEREOF.

CONSOLIDATED BALANCE SHEETS (Continued)

December 31 (DOLLARS IN THOUSANDS)	1997	1996	1995
CAPITALIZATION AND LIABILITIES			
CAPITALIZATION (see statements):			
Common stock and retained earnings.....	\$ 984,960	\$ 961,603	\$ 937,535
Cumulative preferred stock.....	49,266	49,379	49,939
Long-term debt.....	841,924	829,281	843,862
Total capitalization.....	1,876,150	1,840,263	1,831,336
CURRENT LIABILITIES:			
Short-term debt.....	1,000	41,400	67,600
Accounts payable.....	77,733	86,856	72,089
Dividends payable.....	27,428	27,421	27,427
Customers' deposits.....	23,847	23,257	21,920
Accrued taxes.....	21,677	26,761	27,937
Accrued interest.....	20,041	19,832	19,144
Long-term debt due within one year.....	25,000	15,000	---
Accumulated provision for rate refund.....	---	---	2,650
Other.....	38,518	39,188	33,388
Total current liabilities.....	235,244	279,715	272,155
DEFERRED CREDITS AND OTHER LIABILITIES:			
Accrued pension and benefit obligation.....	62,023	61,335	67,350
Accumulated deferred income taxes.....	503,952	488,016	485,078
Accumulated deferred investment tax credits.....	72,878	78,028	83,178
Other.....	15,618	14,998	15,774
Total deferred credits and other liabilities.....	654,471	642,377	651,380
COMMITMENTS AND CONTINGENCIES (Notes 9, 10 and 12)			
TOTAL CAPITALIZATION AND LIABILITIES.....	\$2,765,865	\$2,762,355	\$2,754,871

THE ACCOMPANYING NOTES TO CONSOLIDATED FINANCIAL STATEMENTS ARE AN INTEGRAL PART
HEREOF.

CONSOLIDATED STATEMENTS OF CAPITALIZATION

December 31 (DOLLARS IN THOUSANDS)	1997	1996	1995
COMMON STOCK AND RETAINED EARNINGS:			
Common stock, par value \$0.01, \$0.01 and \$2.50 per share, respectively, authorized 125,000,000, 125,000,000, and 100,000,000 shares, respectively; and outstanding 40,385,917, 46,470,616, and 46,470,616 shares, respectively.....	\$ 404	\$ 465	\$ 116,177
Premium on capital stock.....	512,493	724,256	608,273
Retained earnings.....	472,063	449,198	425,545
Treasury stock, zero, 6,091,871, and 6,097,357 shares, respectively.....	---	(212,316)	(212,460)
Total common stock and retained earnings.....	984,960	961,603	937,535
CUMULATIVE PREFERRED STOCK:			
Par value \$20, authorized 675,000 shares - 4%; 418,963, 421,963, and 421,963 shares, respectively.....	8,379	8,439	8,439
Par value \$100, authorized 1,865,000 shares- SERIES SHARES OUTSTANDING			
4.20% 49,750, 49,950, and 50,000 shares, respectively.....	4,975	4,995	5,000
4.24% 74,990, 75,000, and 75,000 shares, respectively.....	7,499	7,500	7,500
4.44% 63,200, 63,500, and 65,000 shares, respectively.....	6,320	6,350	6,500
4.80% 70,925, 70,950, and 75,000 shares, respectively.....	7,093	7,095	7,500
5.34% 150,000, 150,000, and 150,000 shares, respectively....	15,000	15,000	15,000
Total cumulative preferred stock.....	49,266	49,379	49,939
LONG-TERM DEBT:			
First mortgage bonds-			
SERIES DATE DUE			
5.125% January 1, 1997.....	---	15,000	15,000
6.375% January 1, 1998.....	25,000	25,000	25,000
7.125% January 1, 1999.....	12,500	12,500	12,500
6.250% Senior Notes Series B, October 15, 2000.....	110,000	110,000	110,000
7.125% January 1, 2002.....	40,000	40,000	40,000
8.375% January 1, 2007.....	---	75,000	75,000
8.625% November 1, 2007.....	35,000	35,000	35,000
8.250% August 15, 2016.....	---	100,000	100,000
7.000% Pollution Control Series C, March 1, 2017.....	---	56,000	56,000
6.500% Senior Notes Series D, July 15, 2017.....	125,000	---	---
8.875% December 1, 2020.....	---	75,000	75,000
7.300% Senior Notes Series A, October 15, 2025.....	110,000	110,000	110,000
6.650% Senior Notes Series C, July 15, 2027.....	125,000	---	---
Other bonds-			
Var. % Garfield Industrial Authority, January 1, 2025.....	47,000	47,000	47,000
Var. % Muskogee Industrial Authority, January 1, 2025.....	32,400	32,400	32,400
Var. % Muskogee Industrial Authority, June 1, 2027.....	56,000	---	---
Unamortized premium and discount, net.....	(976)	(8,619)	(9,038)
Enogex Inc. notes (Note 5).....	150,000	120,000	120,000
Total long-term debt.....	866,924	844,281	843,862
Less long-term debt due within one year.....	25,000	15,000	---
Total long-term debt (excluding long-term debt due within one year).....	841,924	829,281	843,862
Total Capitalization.....	\$1,876,150	\$1,840,263	\$1,831,336

THE ACCOMPANYING NOTES TO CONSOLIDATED FINANCIAL STATEMENTS ARE AN INTEGRAL PART
HEREOF.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Year ended December 31 (DOLLARS IN THOUSANDS)	1997	1996	1995
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net Income.....	\$ 132,550	\$ 133,332	\$ 125,256
Adjustments to Reconcile Net Income to Net Cash Provided from Operating Activities:			
Depreciation.....	142,632	136,140	132,135
Deferred income taxes and investment tax credits, net.....	17,105	(3,000)	(9,078)
Gain on sale of assets.....	(2,511)	---	---
Provision for rate refund.....	---	1,804	3,112
Change in Certain Current Assets and Liabilities:			
Accounts receivable - customers.....	11,132	(16,533)	(6,462)
Accrued unbilled revenues.....	(2,000)	8,650	(6,750)
Fuel, materials and supplies inventories.....	9,753	(4,200)	(6,457)
Accumulated deferred tax assets.....	3,142	692	1,318
Other current assets.....	89	(2,361)	38,051
Accounts payable.....	(9,123)	13,401	5,887
Accrued taxes.....	(5,084)	(1,176)	2,784
Accrued interest.....	209	688	(4,729)
Accumulated provision for rate refund.....	---	(2,650)	(320)
Other current liabilities.....	(73)	7,131	(6,905)
Other operating activities.....	(2,503)	22,753	13,667
Net cash provided from operating activities.....	295,318	294,671	281,509
CASH FLOWS FROM INVESTING ACTIVITIES:			
Capital expenditures.....	(163,571)	(161,129)	(141,439)
Other investing activities.....	4,900	---	---
Net cash used in investing activities.....	(158,671)	(161,129)	(141,439)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Retirement of long-term debt.....	(321,000)	---	(331,650)
Proceeds from long-term debt.....	336,000	---	419,400
Short-term debt, net.....	(40,400)	(26,200)	(115,150)
Redemption of preferred stock.....	(113)	(560)	(34)
Retirement of treasury stock.....	285	---	---
Cash dividends declared on preferred stock.....	(2,285)	(2,302)	(2,316)
Cash dividends declared on common stock.....	(107,400)	(107,377)	(107,355)
Net cash used in financing activities.....	(134,913)	(136,439)	(137,105)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS.....	1,734	(2,897)	2,965
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD.....	2,523	5,420	2,455
CASH AND CASH EQUIVALENTS AT END OF PERIOD.....	\$ 4,257	\$ 2,523	\$ 5,420
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION			
Cash Paid During the Period for:			
Interest (net of amount capitalized).....	\$ 64,081	\$ 64,882	\$ 76,860
Income taxes	\$ 64,705	\$ 82,970	\$ 77,752

THE ACCOMPANYING NOTES TO CONSOLIDATED FINANCIAL STATEMENTS ARE AN INTEGRAL PART
HEREOF.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REORGANIZATION AND PRINCIPALS OF CONSOLIDATION

OGE Energy Corp. (the "Company") became the parent company of Oklahoma Gas and Electric Company ("OG&E") and OG&E's former subsidiary, Enogex Inc. ("Enogex") on December 31, 1996. On that date, all outstanding OG&E common stock was exchanged on a share-for-share basis for common stock of OGE Energy Corp. and the common stock of Enogex was distributed to the Company. In 1997, the Company also became the parent company of Origen Inc. and its subsidiaries ("Origen"), the newly formed non-regulated businesses. The financial information presented through December 31, 1996, represents the consolidated results of OG&E. All significant intercompany transactions have been eliminated in consolidation.

ACCOUNTING RECORDS

The accounting records of OG&E are maintained in accordance with the Uniform System of Accounts prescribed by the Federal Energy Regulatory Commission ("FERC") and adopted by the Oklahoma Corporation Commission ("OCC") and the Arkansas Public Service Commission ("APSC"). Additionally, OG&E, as a regulated utility, is subject to the accounting principles prescribed by the Financial Accounting Standards Board ("FASB") Statement of Financial Accounting Standards ("SFAS") No. 71, "Accounting for the Effects of Certain Types of Regulation." SFAS No. 71 provides that certain costs that would otherwise be charged to expense can be deferred as regulatory assets, based on expected recovery from customers in future rates. Likewise, certain credits that would otherwise be charged to expense are deferred as regulatory liabilities based on expected flowback to customers in future rates. Management's expected recovery of deferred costs and flowback of deferred credits generally results from specific decisions by regulators granting such ratemaking treatment. At December 31, 1997, the regulatory assets and regulatory liabilities are being reflected in rates charged to customers over periods ranging from one to 20 years.

The components of deferred charges - other, and regulatory assets and liabilities on the Consolidated Balance Sheets included the following, as of December 31:

DEFERRED CHARGES - OTHER

(DOLLARS IN THOUSANDS)	1997	1996	1995
Workforce reduction (regulatory asset).....	\$ ---	\$ 3,759	\$ 26,331
Unamortized debt expense.....	6,776	10,291	10,919
Enogex gas sales contracts.....	13,925	14,949	11,294
Unamortized loss on reacquired debt (regulatory asset)...	28,660	10,253	11,197
Insurance claims - property damage.....	---	6,231	---
Miscellaneous.....	12,024	12,061	10,452
Total.....	\$ 61,385	\$ 57,544	\$ 70,193

REGULATORY ASSETS AND LIABILITIES

(DOLLARS IN THOUSANDS)	1997	1996	1995
Regulatory Assets:			
Income taxes recoverable from customers.....	\$115,989	\$127,819	\$139,594
Unamortized loss on reacquired debt.....	28,660	10,253	11,197
Workforce reduction.....	---	3,759	26,331
Miscellaneous.....	403	435	455
Total Regulatory Assets.....	145,052	142,266	177,577
Regulatory Liabilities:			
Income taxes refundable to customers.....	(73,440)	(83,451)	(97,660)
Gain on disposition of allowances.....	---	(329)	(282)
Net Regulatory Assets.....	\$ 71,612	\$ 58,486	\$ 79,635

Management continuously monitors the future recoverability of regulatory assets. When, in management's judgment, future recovery becomes impaired, the amount of the regulatory asset is reduced or written-off, as appropriate.

If the Company were required to discontinue the application of SFAS No. 71 for some or all of its operations, it would result in writing off the related regulatory assets; the financial effects of which could be significant.

ACCOUNTING PRONOUNCEMENTS

In March 1997, the FASB issued SFAS No. 128, "Earnings per Share." Adoption of SFAS No. 128 is required for both interim and annual periods ending after December 15, 1997. This new standard was adopted effective December 31, 1997, and it did not impact the Company's earnings per share.

In March 1997, the FASB issued SFAS No. 129, "Disclosure of Information about Capital Structure." Adoption of SFAS No. 129 is required for financial statements for periods ending after December 15, 1997. This new standard was adopted effective December 31, 1997, and it did not change the presentation of the Company's capital structure.

In June 1997, the FASB issued SFAS No. 130, "Reporting Comprehensive Income." Adoption of SFAS No. 130 is required for both interim and annual periods beginning after December 15, 1997. The Company will adopt this new standard effective March 31, 1998, and management believes the adoption of this standard will not have a material impact on its consolidated financial position or results of operations.

In June 1997, the FASB issued SFAS No. 131, "Disclosures About Segments of an Enterprise and Related Information." Adoption of SFAS No. 131 is required for fiscal years beginning after December 15, 1997. The Company will adopt this new standard effective December 31, 1998. Adoption of this new standard will change the presentation of certain disclosure information of the Company, but will not affect reported earnings.

In February 1998, the FASB issued SFAS No. 132, "Employers' Disclosures about Pensions and Other Postretirement Benefits." Adoption of SFAS No. 132 is required for financial statements for periods beginning after December 15, 1997. The Company will adopt this new standard effective December 31, 1998. Adoption of this new standard will change the presentation of certain disclosure information of the Company, but will not affect reported earnings.

USE OF ESTIMATES

In preparing the consolidated financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

PROPERTY, PLANT AND EQUIPMENT

All property, plant and equipment is recorded at cost. Electric utility plant is recorded at its original cost. Newly constructed plant is added to plant balances at costs which include contracted services, direct labor, materials, overhead and allowance for funds used during construction. Replacement of major units of property are capitalized as plant. The replaced plant is removed from plant balances and the cost of such property together with the cost of removal less salvage is charged to accumulated depreciation. Repair and replacement of minor items of property are included in the Consolidated Statements of Income as other operation and maintenance expense.

DEPRECIATION

The provision for depreciation, which was approximately 3.2 percent of the average depreciable utility plant, for each of the years 1997, 1996 and 1995, is provided on a straight-line method over the estimated service life of the property. Depreciation is provided at the unit level for production plant and at the account or sub-account level for all other plant, and is based on the average life group procedure.

Enogex's gas pipeline, gathering systems, compressors and gas processing plants are depreciated on a straight-line method over periods ranging from 10 to 48 years.

ALLOWANCE FOR FUNDS USED DURING CONSTRUCTION

Allowance for funds used during construction ("AFUDC") is calculated according to FERC pronouncements for the imputed cost of equity and borrowed funds. AFUDC, a non-cash item, is reflected as a credit on the Consolidated Statements of Income and a charge to construction work in progress.

AFUDC rates, compounded semi-annually, were 5.94, 5.63 and 6.30 percent for the years 1997, 1996 and 1995, respectively.

CASH AND CASH EQUIVALENTS

For purposes of these statements, the Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. These investments are carried at cost which approximates market.

The Company's cash management program utilizes controlled disbursement banking arrangements. Outstanding checks in excess of cash balances totaled \$18.5 million, \$24.0 million and \$27.3 million at December 31, 1997, 1996 and 1995, respectively, and are classified as accounts payable in the accompanying Consolidated Balance Sheets. Sufficient funds were available to fund these outstanding checks when they were presented for payment.

HEAT PUMP LOANS

OG&E has a heat pump loan program, whereby, qualifying customers may obtain a loan from OG&E to purchase a heat pump. Customer loans are available from a minimum of \$1,500 to a maximum of \$13,000 with a term of 6 months to 72 months. The finance rate is based upon short-term loan rates and is reviewed and updated periodically. The interest rates were 8.25 percent, 9.75 percent and 9.90 percent at December 31, 1997, 1996 and 1995, respectively.

The current portion of these loans totaled \$4.9 million, \$4.0 million and \$3.6 million at December 31, 1997, 1996 and 1995, respectively, and are classified as accounts receivable - customers in the accompanying Consolidated Balance Sheets. The noncurrent portion of these loans totaled \$19.1 million, \$15.3 million and \$13.8 million at December 31, 1997, 1996 and 1995, respectively, and are classified as other property and investments in the accompanying Consolidated Balance Sheets.

UNBILLED REVENUE

OG&E accrues estimated revenues for services provided but not yet billed. The cost of providing service is recognized as incurred.

AUTOMATIC FUEL ADJUSTMENT CLAUSES

Variances in the actual cost of fuel used in electric generation and certain purchased power costs, as compared to that component in cost-of-service for ratemaking, are charged to substantially all of OG&E's electric customers through automatic fuel adjustment clauses, which are subject to periodic review by the OCC, the APSC and the FERC.

FUEL INVENTORIES

Fuel inventories for the generation of electricity consist of coal, oil and natural gas. These inventories are accounted for under the last-in, first-out ("LIFO") cost method. The estimated replacement cost of fuel inventories was lower than the stated LIFO cost by approximately \$1.1 million for 1997, and exceeded the stated LIFO cost by approximately \$4.6 million and \$2.4 million for 1996 and 1995, respectively, based on the average cost of fuel purchased late in the respective years. Natural gas products inventories are held for sale and accounted for based on the weighted average cost of production.

ACCRUED VACATION

The Company accrues vacation pay by establishing a liability for vacation earned during the current year, but is not payable until the following year. The accrued vacation totaled \$13.2 million, \$11.4 million and \$10.1 million at December 31, 1997, 1996 and 1995, respectively, and is classified as other current liabilities in the accompanying Consolidated Balance Sheets.

ENVIRONMENTAL COSTS

Accruals for environmental costs are recognized when it is probable that a liability has been incurred and the amount of the liability can be reasonably estimated. When a single estimate of the liability cannot be determined, the low end of the estimated range is recorded. Costs are charged to expense or deferred as a regulatory asset based on expected recovery from customers in future rates, if they relate to the remediation of conditions caused by past operations or if they are not expected to mitigate or prevent contamination from future operations. Where environmental expenditures relate to facilities currently in use, such as pollution control equipment, the costs may be capitalized and depreciated over the future service periods. Estimated remediation costs are recorded at undiscounted amounts, independent of any insurance or rate recovery, based on prior experience, assessments and current technology. Accrued obligations are regularly adjusted as environmental assessments and estimates are revised, and remediation efforts proceed. For sites where OG&E has been designated as one of several potentially responsible parties, the amount accrued represents OG&E's estimated share of the cost.

RECLASSIFICATIONS

Certain amounts have been reclassified on the consolidated financial statements to conform with the 1997 presentation.

2. INCOME TAXES

The items comprising tax expense are as follows:

Year ended December 31 (DOLLARS IN THOUSANDS)	1997	1996	1995

Provision For Current Income Taxes:			
Federal.....	\$ 47,676	\$ 72,633	\$ 65,173
State.....	9,671	8,594	12,722

Total Provision For Current Income Taxes.....	57,347	81,227	77,895

Provisions (Benefit) For Deferred Income Taxes, net:			
Federal			
Depreciation.....	11,344	2,671	6,084
Repair allowance.....	794	2,100	2,101
Removal costs.....	774	630	700
Provision for rate refund.....	---	928	(588)
Software implementation costs.....	4,840	(1,727)	---
Company restructuring.....	(494)	(8,250)	(8,373)
Other.....	2,093	1,433	(2,678)
State.....	2,904	4,365	(1,174)

Total Provision (Benefit) For Deferred Income Taxes, net...	22,255	2,150	(3,928)

Deferred Investment Tax Credits, net.....	(5,150)	(5,150)	(5,150)

Income Taxes Relating to Other Income and Deductions.....	2,114	(515)	1,436

Total Income Tax Expense.....	\$ 76,566	\$ 77,712	\$ 70,253

Pretax Income.....	\$209,116	\$211,044	\$195,509
=====			

The following schedule reconciles the statutory federal tax rate to the effective income tax rate:

Year ended December 31	1997	1996	1995

Statutory federal tax rate.....	35.0%	35.0%	35.0%
State income taxes, net of federal income tax benefit.....	3.9	4.0	3.8
Tax credits, net.....	(4.0)	(4.1)	(4.8)
Other, net.....	1.7	1.9	1.9

Effective income tax rate as reported.....	36.6%	36.8%	35.9%
=====			

The Company files consolidated income tax returns. Income taxes are allocated to each company based on its separate taxable income or loss.

Investment tax credits on electric utility property have been deferred and are being amortized to income over the life of the related property.

The Company follows the provisions of SFAS No. 109, "Accounting for Income Taxes", which uses an asset and liability approach to accounting for income taxes. Under SFAS No. 109, deferred tax assets or liabilities are computed based on the difference between the financial statement and income tax bases of assets and liabilities ("temporary differences") using the enacted marginal tax rate. Deferred income tax expenses or benefits are based on the changes in the asset or liability from period to period.

The deferred tax provisions, set forth above, are recognized as costs in the ratemaking process by the commissions having jurisdiction over the rates charged by OG&E. The components of Accumulated Deferred Income Taxes at December 31, 1997, 1996 and 1995 are as follows:

(DOLLARS IN THOUSANDS)	1997	1996	1995
Current Deferred Tax Assets:			
Accrued vacation	\$ 4,221	\$ 4,171	\$ 3,666
Provision for rate refund.....	---	---	1,025
Uncollectible accounts.....	1,898	1,748	1,782
Capitalization of indirect costs.....	106	2,583	2,583
Provision for Worker's Compensation claims.....	595	1,207	1,568
Other.....	105	358	135

Accumulated deferred tax assets.....	\$ 6,925	\$ 10,067	\$ 10,759

Deferred Tax Liabilities:			
Accelerated depreciation and other property-related differences.....	\$489,739	\$469,949	\$460,332
Allowance for funds used during construction.....	43,327	46,429	49,572
Income taxes recoverable through future rates.....	44,888	49,466	54,023

Total.....	577,954	565,844	563,927

Deferred Tax Assets:			
Deferred investment tax credits.....	(23,623)	(25,372)	(27,120)
Income taxes refundable through future rates.....	(28,421)	(32,296)	(37,795)
Postemployment medical and life insurance benefits.....	(4,174)	(2,301)	(2,347)
Company pension plan.....	(16,242)	(16,465)	(11,612)
Other.....	(1,542)	(1,394)	25

Total.....	(74,002)	(77,828)	(78,849)

Accumulated Deferred Income Tax Liabilities.....	\$503,952	\$488,016	\$485,078
=====			

3. COMMON STOCK AND RETAINED EARNINGS

There were 14,448 new shares of common stock issued pursuant to the Restricted Stock Plan in 1997 and there were no new shares of common stock issued during 1996 or 1995. The \$211.8 million decrease in 1997 in premium on capital stock, as presented on the Consolidated Statements of Capitalization, represents the gains and losses associated with the issuance of common stock pursuant to the Restricted Stock Plan, repurchased preferred stock, and the retirement of treasury stock. The \$.3 million increase in 1996 represents the gains and losses associated with the issuance of common stock pursuant to the Restricted Stock Plan and repurchased preferred stock.

RESTRICTED STOCK PLAN

The Company has a Restricted Stock Plan whereby certain employees may periodically receive shares of the Company's common stock at the discretion of the Board of Directors. The Company distributed 14,448, 16,024 and 18,872 shares of common stock during 1997, 1996 and 1995, respectively. The Company also reacquired 7,276 and 10,538 shares in 1997 and 1996, respectively. The shares distributed in 1996 and 1995 and the shares reacquired in 1997 and 1996 were recorded as treasury stock.

Changes in common stock were:

(THOUSANDS)	1997	1996	1995
Shares outstanding January 1.....	40,379	40,373	40,354
Issued/reacquired under the Restricted Stock Plan, net.....	7	6	19
Shares outstanding December 31.....	40,386	40,379	40,373

There were 4,703,391 shares of unissued common stock reserved for the various employee and Company stock plans at December 31, 1997. With the exception of the Restricted Stock Plan, the common stock requirements, pursuant to those plans, are currently being satisfied with stock purchased on the open market.

OG&E's Restated Certificate of Incorporation and its Trust Indenture, as supplemented, relating to the First Mortgage Bonds, contain provisions which, under specific conditions, limit the amount of dividends (other than in shares of common stock) and/or other distributions which may be made to the Company, as common shareowner.

SHAREOWNERS RIGHTS PLAN

In December 1990, OG&E adopted a Shareowners Rights Plan designed to protect shareowners' interests in the event that OG&E was ever confronted with an unfair or inadequate acquisition proposal. In connection with the corporate restructuring, the Company adopted a substantially identical Shareowners Rights Plan in August 1995. Pursuant to the plan, the Company declared a dividend distribution of one "right" for each share of Company common stock. Each right entitles the holder to purchase from the Company one one-hundredth of a share of new preferred stock of the Company under certain circumstances. The rights may be exercised if a person or group announces its intention to acquire, or does acquire, 20 percent or more of the Company's common stock. Under certain circumstances, the holders of the rights will be entitled to purchase either shares of common stock of the

Company or common stock of the acquirer at a reduced percentage of market value. The rights are scheduled to expire on December 11, 2000.

4. CUMULATIVE PREFERRED STOCK OF SUBSIDIARY

Preferred stock of OG&E is redeemable at the option of OG&E at the following amounts per share plus accrued dividends: the 4% Cumulative Preferred Stock at the par value of \$20 per share; the Cumulative Preferred Stock, par value \$100 per share, as follows: 4.20% series-\$102; 4.24% series-\$102.875; 4.44% series-\$102; 4.80% series-\$102; and 5.34% series-\$101.

In January 1998, all outstanding shares of OG&E's cumulative preferred stock were redeemed. See Note 12 of Notes to Consolidated Financial Statements.

OG&E's Restated Certificate of Incorporation permits the issuance of new series of preferred stock with dividends payable other than quarterly.

5. LONG-TERM DEBT

OG&E's Trust Indenture, as supplemented, relating to the First Mortgage Bonds, requires OG&E to pay to the trustee annually, an amount sufficient to redeem, for sinking fund purposes, 1 1/4 percent of the highest amount outstanding at any time. This requirement has been satisfied by pledging permanent additions to property to the extent of 166 2/3 percent of principal amounts of bonds otherwise required to be redeemed. Through December 31, 1997, gross property additions pledged totaled approximately \$394 million.

Annual sinking fund requirements for each of the five years subsequent to December 31, 1997, are as follows:

Year	Amount
1998.....	\$ 11,614,583
1999.....	\$ 11,354,167
2000.....	\$ 11,354,167
2001.....	\$ 11,354,167
2002.....	\$ 10,520,833

As in prior years, OG&E expects to meet these requirements by pledging permanent additions to property.

In February 1997, OG&E filed a registration statement for up to \$50 million of grantor trust preferred securities. In February 1998, OG&E filed a registration statement for up to \$112.5 million of senior notes. Assuming favorable market conditions, OG&E may issue all or part of these securities to refinance, at lower rates, one or more series of outstanding first mortgage bonds.

As of December 31, 1997, Enogex long-term debt consisted of \$150 million of medium-term notes at a composite rate of 6.87%. The following table itemizes the Enogex long-term debt at December 31, 1997, 1996 and 1995:

December 31 (DOLLARS IN THOUSANDS)	1997	1996	1995
Series Due August 7, 2000 -- 6.76% - 6.77%.....	\$ 27,000	\$ 27,000	\$ 27,000
Series Due August 31, 2000 -- 6.68%.....	20,000	20,000	20,000
Series Due September 1, 2000 -- 6.70%.....	10,000	10,000	10,000
Series Due August 7, 2002 -- 7.02% - 7.05%.....	63,000	63,000	63,000
Series Due July 23, 2004 -- 6.79%.....	30,000	---	---
Total.....	\$150,000	\$120,000	\$120,000

Maturities of long-term debt during the next five years consist of \$25 million in 1998, \$12.5 million in 1999, \$167 million in 2000, and \$103 million in 2002.

OG&E incurred costs relating to a series of amendments to its Trust Indenture in 1991 and refinancing of long-term debt in 1997 and 1995. Additionally, Enogex incurred costs relating to the issuance of long-term debt in 1997 and 1995. Unamortized debt expense and unamortized loss on reacquired debt, and unamortized premium and discount on long-term debt are being amortized over the life of the respective debt and are classified as deferred charges -- other and long-term debt, respectively, in the accompanying Consolidated Balance Sheets.

Substantially all electric plant was subject to lien of the Trust Indenture at December 31, 1997.

6. SHORT-TERM DEBT

The Company borrows on a short-term basis, as necessary, by the issuance of commercial paper and by obtaining short-term bank loans. The maximum and average amounts of short-term borrowings during 1997 were \$129.3 million and \$52.3 million, respectively, at a weighted average interest rate of 5.94%. The weighted average interest rates for 1996 and 1995 were 5.63% and 6.39%, respectively. The Company has an agreement for a flexible line of credit, up to \$160 million, through December 6, 2000. The line of credit is maintained on a variable fee basis on the unused balance. Short-term debt in the amount of \$1.0 million was outstanding at December 31, 1997.

7. POSTEMPLOYMENT BENEFIT PLANS

During 1994, the Company restructured its operations, reducing its workforce by approximately 24 percent. This was accomplished through a Voluntary Early Retirement Package ("VERP") and an enhanced severance package. The VERP included enhanced pension benefits as well as postemployment medical and life insurance benefits.

As a result of the postemployment benefits provided in connection with this workforce reduction, the Company incurred severance costs and certain one-time costs computed in accordance with SFAS No. 88, "Employers' Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits" and SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions." In response to an application filed by the Company, the OCC directed the Company to defer the one-time costs which had not been offset by labor savings through December 31, 1994. The remaining balance of the one-time costs was amortized over 26 months, commencing

January 1, 1995. The components of the severance and VERP costs and the amount deferred are as follows:

(DOLLARS IN THOUSANDS)	SFAS No. 88	SFAS No. 106	Severance	Total
Curtailment Loss.....	\$ 1,042	\$ 5,457	\$ ---	\$ 6,499
Recognition of Transition Obligation.....	---	17,268	---	17,268
Special Retirement Benefits.....	28,198	6,566	---	34,764
Enhanced Severance.....	---	---	4,891	4,891
Total VERP and Severance Costs.....	\$ 29,240	\$29,291	\$ 4,891	63,422
Deferred as a Regulatory Asset at December 31, 1994.....				\$(48,903)

The amortization of the deferred regulatory asset was \$3.7 million, \$22.6 million and \$22.6 million at December 31, 1997, 1996 and 1995, respectively.

PENSION PLAN

All eligible employees of the Company are covered by a non-contributory defined benefit pension plan. Under the plan, retirement benefits are primarily a function of both the years of service and the highest average monthly compensation for 60 consecutive months out of the last 120 months of service.

It is the Company's policy to fund the plan on a current basis to comply with the minimum required contributions under existing tax regulations. Such contributions are intended to provide not only for benefits attributed to service to date, but also for those expected to be earned in the future.

Net periodic pension cost is computed in accordance with provisions of SFAS No. 87, "Employers' Accounting for Pensions," and is recorded in the accompanying Consolidated Statements of Income in other operation.

In determining the projected benefit obligation, the weighted average discount rates used were 7.00, 7.75 and 7.25 percent for 1997, 1996 and 1995, respectively. The assumed rate of increase in future salary levels was 4.50 percent in 1997, 1996 and 1995. The expected long-term rate of return on plan assets used in determining net periodic pension cost was 9.00 percent for the reported periods.

The plan's assets consist primarily of U. S. Government securities, listed common stocks and corporate debt.

Net periodic pension costs for 1997, 1996 and 1995 included the following:

(DOLLARS IN THOUSANDS)	1997	1996	1995
Service costs.....	\$ 6,529	\$ 6,493	\$ 4,714
Interest cost on projected benefit obligation.....	20,803	20,909	20,392
Return on plan assets	(19,142)	(18,742)	(15,036)
Net amortization and deferral.....	(475)	(1,263)	(1,263)
Amortization of unrecognized prior service cost.....	2,939	2,939	2,634
Net periodic pension costs.....	\$ 10,654	\$ 10,336	\$ 11,441

The following table sets forth the plan's funded status at December 31, 1997, 1996 and 1995:

(DOLLARS IN THOUSANDS)	1997	1996	1995
Projected benefit obligation:			
Vested benefits.....	\$(246,799)	\$(223,116)	\$(232,457)
Nonvested benefits.....	(22,846)	(17,599)	(18,263)
Accumulated benefit obligation.....	(269,645)	(240,715)	(250,720)
Effect of future compensation levels.....	(51,197)	(44,258)	(44,853)
Projected benefit obligation.....	(320,842)	(284,973)	(295,573)
Plan's assets at fair value.....	242,254	222,912	214,986
Plan's assets less than projected benefit obligation...	(78,588)	(62,061)	(80,587)
Unrecognized prior service cost.....	40,047	42,986	40,616
Unrecognized net asset from application of SFAS No.87..	(5,053)	(6,316)	(7,580)
Unrecognized net loss (gain).....	2,295	(15,254)	9,489
Accrued pension liability.....	\$ (41,299)	\$ (40,645)	\$ (38,062)

POSTRETIREMENT MEDICAL AND LIFE INSURANCE BENEFITS

In addition to providing pension benefits, the Company provides certain medical and life insurance benefits for retired members ("postretirement benefits"). Employees retiring from the Company on or after attaining age 55 who have met certain length of service requirements are entitled to these benefits. The benefits are subject to deductibles, co-payment provisions and other limitations.

OG&E charges to expense the SFAS No. 106 costs and includes an annual amount as a component of cost-of-service in future ratemaking proceedings. Net postretirement benefit expense for 1997, 1996 and 1995 included the following components:

(DOLLARS IN THOUSANDS)	1997	1996	1995
Service cost.....	\$ 2,144	\$ 2,317	\$ 1,932
Interest cost.....	6,365	6,824	7,242
Return on plan assets.....	(8,046)	(3,263)	(576)
Net amortization.....	6,492	3,844	3,325
Net amount capitalized or deferred.....	(1,293)	(2,157)	(2,399)
Net postretirement benefit expense.....	\$ 5,662	\$ 7,565	\$ 9,524

The discount rates used in determining the accumulated postretirement benefit obligation were 7.00, 7.75 and 7.25 percent for December 31, 1997, 1996 and 1995, respectively. The rate of increase in future compensation levels used in measuring the life insurance accumulated postretirement benefit obligation was 4.50 percent for December 31, 1997, 1996 and 1995. The expected long-term rate of return on plan assets used in determining net postretirement benefit expense was 9.00 percent for 1997 and 1996, and was not applicable for 1995. An 8.25 percent annual rate of increase in the per capita cost of covered health care benefits was assumed for 1997; the rate is assumed to decrease gradually to 4.50 percent by the year 2007 and remain at that level thereafter. A one-percentage-point increase in the assumed health care cost trend rates would increase the accumulated postretirement benefit obligation as of December 31, 1997, by approximately \$11.4 million, and the aggregate of the service and interest cost components of net postretirement health care cost for 1997 by approximately \$1.0 million.

The following table sets forth the funded status of the postretirement benefits and amounts recognized in the Company's Consolidated Balance Sheets as of December 31, 1997, 1996 and 1995:

(DOLLARS IN THOUSANDS)	1997	1996	1995
Accumulated postretirement benefit obligation:			
Retirees.....	\$(76,075)	\$(78,856)	\$(88,500)
Actives eligible to retire.....	(4,720)	(3,863)	(2,420)
Actives not yet eligible to retire.....	(13,404)	(11,553)	(11,869)
Total.....	(94,199)	(94,272)	(102,789)
Plan assets at fair value.....	45,619	39,066	23,864
Funded status.....	(48,580)	(55,206)	(78,925)
Unrecognized transition obligation.....	41,236	43,985	46,734
Unrecognized net actuarial (gain) loss.....	(12,374)	(7,937)	4,331
Accrued postretirement benefit obligation.....	\$(19,718)	\$(19,158)	\$(27,860)

8. REPORT OF BUSINESS SEGMENTS

The Company's electric utility operations are conducted through OG&E, an operating public utility engaged in the generation, transmission, distribution, and sale of electric energy. The non-utility operations are conducted through Enogex, (which is engaged in the gathering and transmission of natural gas, and through its subsidiaries, is engaged in the processing of natural gas and the marketing of natural

gas liquids, in the buying and selling of natural gas to third parties, and in the exploration for and production of oil and natural gas) and Origen (which is engaged in geothermal systems design and engineering and the development of new products).

(DOLLARS IN THOUSANDS)	1997	1996	1995
Operating Information:			
Operating Revenues			
Electric utility.....	\$1,191,691	\$1,200,337	\$1,168,287
Non-utility.....	322,305	231,427	178,082
Intersegment revenues (A).....	(41,689)	(44,329)	(44,332)
Total.....	\$1,472,307	\$1,387,435	\$1,302,037
Pre-tax Operating Income			
Electric utility.....	\$ 246,038	\$ 247,527	\$ 246,333
Non-utility.....	22,412	31,919	24,631
Total.....	\$ 268,450	\$ 279,446	\$ 270,964
Net Income			
Electric utility.....	\$ 120,994	\$ 116,869	\$ 112,545
Non-utility.....	11,556	16,463	12,711
Total.....	\$ 132,550	\$ 133,332	\$ 125,256
Investment Information:			
Identifiable Assets as of December 31			
Electric utility.....	\$2,350,782	\$2,388,012	\$2,422,609
Non-utility.....	415,083	374,343	332,262
Total.....	\$2,765,865	\$2,762,355	\$2,754,871
Other Information:			
Depreciation			
Electric utility.....	\$ 114,760	\$ 112,232	\$ 110,719
Non-utility.....	27,872	23,908	21,416
Total.....	\$ 142,632	\$ 136,140	\$ 132,135
Construction Expenditures			
Electric utility.....	\$ 100,079	\$ 94,019	\$ 110,276
Non-utility.....	63,492	56,155	43,242
Total.....	\$ 163,571	\$ 150,174	\$ 153,518

(A) Intersegment revenues are recorded at prices comparable to those of unaffiliated customers and are affected by regulatory considerations.

9. COMMITMENTS AND CONTINGENCIES

OG&E has entered into purchase commitments in connection with OG&E's construction program and the purchase of necessary fuel supplies of coal and natural gas for OG&E's generating units. The Company's construction expenditures for 1998 are estimated at \$177 million.

OG&E acquires natural gas for boiler fuel under 183 individual contracts, some of which contain provisions allowing the owners to require prepayments for gas if certain minimum quantities are not taken. At December 31, 1997, 1996 and 1995, outstanding prepayments for gas, including the amounts classified as current assets, under these contracts were approximately \$10.7 million, \$9.9 million, and \$7.4 million, respectively. OG&E may be required to make additional prepayments in subsequent years. OG&E expects to recover these prepayments as fuel costs if unable to take the gas prior to the expiration of the contracts.

At December 31, 1997, OG&E held non-cancelable operating leases covering 1,495 coal hopper railcars. Rental payments are charged to fuel expense and recovered through OG&E's tariffs and automatic fuel adjustment clauses. The leases have purchase and renewal options. Future minimum lease payments due under the railcar leases, assuming the leases are renewed under the renewal option are as follows:

(DOLLARS IN THOUSANDS)			
1998.....	\$5,431	2001.....	\$ 5,128
1999.....	5,331	2002.....	5,026
2000.....	5,230	2003 and beyond.....	56,097

Total Minimum Lease Payments.....			\$82,243
			=====

Rental payments under operating leases were approximately \$5.4 million in 1997, \$5.4 million in 1996, and \$6.5 million in 1995.

OG&E is required to maintain the railcars it has under lease to transport coal from Wyoming and has entered into an agreement with Railcar Maintenance Company, a non-affiliated company, to furnish this maintenance.

OG&E had entered into an agreement with an unrelated third-party to develop a natural gas storage facility. Operation of the gas storage facility proved beneficial by allowing OG&E to lower fuel costs by base loading coal generation, a less costly fuel supply. During 1996, OG&E completed negotiations and contracted with the third-party developer for gas storage service. Pursuant to the contract, the third-party developer reimbursed OG&E for all outstanding cash advances and interest amounting to approximately \$46.8 million. OG&E also entered into a bridge financing agreement as guarantor for the third-party. In July 1997, the third-party obtained permanent financing and issued a note in the amount of \$49.5 million. The proceeds from such permanent financing were applied to repay the outstanding bridge financing. In connection therewith, the Company entered into a note purchase agreement, pursuant to which it has agreed, upon the occurrence of a monetary default by such third-party on its permanent financing, to purchase the third-party's note at a price equal to the unpaid principal and interest under the third-party note.

OG&E has entered into agreements with four qualifying cogeneration facilities having initial terms of 3 to 32 years. These contracts were entered into pursuant to the Public Utility Regulatory Policy

Act of 1978 ("PURPA"). Stated generally, PURPA and the regulations thereunder promulgated by FERC require OG&E to purchase power generated in a manufacturing process from a qualified cogeneration facility ("QF"). The rate for such power to be paid by OG&E was approved by the OCC. The rate generally consists of two components: one is a rate for actual electricity purchased from the QF by OG&E; the other is a capacity charge which OG&E must pay the QF for having the capacity available. However, if no electrical power is made available to OG&E for a period of time (generally three months), OG&E's obligation to pay the capacity charge is suspended. The total cost of cogeneration payments is recoverable in rates from customers. In January 1998, OG&E filed an application with the OCC seeking approval to revise an existing cogeneration contract with respect to one of these facilities. If approved, the contract term will be shortened and the total payments will be reduced by approximately \$46 million. See Note 12 of Notes to Consolidated Financial Statements for related discussion.

During 1997, 1996 and 1995, OG&E made total payments to cogenerators of approximately \$212.2 million, \$210.0 million and \$210.4 million, of which \$176.2 million, \$175.2 million and \$174.1 million, respectively, represented capacity payments. All payments for purchased power, including cogeneration, are included in the Consolidated Statements of Income as purchased power. The future minimum capacity payments under the contracts for the next five years are approximately: 1998 - \$187 million, 1999 - \$189 million, 2000 - \$190 million, 2001 - \$191 million and 2002 - \$193 million.

Approximately \$.9 million of the Company's construction expenditures budgeted for 1998 are to comply with environmental laws and regulations.

The Company's management believes all of its operations are in substantial compliance with present federal, state and local environmental standards. It is estimated that the Company's total expenditures for capital, operating, maintenance and other costs to preserve and enhance environmental quality will be approximately \$43.0 million during 1998, compared to approximately \$49.1 million in 1997. The Company continues to evaluate its environmental management systems to ensure compliance with existing and proposed environmental legislation and regulations and to better position itself in a competitive market.

OG&E has contracted for low-sulfur coal to comply with the sulfur dioxide limitations of the Clean Air Act Amendments of 1990 ("CAAA"). OG&E also has completed installation and certification of all required continuous emissions monitors at each of its generating units. Phase II sulphur dioxide emission requirements will affect OG&E beginning in the year 2000. OG&E believes it can meet these sulphur dioxide limits without additional expenditures. With respect to nitrogen oxide limits, OG&E is meeting the current emission standards and has exercised its option to extend the effective date of the further reductions from 2000 to 2008.

OG&E is a party to two separate actions brought by the EPA concerning cleanup of disposal sites for hazardous waste. OG&E was not the owner or operator of those sites, rather OG&E, along with many others, shipped materials to the owners or operators of the sites who failed to dispose of the materials in an appropriate manner. Remediation at one of these sites has been completed. OG&E's total waste disposed at the remaining site is minimal and on February 15, 1996, OG&E elected to participate in the de minimis settlement offered by EPA. One of the other potentially responsible parties is currently contesting OG&E's participation as a de minimis party. Regardless of the outcome of this issue, OG&E believes its ultimate liability for this site is minimal.

In the normal course of business, other lawsuits, claims, environmental actions and other governmental proceedings arise against the Company and its subsidiaries. Management, after consultation with legal counsel, does not anticipate that liabilities arising out of other currently pending or threatened lawsuits and claims will have a material adverse effect on the Company's consolidated financial position or results of operations.

10. RATE MATTERS AND REGULATION

On February 11, 1997, the OCC issued an order that, among other things, effectively lowered OG&E's rates to its Oklahoma retail customers by \$50 million annually (based on a test year ended December 31, 1995). The OCC order also directed OG&E to transition to competitive bidding of its gas transportation requirements currently met by Enogex no later than April 30, 2000. The order also set annual compensation for the transportation services provided by Enogex at \$41.3 million until competitively-bid gas transportation begins.

As discussed in Note 7 of Notes to Consolidated Financial Statements, during the third quarter of 1994, the Company incurred \$63.4 million of costs related to the VERP and enhanced severance package. Pending an OCC order, OG&E deferred these costs; however, between August 1, and December 31, 1994, the amount deferred was reduced by approximately \$14.5 million. In response to an application filed by OG&E on August 9, 1994, the OCC issued an order on October 26, 1994, that permitted the Company to amortize the December 31, 1994, regulatory asset of \$48.9 million over 26 months and reduced OG&E's electric rates during such period by approximately \$15 million annually, effective January 1995. The labor savings from the VERP and severance package substantially offset the amortization of the regulatory asset and annual rate reduction of \$15 million.

On February 25, 1994, the OCC issued an order that, among other things, effectively lowered OG&E's rates to its Oklahoma retail customers by approximately \$14 million annually (based on a test year ended June 30, 1991) and required OG&E to refund approximately \$41.3 million. The \$14 million annual reduction in rates lowered OG&E's rates to its Oklahoma customers by approximately \$17 million annually. With respect to the \$41.3 million refund, the entire amount relates to the disallowance of a portion of the fees paid by OG&E to Enogex for transportation services of which \$39.1 million was associated with revenues prior to January 1, 1994, while the remaining \$2.2 million related to 1994.

On June 18, 1996, the APSC staff and OG&E filed a Joint Stipulation recommending settlement of certain issues resulting from the APSC review of the amounts that OG&E pays Enogex and recovers through its fuel clause or other tariffs for transporting natural gas to OG&E's gas-fired generating stations. On July 11, 1996, the APSC issued an order that, among other things, required OG&E to refund approximately \$4.5 million in 1996 to its Arkansas retail electric customers. The \$4.5 million refund related to the disallowance of a portion of the fees paid by OG&E to Enogex for such transportation services and was recorded as a provision for a potential refund prior to August 1996.

On February 13, 1998, the APSC Staff filed a motion for a show cause order to review OG&E's electric rates in the State of Arkansas. The staff is recommending a \$3.1 million annual rate reduction (based on a test year ended December 31, 1996) and that OG&E file a cost of service study within 60 days. OG&E is in the process of evaluating the application.

11. DISCLOSURES ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS

The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

CASH AND CASH EQUIVALENTS AND CUSTOMER DEPOSITS

The fair value of cash and cash equivalents and customer deposits approximate the carrying amount due to their short maturity.

LONG-TERM DEBT AND PREFERRED STOCK

The fair value of Long-Term Debt and Preferred Stock is estimated based on quoted market prices and management's estimate of current rates available for similar issues. The fair value of the Enogex Notes is based on management's estimate of current rates available for similar issues with the same remaining maturities.

Indicated below are the carrying amounts and estimated fair values of the Company's financial instruments as of December 31:

(DOLLARS IN THOUSANDS)	1997		1996		1995	
	CARRYING AMOUNT	FAIR VALUE	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash and Cash Equivalents.....	\$ 4,257	\$ 4,257	\$ 2,523	\$ 2,523	\$ 5,420	\$ 5,420
Customer Deposits.....	\$ 23,847	\$ 23,847	\$ 23,257	\$ 23,257	\$ 21,920	\$ 21,920
Long-Term Debt and Preferred Stock:						
First Mortgage Bonds.....	\$581,524	\$594,357	\$644,881	\$656,362	\$644,462	\$671,356
Industrial Authority Bonds.....	135,400	135,400	79,400	79,400	79,400	79,400
Enogex Inc. Notes.....	150,000	152,915	120,000	120,379	120,000	124,853
Preferred Stock:						
4% - 5.34% Series -827,828, 831,363 and 836,963 Shares, respectively.....	49,266	49,997	49,379	35,829	49,939	35,541

12. SUBSEQUENT EVENTS

In January 1998, Enogex, through a newly-formed subsidiary, Enogex Arkansas Pipeline Corp. agreed to acquire interests in two natural gas pipelines, NOARK Pipeline System, L.P. and Ozark Pipeline, for approximately \$30 million and \$55 million, respectively. The transactions are subject to certain regulatory approvals, including that of the Federal Energy Regulatory Commission.

In January 1998, OG&E filed an application with the OCC seeking approval to revise an existing cogeneration contract with Mid-Continent Power Company ("MCPC"), a cogeneration plant near Pryor, Oklahoma. Under PURPA, OG&E was obligated to enter into the original contract, which was approved

by the OCC in 1987, and which required OG&E to purchase peaking capacity from the plant for 10 years beginning in 1998 -- whether the capacity was needed or not. In January 1998, the Company agreed to purchase the stock of Oklahoma Loan Acquisition Corporation, the company that owns the MCPC plant, for approximately \$25 million. As part of the transaction, the term of the existing cogeneration contract with OG&E will be shortened. If the transaction is approved by the necessary regulatory agencies, OG&E estimates that it will provide savings for its Oklahoma customers of approximately \$46 million.

On January 15, 1998, all outstanding shares of OG&E's 4% Cumulative Preferred Stock were redeemed at the par value of \$20 per share plus accrued dividends. On January 20, 1998, all outstanding shares of OG&E's Cumulative Preferred Stock, par value \$100 per share, were redeemed at the following amounts per share plus accrued dividends: 4.20% series-\$102; 4.24% series-\$102.875; 4.44% series-\$102; 4.80% series-\$102; and 5.34% series-\$101.

On January 21, 1998, the Company adopted a Stock Incentive Plan. Options, stock appreciation rights, performance units and restricted stock may be granted to officers, directors and other key employees under such plan. The Company has authorized the issuance of up to 2,000,000 shares under the plan. The plan is subject to shareholder approval at the 1998 annual meeting.

On February 11, 1998, OG&E filed a registration statement for up to \$112.5 million of senior notes. Assuming favorable market conditions, OG&E may issue all or part of these securities to refinance, at lower rates, one or more series of outstanding first mortgage bonds.

As more fully explained in Note 10, on February 13, 1998, the APSC Staff filed a motion for a show cause order to review OG&E's electric rates in the State of Arkansas. The staff is recommending a \$3.1 million annual rate reduction.

Report of Independent Public Accountants

TO THE SHAREOWNERS OF
OGE ENERGY CORP.:

We have audited the accompanying consolidated balance sheets and statements of capitalization of OGE Energy Corp. (an Oklahoma corporation), formerly Oklahoma Gas & Electric Company, and its subsidiaries as of December 31, 1997, 1996 and 1995, and the related consolidated statements of income, retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of OGE Energy Corp. and its subsidiaries as of December 31, 1997, 1996 and 1995, and the results of their operations and their cash flows for the years then ended in conformity with generally accepted accounting principles.

/s/ Arthur Andersen LLP
Arthur Andersen LLP

Oklahoma City, Oklahoma,
January 20, 1998

Report of Management

- - - - -

TO OUR SHAREOWNERS:

The management of OGE Energy Corp. and its subsidiaries has prepared, and is responsible for the integrity and objectivity of the financial and operating information contained in this Annual Report. The consolidated financial statements have been prepared in accordance with generally accepted accounting principles and include certain amounts that are based on the best estimates and judgments of management.

To meet its responsibility for the reliability of the consolidated financial statements and related financial data, the Company's management has established and maintains an internal control structure. This structure provides management with reasonable assurance in a cost-effective manner that, among other things, assets are properly safeguarded and transactions are executed and recorded in accordance with its authorizations so as to permit preparation of financial statements in accordance with generally accepted accounting principles. The Company's internal auditors assess the effectiveness of this internal control structure and recommend possible improvements thereto on an ongoing basis.

The Company maintains high standards in selecting, training and developing its members. This, combined with Company policies and procedures, provides reasonable assurance that operations are conducted in conformity with applicable laws and with its commitment to the highest standards of business conduct.

Supplementary Data

Interim Consolidated Financial Information (Unaudited)

In the opinion of the Company, the following quarterly information includes all adjustments, consisting of normal recurring adjustments, necessary for a fair statement of the results of operations for such periods:

Quarter ended (DOLLARS IN THOUSANDS EXCEPT PER SHARE DATA)		Dec 31	Sep 30	Jun 30	Mar 31
Operating revenues.....	1997	\$ 373,277	\$ 474,587	\$ 333,228	\$ 291,215
	1996	311,515	449,224	348,644	278,052
	1995	283,898	467,510	304,113	246,516
Operating income.....	1997	\$ 26,680	\$ 103,268	\$ 48,049	\$ 16,001
	1996	23,227	107,152	53,623	17,217
	1995	24,948	115,991	42,800	18,408
Net income (loss).....	1997	\$ 12,205	\$ 89,520	\$ 31,085	\$ (260)
	1996	7,301	90,165	35,328	538
	1995	4,890	96,969	24,258	(861)
Earnings (loss) available for common.....	1997	\$ 11,634	\$ 88,949	\$ 30,513	\$ (831)
	1996	6,729	89,593	34,749	(41)
	1995	4,311	96,390	23,679	(1,440)
Earnings (loss) per average common share.....	1997	\$ 0.29	\$ 2.20	\$ 0.76	\$ (0.02)
	1996	0.17	2.22	0.86	0.00
	1995	0.11	2.39	0.59	(0.04)

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING

AND FINANCIAL DISCLOSURE.

Not Applicable.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT.

ITEM 11. EXECUTIVE COMPENSATION.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL

OWNERS AND MANAGEMENT.

Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

Items 10, 11, 12 and 13 are omitted pursuant to General Instruction G of Form 10-K, since the Company filed copies of a definitive proxy statement with the Securities and Exchange Commission on or about March 27, 1998. Such proxy statement is incorporated herein by reference. In accordance with Instruction G of Form 10-K, the information required by Item 10 relating to Executive Officers has been included in Part I, Item 4, of this Form 10-K.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND

REPORTS ON FORM 8-K.

(A) 1. FINANCIAL STATEMENTS

The following consolidated financial statements and supplementary data are included in Part II, Item 8 of this Report:

- o Consolidated Balance Sheets at December 31, 1997, 1996 and 1995
- o Consolidated Statements of Income for the years ended December 31, 1997, 1996 and 1995
- o Consolidated Statements of Retained Earnings for the years ended December 31, 1997, 1996 and 1995
- o Consolidated Statements of Capitalization at December 31, 1997, 1996 and 1995
- o Consolidated Statements of Cash Flows for the years ended December 31, 1997, 1996 and 1995
- o Notes to Consolidated Financial Statements
- o Report of Independent Public Accountants
- o Report of Management

SUPPLEMENTARY DATA

o Interim Consolidated Financial Information

2. FINANCIAL STATEMENT SCHEDULE (INCLUDED IN PART IV)	PAGE
Schedule II - Valuation and Qualifying Accounts	84
Report of Independent Public Accountants	85
Financial Data Schedule	97

All other schedules have been omitted since the required information is not applicable or is not material, or because the information required is included in the respective financial statements or notes thereto.

3. EXHIBITS

EXHIBIT NO.	DESCRIPTION
3.01	Copy of Restated Certificate of Incorporation. (Filed as Exhibit 3.01 to OGE Energy's Form 10-K for the year ended December 31, 1996 (File No. 1-12579) and incorporated by reference herein)
3.02	By-laws. (Filed as Exhibit 3.02 to OGE Energy's Form 10-K for the year ended December 31, 1996 (File No. 1-12579) and incorporated by reference herein)
4.01	Copy of Trust Indenture, dated February 1, 1945, from OG&E to The First National Bank and Trust Company of Oklahoma City, Trustee. (Filed as Exhibit 7-A to Registration Statement No. 2-5566 and incorporated by reference herein)
4.02	Copy of Supplemental Trust Indenture, dated December 1, 1948, being a supplemental instrument to Exhibit 4.01 hereto. (Filed as Exhibit 7.03 to Registration Statement No. 2-7744 and incorporated by reference herein)
4.03	Copy of Supplemental Trust Indenture, dated June 1, 1949, being a supplemental instrument to Exhibit 4.01 hereto. (Filed as Exhibit 7.03 to Registration Statement No. 2-7964 and incorporated by reference herein)

- 4.04 Copy of Supplemental Trust Indenture, dated May 1, 1950, being a supplemental instrument to Exhibit 4.01 hereto. (Filed as Exhibit 7.04 to Registration Statement No. 2-8421 and incorporated by reference herein)
- 4.05 Copy of Supplemental Trust Indenture, dated March 1, 1952, a supplemental instrument to Exhibit 4.01 hereto. (Filed as Exhibit 4.08 to Registration Statement No. 2-9415 and incorporated by reference herein)
- 4.06 Copy of Supplemental Trust Indenture, dated June 1, 1955, being a supplemental instrument to Exhibit 4.01 hereto. (Filed as Exhibit 4.07 to Registration Statement No. 2-12274 and incorporated by reference herein)
- 4.07 Copy of Supplemental Trust Indenture, dated January 1, 1957, being a supplemental instrument to Exhibit 4.01 hereto. (Filed as Exhibit 2.07 to Registration Statement No. 2-14115 and incorporated by reference herein)
- 4.08 Copy of Supplemental Trust Indenture, dated June 1, 1958, being a supplemental instrument to Exhibit 4.01 hereto. (Filed as Exhibit 4.09 to Registration Statement No. 2-19757 and incorporated by reference herein)
- 4.09 Copy of Supplemental Trust Indenture, dated March 1, 1963, being a supplemental instrument to Exhibit 4.01 hereto. (Filed as Exhibit 2.09 to Registration Statement No. 2-23127 and incorporated by reference herein)
- 4.10 Copy of Supplemental Trust Indenture, dated March 1, 1965, being a supplemental instrument to Exhibit 4.01 hereto. (Filed as Exhibit 4.10 to Registration Statement No. 2-25808 and incorporated by reference herein)
- 4.11 Copy of Supplemental Trust Indenture, dated January 1, 1967, being a supplemental instrument to Exhibit 4.01 hereto. (Filed as Exhibit 2.11 to Registration Statement No. 2-27854 and incorporated by reference herein)

- 4.12 Copy of Supplemental Trust Indenture, dated January 1, 1968, being a supplemental instrument to Exhibit 4.01 hereto. (Filed as Exhibit 2.12 to Registration Statement No. 2-31010 and incorporated by reference herein)
- 4.13 Copy of Supplemental Trust Indenture, dated January 1, 1969, being a supplemental instrument to Exhibit 4.01 hereto. (Filed as Exhibit 2.13 to Registration Statement No. 2-35419 and incorporated by reference herein)
- 4.14 Copy of Supplemental Trust Indenture, dated January 1, 1970, being a supplemental instrument to Exhibit 4.01 hereto. (Filed as Exhibit 2.14 to Registration Statement No. 2-42393 and incorporated by reference herein)
- 4.15 Copy of Supplemental Trust Indenture, dated January 1, 1972, being a supplemental instrument to Exhibit 4.01 hereto. (Filed as Exhibit 2.15 to Registration Statement No. 2-49612 and incorporated by reference herein)
- 4.16 Copy of Supplemental Trust Indenture, dated January 1, 1974, being a supplemental instrument to Exhibit 4.01 hereto. (Filed as Exhibit 2.16 to Registration Statement No. 2-52417 and incorporated by reference herein)
- 4.17 Copy of Supplemental Trust Indenture, dated January 1, 1975, being a supplemental instrument to Exhibit 4.01 hereto. (Filed as Exhibit 2.17 to Registration Statement No. 2-55085 and incorporated by reference herein)
- 4.18 Copy of Supplemental Trust Indenture, dated January 1, 1976, being a supplemental instrument to Exhibit 4.01 hereto. (Filed as Exhibit 2.18 to Registration Statement No. 2-57730 and incorporated by reference herein)
- 4.19 Copy of Supplemental Trust Indenture, dated September 14, 1976, being a supplemental instrument to Exhibit 4.01 hereto. (Filed as Exhibit 2.19 to Registration Statement No. 2-59887 and incorporated by reference herein)

- 4.20 Copy of Supplemental Trust Indenture, dated January 1, 1977, being a supplemental instrument to Exhibit 4.01 hereto. (Filed as Exhibit 2.20 to Registration Statement No. 2-59887 and incorporated by reference herein)
- 4.21 Copy of Supplemental Trust Indenture, dated November 1, 1977, being a supplemental instrument to Exhibit 4.01 hereto. (Filed as Exhibit 4.21 to Registration Statement No. 2-70539 and incorporated by reference herein)
- 4.22 Copy of Supplemental Trust Indenture, dated December 1, 1977, being a supplemental instrument to Exhibit 4.01 hereto. (Filed as Exhibit 4.22 to Registration Statement No. 2-70539 and incorporated by reference herein)
- 4.23 Copy of Supplemental Trust Indenture, dated February 1, 1980, being a supplemental instrument to Exhibit 4.01 hereto. (Filed as Exhibit 4.23 to Registration Statement No. 2-70539 and incorporated by reference herein)
- 4.24 Copy of Supplemental Trust Indenture, dated April 15, 1982, being a supplemental instrument to Exhibit 4.01 hereto. (Filed as Exhibit 4.24 to OG&E's Form 10-K Report, File No. 1-1097, for the year ended December 31, 1982, and incorporated by reference herein)
- 4.25 Copy of Supplemental Trust Indenture, dated August 15, 1986, being a supplemental instrument to Exhibit 4.01 hereto. (Filed as Exhibit 4.25 to OG&E's Form 10-K Report, File No. 1-1097, for the year ended December 31, 1986, and incorporated by reference herein)
- 4.26 Copy of Supplemental Trust Indenture, dated March 1, 1987, being a supplemental instrument to Exhibit 4.01 hereto. (Filed as Exhibit 4.26 to OG&E's Form 10-K Report for the year ended December 31, 1987, File No. 1-1097, and incorporated by reference herein)

- 4.28 Copy of Supplemental Trust Indenture, dated November 15, 1990, being a supplemental instrument to Exhibit 4.01 hereto. (Filed as Exhibit 4.28 to OG&E's Form 10-K Report for the year ended December 31, 1990, File No. 1-1097, and incorporated by reference herein)
- 4.29 Copy of Supplemental Trust Indenture, dated December 9, 1991, being a supplemental instrument to Exhibit 4.01 hereto. (Filed as Exhibit 4.29 to OG&E's Form 10-K Report for the year ended December 31, 1991, File No. 1-1097, and incorporated by reference herein)
- 4.30 Copy of Supplemental Trust Indenture dated October 1, 1995, being a supplemental instrument to Exhibit 4.01 hereto. (Filed as Exhibit 4.02 to OG&E's Form 8-K Report dated October 23, 1995, File No. 1-1097, and incorporated by reference herein)
- 4.31 Copy of Supplemental Trust Indenture dated October 1, 1995, from OG&E to Boatmen's First National Bank of Oklahoma, Trustee. (Filed as Exhibit 4.29 to Registration Statement No. 33-61821 and incorporated by reference herein)
- 4.32 Copy of Supplemental Trust Indenture No. 1 dated October 16, 1995, being a supplemental instrument to Exhibit 4.31 hereto. (Filed as Exhibit 4.01 to OG&E's Form 8-K Report dated October 23, 1995, File No. 1-1097, and incorporated by reference herein)
- 4.33 Supplemental Indenture No. 2, dated as of July 1, 1997, being a supplemental instrument to Exhibit 4.31 hereto. (Filed as Exhibit 4.01 to OG&E's Form 8-K filed on July 17, 1997, (File No. 1-1097) and incorporated by reference herein)
- 4.34 Supplemental Trust Indenture dated as of July 1, 1997, being a supplemental instrument to Exhibit 4.01 hereto. (Filed as Exhibit 4.02 to OG&E's Form 8-K filed on July 17, 1997, (File No. 1-1097) and incorporated by reference herein)
- 10.01 Coal Supply Agreement dated March 1, 1973, between OG&E and Atlantic Richfield Company. (Filed as Exhibit 5.19 to Registration Statement No. 2-59887 and incorporated by reference herein)

- 10.02 Amendment dated April 1, 1976, to Coal Supply Agreement dated March 1, 1973, between OG&E and Atlantic Richfield Company, together with related correspondence. (Filed as Exhibit 5.21 to Registration Statement No. 2-59887 and incorporated by reference herein)
- 10.03 Second Amendment dated March 1, 1978, to Coal Supply Agreement dated March 1, 1973, between OG&E and Atlantic Richfield Company. (Filed as Exhibit 5.28 to Registration Statement No. 2-62208 and incorporated by reference herein)
- 10.04 Amendment dated June 27, 1990, between OG&E and Thunder Basin Coal Company, to Coal Supply Agreement dated March 1, 1973, between OG&E and Atlantic Richfield Company. (Filed as Exhibit 10.04 to OG&E's Form 10-K Report for the year ended December 31, 1994, File No. 1-1097, and incorporated by reference herein) [Confidential Treatment has been requested for certain portions of this exhibit.]
- 10.05 Form of Change of Control Agreement for Officers of the Company and OG&E. (Filed as Exhibit 10.07 to OGE Energy's Form 10-K for the year ended December 31, 1996 (File No. 1-12579) and incorporated by reference herein)
- 10.06 Amended and Restated Stock Equivalent and Deferred Compensation Plan for Directors, as amended. (Filed as Exhibit 10.08 to OGE Energy's Form 10-K for the year ended December 31, 1996 (File No. 1-12579) and incorporated by reference herein)
- 10.07 Amended and Restated Restricted Stock Plan of the Company. (Filed as Exhibit 10.09 to OGE Energy's Form 10-K for the year ended December 31, 1996 (File No. 1-12579) and incorporated by reference herein)
- 10.08 Agreement and Plan of Reorganization, dated May 14, 1986, between OG&E and Mustang Fuel Corporation. (Attached as Appendix A to Registration Statement No. 33-7472 and incorporated by reference herein)
- 10.09 OG&E's Restoration of Retirement Income Plan, as amended. (Filed as Exhibit 10.12 to OGE Energy's Form 10-K for the year ended December 31, 1996 (File No. 1-12579) and incorporated by reference herein)

- 10.10 Company's Restoration of Retirement Savings Plan, as amended.
(Filed as Exhibit 10.13 to OGE Energy's Form 10-K
for the year ended December 31, 1996 (File No.
1-12579) and incorporated by reference herein)
- 10.11 OG&E's Supplemental Executive Retirement Plan, as amended.
(Filed as Exhibit 10.15 to OGE Energy's Form 10-K
for the year ended December 31, 1996 (File No.
1-12579) and incorporated by reference herein)
- 10.12 Company's Annual Incentive Compensation Plan. (Filed as
Exhibit 10.16 to OGE Energy's Form 10-K
for the year ended December 31, 1996 (File No.
1-12579) and incorporated by reference herein)
- 21.01 Subsidiaries of the Registrant.
- 23.01 Consent of Arthur Andersen LLP.
- 24.01 Power of Attorney.
- 27.01 Financial Data Schedule.
- 99.01 Cautionary Statement for Purposes of the "Safe Harbor"
Provisions of the Private Securities Litigation
Reform Act of 1995.
- 99.02 Description of Common Stock. (Filed as Exhibit 99.02
to OGE Energy's Form 10-K for the year
ended December 31, 1996 (File No. 1-12579)
and incorporated by reference herein)

Executive Compensation Plans and Arrangements

- 10.05 Form of Change of Control Agreement for Officers of the Company and OG&E. (Filed as Exhibit 10.07 to OGE Energy's Form 10-K for the year ended December 31, 1996 (File No. 1-12579) and incorporated by reference herein)
- 10.06 Amended and Restated Stock Equivalent and Deferred Compensation Plan for Directors, as amended. (Filed as Exhibit 10.08 to OGE Energy's Form 10-K for the year ended December 31, 1996 (File No. 1-12579) and incorporated by reference herein)
- 10.07 Amended and Restated Restricted Stock Plan of the Company. (Filed as Exhibit 10.09 to OGE Energy's Form 10-K for the year ended December 31, 1996 (File No. 1-12579) and incorporated by reference herein)
- 10.09 OG&E's Restoration of Retirement Income Plan, as amended. (Filed as Exhibit 10.12 to OGE Energy's Form 10-K for the year ended December 31, 1996 (File No. 1-12579) and incorporated by reference herein)
- 10.10 Company's Restoration of Retirement Savings Plan, as amended. (Filed as Exhibit 10.13 to OGE Energy's Form 10-K for the year ended December 31, 1996 (File No. 1-12579) and incorporated by reference herein)
- 10.11 OG&E's Supplemental Executive Retirement Plan, as amended. (Filed as Exhibit 10.15 to OGE Energy's Form 10-K for the year ended December 31, 1996 (File No. 1-12579) and incorporated by reference herein)
- 10.12 Company's Annual Incentive Compensation Plan. (Filed as Exhibit 10.16 to OGE Energy's Form 10-K for the year ended December 31, 1996 (File No. 1-12579) and incorporated by reference herein)

(B) REPORTS ON FORM 8-K

Item 5. Other Events, dated January 6, 1998 reported the Company's agreement to purchase the stock of Oklahoma Loan Acquisition Corporation, the company that owns the Mid-Continent Power Company, a cogeneration plant near Pryor, Oklahoma. OG&E also filed an application with the OCC seeking approval to revise an existing cogeneration contract with Mid-Continent Power Company.

OGE ENERGY CORP.

SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS

COLUMN A DESCRIPTION -----	COLUMN B BALANCE BEGINNING OF YEAR -----	COLUMN C CHARGED TO COSTS AND EXPENSES -----	COLUMN C CHARGED TO OTHER ACCOUNTS -----	COLUMN D DEDUCTIONS -----	COLUMN E BALANCE END OF YEAR -----
1997			(THOUSANDS)		
Reserve for Uncollectible Accounts	\$4,626	\$7,334	-	\$7,453	\$4,507
1996					
Reserve for Uncollectible Accounts	\$4,205	\$7,720	-	\$7,299	\$4,626
1995					
Reserve for Uncollectible Accounts	\$3,719	\$7,673	-	\$7,187	\$4,205

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To OGE Energy Corp.:

We have audited in accordance with generally accepted auditing standards, the consolidated financial statements of OGE Energy Corp. (an Oklahoma Corporation), formerly Oklahoma Gas & Electric Company, and its subsidiaries included in this Form 10-K, and have issued our report thereon dated January 20, 1998. Our audits were made for the purpose of forming an opinion on those statements taken as a whole. The schedule listed on Page 76, Item 14 (a) 2. is the responsibility of the Company's management and is presented for purposes of complying with the Securities and Exchange Commission's rules and is not part of the basic financial statements. This schedule has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, fairly states in all material respects the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

/ s / Arthur Andersen LLP
Arthur Andersen LLP

Oklahoma City, Oklahoma,
January 20, 1998

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Oklahoma City, and State of Oklahoma on the 27th day of March, 1998.

OGE ENERGY CORP.
(REGISTRANT)

/s/ Steven E. Moore
By Steven E. Moore
Chairman of the Board
and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this Report has been signed below by the following persons in the capacities and on the dates indicated.

Signature	Title	Date
/ s / Steven E. Moore Steven E. Moore	Principal Executive Officer and Director;	March 27, 1998
/ s / A. M. Strecker A. M. Strecker	Principal Financial and Accounting Officer.	March 27, 1998
Herbert H. Champlin	Director;	
Luke R. Corbett	Director;	
William E. Durrett	Director;	
Martha W. Griffin	Director;	
Hugh L. Hembree, III	Director;	
Robert Kelley	Director;	
Bill Swisher	Director; and	
Ronald H. White, M.D.	Director.	
/ s / Steven E. Moore By Steven E. Moore (attorney-in-fact)		March 27, 1998

EXHIBIT INDEX

EXHIBIT NO.	DESCRIPTION
-----	-----
3.01	Copy of Restated Certificate of Incorporation. (Filed as Exhibit 3.01 to OGE Energy's Form 10-K for the year ended December 31, 1996 (File No. 1-12579) and incorporated by reference herein)
3.02	By-laws. (Filed as Exhibit 3.02 to OGE Energy's Form 10-K for the year ended December 31, 1996 (File No. 1-12579) and incorporated by reference herein)
4.01	Copy of Trust Indenture, dated February 1, 1945, from OG&E to The First National Bank and Trust Company of Oklahoma City, Trustee. (Filed as Exhibit 7-A to Registration Statement No. 2-5566 and incorporated by reference herein)
4.02	Copy of Supplemental Trust Indenture, dated December 1, 1948, being a supplemental instrument to Exhibit 4.01 hereto. (Filed as Exhibit 7.03 to Registration Statement No. 2-7744 and incorporated by reference herein)
4.03	Copy of Supplemental Trust Indenture, dated June 1, 1949, being a supplemental instrument to Exhibit 4.01 hereto. (Filed as Exhibit 7.03 to Registration Statement No. 2-7964 and incorporated by reference herein)
4.04	Copy of Supplemental Trust Indenture, dated May 1, 1950, being a supplemental instrument to Exhibit 4.01 hereto. (Filed as Exhibit 7.04 to Registration Statement No. 2-8421 and incorporated by reference herein)
4.05	Copy of Supplemental Trust Indenture, dated March 1, 1952, a supplemental instrument to Exhibit 4.01 hereto. (Filed as Exhibit 4.08 to Registration Statement No. 2-9415 and incorporated by reference herein)
4.06	Copy of Supplemental Trust Indenture, dated June 1, 1955, being a supplemental instrument to Exhibit 4.01 hereto. (Filed as Exhibit 4.07 to Registration Statement No. 2-12274 and incorporated by reference herein)

- 4.07 Copy of Supplemental Trust Indenture, dated January 1, 1957, being a supplemental instrument to Exhibit 4.01 hereto. (Filed as Exhibit 2.07 to Registration Statement No. 2-14115 and incorporated by reference herein)
- 4.08 Copy of Supplemental Trust Indenture, dated June 1, 1958, being a supplemental instrument to Exhibit 4.01 hereto. (Filed as Exhibit 4.09 to Registration Statement No. 2-19757 and incorporated by reference herein)
- 4.09 Copy of Supplemental Trust Indenture, dated March 1, 1963, being a supplemental instrument to Exhibit 4.01 hereto. (Filed as Exhibit 2.09 to Registration Statement No. 2-23127 and incorporated by reference herein)
- 4.10 Copy of Supplemental Trust Indenture, dated March 1, 1965, being a supplemental instrument to Exhibit 4.01 hereto. (Filed as Exhibit 4.10 to Registration Statement No. 2-25808 and incorporated by reference herein)
- 4.11 Copy of Supplemental Trust Indenture, dated January 1, 1967, being a supplemental instrument to Exhibit 4.01 hereto. (Filed as Exhibit 2.11 to Registration Statement No. 2-27854 and incorporated by reference herein)
- 4.12 Copy of Supplemental Trust Indenture, dated January 1, 1968, being a supplemental instrument to Exhibit 4.01 hereto. (Filed as Exhibit 2.12 to Registration Statement No. 2-31010 and incorporated by reference herein)
- 4.13 Copy of Supplemental Trust Indenture, dated January 1, 1969, being a supplemental instrument to Exhibit 4.01 hereto. (Filed as Exhibit 2.13 to Registration Statement No. 2-35419 and incorporated by reference herein)
- 4.14 Copy of Supplemental Trust Indenture, dated January 1, 1970, being a supplemental instrument to Exhibit 4.01 hereto. (Filed as Exhibit 2.14 to Registration Statement No. 2-42393 and incorporated by reference herein)

- 4.15 Copy of Supplemental Trust Indenture, dated January 1, 1972, being a supplemental instrument to Exhibit 4.01 hereto. (Filed as Exhibit 2.15 to Registration Statement No. 2-49612 and incorporated by reference herein)
- 4.16 Copy of Supplemental Trust Indenture, dated January 1, 1974, being a supplemental instrument to Exhibit 4.01 hereto. (Filed as Exhibit 2.16 to Registration Statement No. 2-52417 and incorporated by reference herein)
- 4.17 Copy of Supplemental Trust Indenture, dated January 1, 1975, being a supplemental instrument to Exhibit 4.01 hereto. (Filed as Exhibit 2.17 to Registration Statement No. 2-55085 and incorporated by reference herein)
- 4.18 Copy of Supplemental Trust Indenture, dated January 1, 1976, being a supplemental instrument to Exhibit 4.01 hereto. (Filed as Exhibit 2.18 to Registration Statement No. 2-57730 and incorporated by reference herein)
- 4.19 Copy of Supplemental Trust Indenture, dated September 14, 1976, being a supplemental instrument to Exhibit 4.01 hereto. (Filed as Exhibit 2.19 to Registration Statement No. 2-59887 and incorporated by reference herein)
- 4.20 Copy of Supplemental Trust Indenture, dated January 1, 1977, being a supplemental instrument to Exhibit 4.01 hereto. (Filed as Exhibit 2.20 to Registration Statement No. 2-59887 and incorporated by reference herein)
- 4.21 Copy of Supplemental Trust Indenture, dated November 1, 1977, being a supplemental instrument to Exhibit 4.01 hereto. (Filed as Exhibit 4.21 to Registration Statement No. 2-70539 and incorporated by reference herein)
- 4.22 Copy of Supplemental Trust Indenture, dated December 1, 1977, being a supplemental instrument to Exhibit 4.01 hereto. (Filed as Exhibit 4.22 to Registration Statement No. 2-70539 and incorporated by reference herein)

- 4.23 Copy of Supplemental Trust Indenture, dated February 1, 1980, being a supplemental instrument to Exhibit 4.01 hereto. (Filed as Exhibit 4.23 to Registration Statement No. 2-70539 and incorporated by reference herein)
- 4.24 Copy of Supplemental Trust Indenture, dated April 15, 1982, being a supplemental instrument to Exhibit 4.01 hereto. (Filed as Exhibit 4.24 to OG&E's Form 10-K Report, File No. 1-1097, for the year ended December 31, 1982, and incorporated by reference herein)
- 4.25 Copy of Supplemental Trust Indenture, dated August 15, 1986, being a supplemental instrument to Exhibit 4.01 hereto. (Filed as Exhibit 4.25 to OG&E's Form 10-K Report, File No. 1-1097, for the year ended December 31, 1986, and incorporated by reference herein)
- 4.26 Copy of Supplemental Trust Indenture, dated March 1, 1987, being a supplemental instrument to Exhibit 4.01 hereto. (Filed as Exhibit 4.26 to OG&E's Form 10-K Report for the year ended December 31, 1987, File No. 1-1097, and incorporated by reference herein)
- 4.28 Copy of Supplemental Trust Indenture, dated November 15, 1990, being a supplemental instrument to Exhibit 4.01 hereto. (Filed as Exhibit 4.28 to OG&E's Form 10-K Report for the year ended December 31, 1990, File No. 1-1097, and incorporated by reference herein)
- 4.29 Copy of Supplemental Trust Indenture, dated December 9, 1991, being a supplemental instrument to Exhibit 4.01 hereto. (Filed as Exhibit 4.29 to OG&E's Form 10-K Report for the year ended December 31, 1991, File No. 1-1097, and incorporated by reference herein)
- 4.30 Copy of Supplemental Trust Indenture dated October 1, 1995, being a supplemental instrument to Exhibit 4.01 hereto. (Filed as Exhibit 4.02 to OG&E's Form 8-K Report dated October 23, 1995, File No. 1-1097, and incorporated by reference herein)

- 4.31 Copy of Supplemental Trust Indenture, dated October 1, 1995, from OG&E to Boatmen's First National Bank of Oklahoma, Trustee. (Filed as Exhibit 4.29 to Registration Statement No. 33-61821 and incorporated by reference herein)
- 4.32 Copy of Supplemental Trust Indenture No. 1, dated October 16, 1995, being a supplemental instrument to Exhibit 4.31 hereto. (Filed as Exhibit 4.01 to OG&E's Form 8-K Report dated October 23, 1995, File No. 1-1097, and incorporated by reference herein)
- 4.33 Supplemental Indenture No. 2, dated as of July 1, 1997, being a supplemental instrument to Exhibit 4.31 hereto. (Filed as Exhibit 4.01 to OG&E's Form 8-K filed on July 17, 1997, (File No. 1-1097) and incorporated by reference herein)
- 4.34 Supplemental Trust Indenture dated as of July 1, 1997, being a supplemental instrument to Exhibit 4.01 hereto. (Filed as Exhibit 4.02 to OG&E's Form 8-K filed on July 17, 1997, (File No. 1-1097) and incorporated by reference herein)
- 10.01 Coal Supply Agreement dated March 1, 1973, between OG&E and Atlantic Richfield Company. (Filed as Exhibit 5.19 to Registration Statement No. 2-59887 and incorporated by reference herein)
- 10.02 Amendment dated April 1, 1976, to Coal Supply Agreement dated March 1, 1973, between OG&E and Atlantic Richfield Company, together with related correspondence. (Filed as Exhibit 5.21 to Registration Statement No. 2-59887 and incorporated by reference herein)
- 10.03 Second Amendment dated March 1, 1978, to Coal Supply Agreement dated March 1, 1973, between OG&E and Atlantic Richfield Company. (Filed as Exhibit 5.28 to Registration Statement No. 2-62208 and incorporated by reference herein)

- 10.04 Amendment dated June 27, 1990, between OG&E and Thunder Basin Coal Company, to Coal Supply Agreement dated March 1, 1973, between OG&E and Atlantic Richfield Company. (Filed as Exhibit 10.04 to OG&E's Form 10-K Report for the year ended December 31, 1994, File No. 1-1097, and incorporated by reference herein) [Confidential Treatment has been requested for certain portions of this exhibit.]
- 10.05 Form of Change of Control Agreement for Officers of the Company and OG&E. (Filed as Exhibit 10.07 to OGE Energy's Form 10-K for the year ended December 31, 1996 (File No. 1-12579) and incorporated by reference herein)
- 10.06 Amended and Restated Stock Equivalent and Deferred Compensation Plan for Directors, as amended. (Filed as Exhibit 10.08 to OGE Energy's Form 10-K for the year ended December 31, 1996 (File No. 1-12579) and incorporated by reference herein)
- 10.07 Amended and Restated Restricted Stock Plan of the Company. (Filed as Exhibit 10.09 to OGE Energy's Form 10-K for the year ended December 31, 1996 (File No. 1-12579) and incorporated by reference herein)
- 10.09 OG&E's Restoration of Retirement Income Plan, as amended. (Filed as Exhibit 10.12 to OGE Energy's Form 10-K for the year ended December 31, 1996 (File No. 1-12579) and incorporated by reference herein)
- 10.10 Company's Restoration of Retirement Savings Plan, as amended. (Filed as Exhibit 10.13 to OGE Energy's Form 10-K for the year ended December 31, 1996 (File No. 1-12579) and incorporated by reference herein)
- 10.11 OG&E's Supplemental Executive Retirement Plan, as amended. (Filed as Exhibit 10.15 to OGE Energy's Form 10-K for the year ended December 31, 1996 (File No. 1-12579) and incorporated by reference herein)
- 10.12 Company's Annual Incentive Compensation Plan. (Filed as Exhibit 10.16 to OGE Energy's Form 10-K for the year ended December 31, 1996 (File No. 1-12579) and incorporated by reference herein)
- 21.01 Subsidiaries of the Registrant.

- 23.01 Consent of Arthur Andersen LLP.
- 24.01 Power of Attorney.
- 27.01 Financial Data Schedule.
- 99.01 Cautionary Statement for Purposes of the "Safe Harbor"
Provisions of the Private Securities Litigation
Reform Act of 1995
- 99.02 Description of Common Stock. (Filed as Exhibit 99.02
to OGE Energy's Form 10-K for the year
ended December 31, 1996 (File No. 1-12579)
and incorporated by reference herein)

OGE Energy Corp.
Subsidiaries of the Registrant

Name of Subsidiary -----	Jurisdiction of Incorporation -----	Percentage of Ownership -----
Oklahoma Gas and Electric Company	Oklahoma	100.0
Enogex Inc.	Oklahoma	100.0
Origen, Inc.	Oklahoma	100.0

The above listed subsidiaries have been consolidated in the Registrant's financial statements.

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation of our reports dated January 20, 1998 included in the OGE Energy Corp. Form 10-K for the year ended December 31, 1997, into the previously filed Post-Effective Amendment No. 1-B to Registration Statement No. 33-61699 and Post-Effective Amendment No. 2-A to Registration Statement No. 33-61699.

/ s / Arthur Andersen LLP
Arthur Andersen LLP

Oklahoma City, Oklahoma,
March 27, 1998

UT

This schedule contains summary financial information extracted from the OGE Energy Corp. Consolidated Statements of Income, Balance Sheets, and Statements of Cash Flow as reported on Form 10-K as of December 31, 1997 and is qualified in its entirety by reference to such Form 10-K.

YEAR	DEC-31-1997	DEC-31-1997	PER-BOOK
	2,353,851		
	37,898		
	259,682		
	114,434		
		0	
		2,765,865	
			404
	512,493		
	472,063		
984,960			
	0		
		49,266	
	841,924		
	0		
	0		
1,000			
25,000			
	0		
	4,731		
		2,748	
856,236			
2,765,865			
	1,472,307		
		74,452	
	1,203,857		
	1,278,309		
	193,998		
		5,047	
199,045			
	66,495		
		132,550	
	2,285		
130,265			
	107,400		
	62,572		
	295,318		
		3.23	
		3.23	

OGE ENERGY CORP. CAUTIONARY FACTORS

The Private Securities Litigation Reform Act of 1995 provides a "safe harbor" for forward-looking statements to encourage such disclosures without the threat of litigation providing those statements are identified as forward-looking and are accompanied by meaningful, cautionary statements identifying important factors that could cause the actual results to differ materially from those projected in the statement. Forward-looking statements have been and will be made in written documents and oral presentations of OGE Energy Corp. (the "Company"). Such statements are based on management's beliefs as well as assumptions made by and information currently available to management. When used in the Company's documents or oral presentations, the words "anticipate", "estimate", "expect", "objective" and similar expressions are intended to identify forward-looking statements. In addition to any assumptions and other factors referred to specifically in connection with such forward-looking statements, factors that could cause the Company's actual results to differ materially from those contemplated in any forward-looking statements include, among others, the following:

- o Increased competition in the utility industry, including effects of: decreasing margins as a result of competitive pressures; industry restructuring initiatives; transmission system operation and/or administration initiatives; recovery of investments made under traditional regulation; nature of competitors entering the industry; retail wheeling; a new pricing structure; and former customers entering the generation market;
- o Changing market conditions and a variety of other factors associated with physical energy and financial trading activities including, but not limited to, price, basis, credit, liquidity, volatility, capacity, transmission, currency, interest rate and warranty risks;
- o Risks associated with price risk management strategies intended to mitigate exposure to adverse movement in the prices of electricity and natural gas on both a global and regional basis;
- o Economic conditions including inflation rates and monetary fluctuations;
- o Customer business conditions including demand for their products or services and supply of labor and materials used in creating their products and services;
- o Financial or regulatory accounting principles or policies imposed by the Financial Accounting Standards Board, the Securities and Exchange Commission, the Federal Energy Regulatory Commission, state public utility commissions, state entities which regulate natural gas transmission, gathering and processing and similar entities with regulatory oversight.
- o Availability or cost of capital such as changes in: interest rates, market perceptions of the utility and energy-related industries, the Company or any of its subsidiaries or security ratings;
- o Factors affecting utility operations such as unusual weather conditions; catastrophic weather-related damage; unscheduled generation outages, unusual maintenance or repairs; unanticipated changes to fossil fuel, or gas supply costs or availability due to higher demand, shortages, transportation problems or other developments; environmental incidents; or electric transmission or gas pipeline system constraints;

- o Employee workforce factors including changes in key executives, collective bargaining agreements with union employees, or work stoppages;
- o Rate-setting policies or procedures of regulatory entities, including environmental externalities;
- o Social attitudes regarding the utility, natural gas and power industries;
- o Identification of suitable investment opportunities to enhance shareowner returns and achieve long-term financial objectives through business acquisitions;
- o Some future investments made by the Company could take the form of minority interests which would limit the Company's ability to control the development or operation of an investment;
- o Costs and other effects of legal and administrative proceedings, settlements, investigations, claims and matters, including but not limited to those described in Note 9 of the Notes to the Consolidated Financial Statements of the Company's Annual Report on Form 10-K for the year ended December 31, 1997, under the caption Commitments and Contingencies;
- o Technological developments, changing markets and other factors that result in competitive disadvantages and create the potential for impairment of existing assets;
- o Other business or investment considerations that may be disclosed from time to time in the Company's Securities and Exchange Commission filings or in other publicly disseminated written documents.

The Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.