



**Earnings Conference Call  
Second Quarter 2018**

**August 9, 2018**

# Safe Harbor

Some of the matters discussed in this news release may contain 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", "believe", "estimate", "expect", "intend", "objective", "plan", "possible", "potential", "project" 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 the availability of credit, access to existing lines of credit, access to the commercial paper markets, actions of rating agencies and their impact on capital expenditures; the ability of the Company and its subsidiaries to access the capital markets and obtain financing on favorable terms as well as inflation rates and monetary fluctuations; the ability to obtain timely and sufficient rate relief to allow for recovery of items such as capital expenditures, fuel costs, operating costs, transmission costs and deferred expenditures; prices and availability of electricity, coal, natural gas and NGLs; the timing and extent of changes in commodity prices, particularly natural gas and NGLs, the competitive effects of the available pipeline capacity in the regions Enable serves, and the effects of geographic and seasonal commodity price differentials, including the effects of these circumstances on re-contracting available capacity on Enable's interstate pipelines; the timing and extent of changes in the supply of natural gas, particularly supplies available for gathering by Enable's gathering and processing business and transporting by Enable's interstate pipelines, including the impact of natural gas and NGLs prices on the level of drilling and production activities in the regions Enable serves; business conditions in the energy and natural gas midstream industries, including the demand for natural gas, NGLs, crude oil and midstream services; competitive factors including the extent and timing of the entry of additional competition in the markets served by the Company; the impact on demand for our services resulting from cost-competitive advances in technology, such as distributed electricity generation and customer energy efficiency programs; technological developments, changing markets and other factors that result in competitive disadvantages and create the potential for impairment of existing assets; 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, natural gas or coal supply costs or availability due to higher demand, shortages, transportation problems or other developments; environmental incidents; or electric transmission or gas pipeline system constraints; availability and prices of raw materials for current and future construction projects; the effect of retroactive pricing of transactions in the SPP markets or adjustments in market pricing mechanisms by the SPP; federal or state legislation and regulatory decisions and initiatives that affect cost and investment recovery, have an impact on rate structures or affect the speed and degree to which competition enters the Company's markets; environmental laws, safety laws or other regulations that may impact the cost of operations or restrict or change the way the Company operates its facilities; changes in accounting standards, rules or guidelines; the discontinuance of accounting principles for certain types of rate-regulated activities; the cost of protecting assets against, or damage due to, terrorism or cyberattacks and other catastrophic events; creditworthiness of suppliers, customers and other contractual parties; social attitudes regarding the utility, natural gas and power industries; identification of suitable investment opportunities to enhance shareholder returns and achieve long-term financial objectives through business acquisitions and divestitures; increased pension and healthcare costs; costs and other effects of legal and administrative proceedings, settlements, investigations, claims and matters, difficulty in making accurate assumptions and projections regarding future revenues and costs associated with the Company's equity investment in Enable that the Company does not control; and other risk factors listed in the reports filed by the Company with the Securities and Exchange Commission including those listed in Risk Factors in the Company's Form 10-K for the year ended December 31, 2017 and in the Company's Form 10-Q for the quarter ended June 30, 2018.



# Earnings Conference Call Second Quarter 2018

August 9, 2018

# Second Quarter EPS Results

	<u>2Q 2018</u>	<u>2Q 2017</u>
<b>OG&amp;E</b>	<b>\$0.46</b>	<b>\$0.43</b>
<b>OGE Energy Holdings</b> (primarily Natural Gas Midstream Operations)	<b>0.11</b>	<b>0.09</b>
<b>Hold. Co.</b>	<b>(0.02)</b>	<b>-</b>
<b>Consolidated</b>	<b>\$0.55</b>	<b>\$0.52</b>

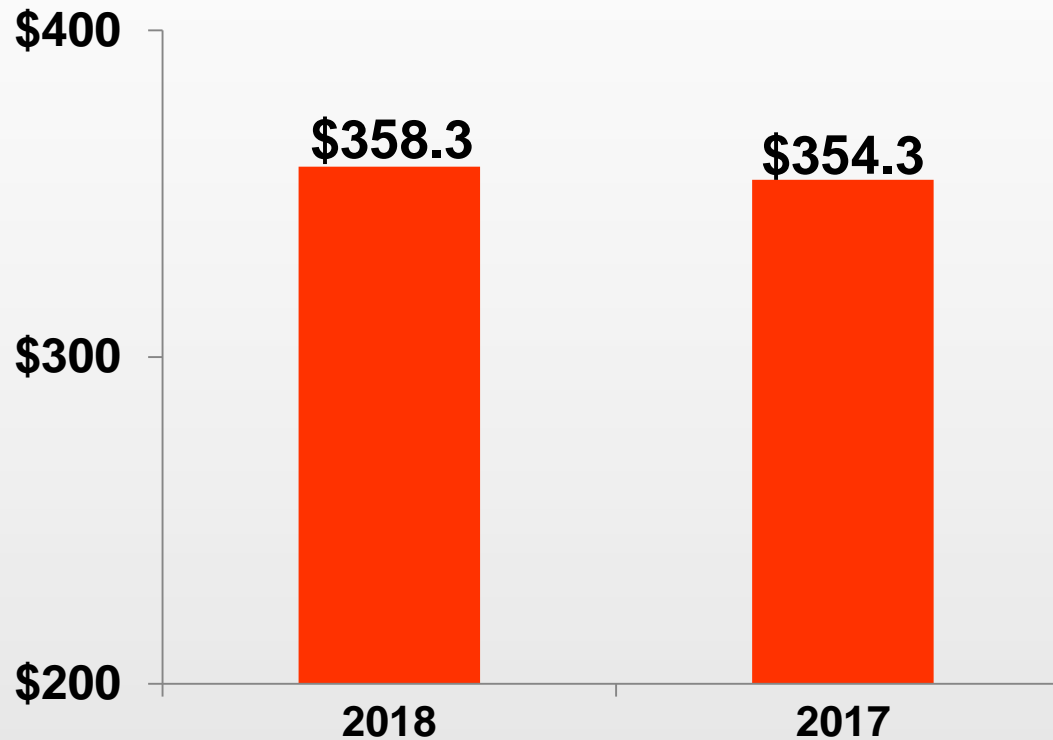
# Second Quarter Results – OG&E

Net income for OG&E was \$92 million or \$0.46 per share in 2018 as compared to net income of \$86 million or \$0.43 per share in 2017. Primary drivers include:

In Millions of \$	<u>2Q 2018</u>	<u>2Q 2017</u>	<u>Variance</u> <u>Fav/(Unfav)</u>
Gross Margin	358.3	354.3	4.0
Operation & Maintenance	123.5	114.7	(8.8)
Depreciation & Amortization	80.9	73.7	(7.2)
AFUDC	6.3	8.5	(2.2)
Income Tax Expense	11.1	37.7	26.6

# Second Quarter Results - OG&E Gross Margin

Millions of \$

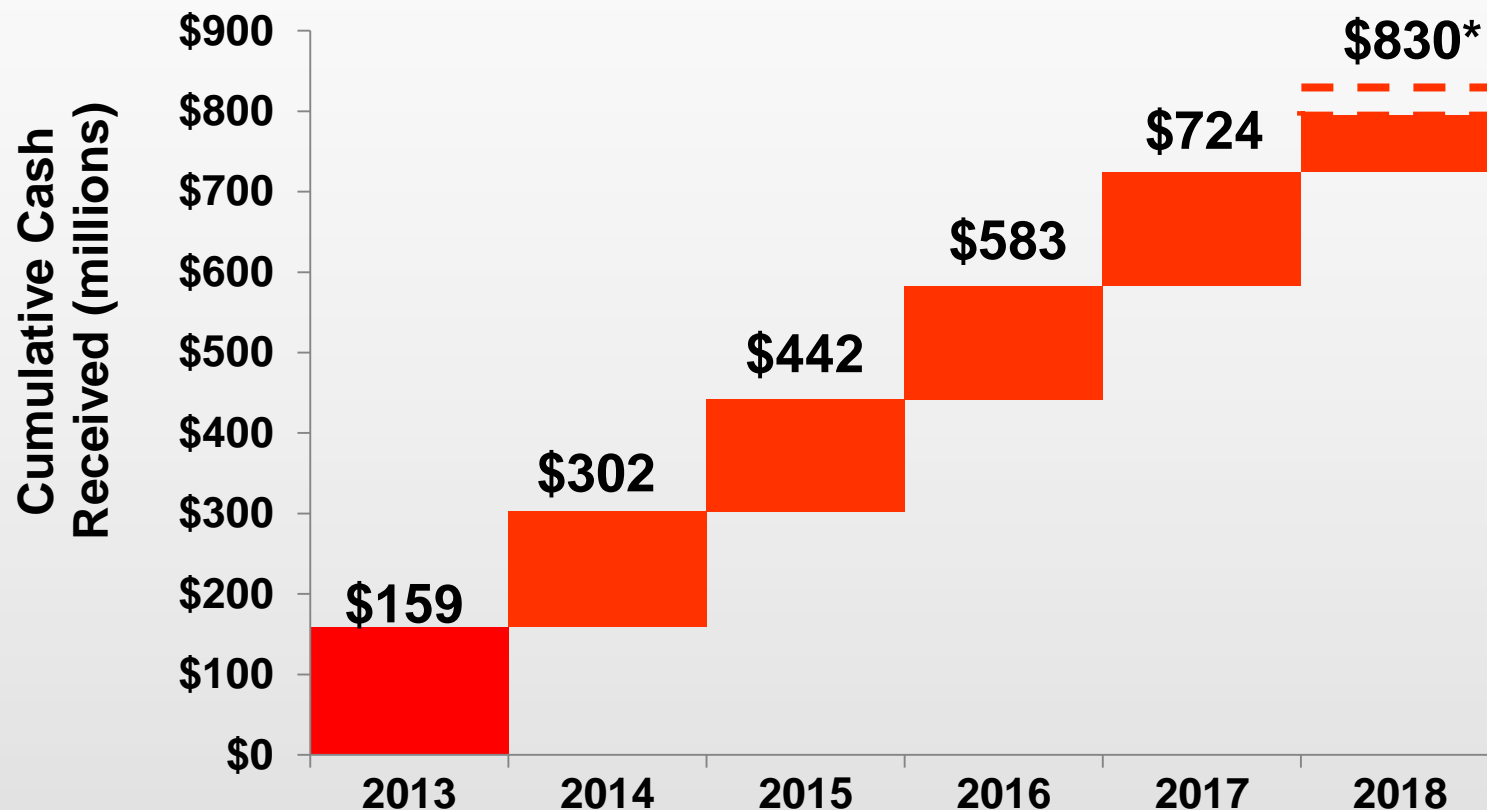


## *Gross Margin Drivers:*

- Weather ↑
- Higher demand revenue ↑
- New customer growth ↑
- Industrial and oilfield sales ↑
- Wholesale transmission ↑
- Tax refunds held for customers ↓

# Second Quarter Results - OGE Energy Holdings (Enable)

OGE Energy Holdings, which is primarily Natural Gas Midstream Operations, received cash distributions from Enable Midstream of approximately \$35 million in the second quarter of 2018 compared to \$35 million in 2017 and contributed earnings of \$23 million or \$.11 per share compared to \$18 million or \$.09 per share in 2017.



\*Includes Q2 distribution declared by the Enable Board on 8/1/18 to be paid on 8/28/18.

# 2018 Outlook

- OG&E is projected to be at the top end of the earnings range of approximately \$286 million to \$306 million of net income or \$1.43 to \$1.53 per average diluted share, due to the favorable weather experienced during the second quarter of 2018 and assuming normal weather patterns for the remainder of the year.
- OGE Energy Holdings projects the earnings contribution from its ownership interest in Enable Midstream to be approximately \$96 million to \$104 million or \$0.48 to \$0.52 per average diluted share.
- OGE's dividend growth rate is projected to be 10% per year through 2019.





# Earnings Conference Call Second Quarter 2018

August 9, 2018

***OGHE***

**Appendix**

# Reg. G Reconciliation of Gross Margin to Revenue

<i>(In millions)</i>	Three Months Ended June 30,	
	2018	2017
Operating revenues	\$ 567.0	\$ 586.4
Fuel and purchased power	208.7	232.1
Gross Margin	\$ 358.3	\$ 354.3

Gross Margin is defined by OG&E as operating revenues less cost of sales. Cost of sales, as reflected on the income statement, includes fuel, purchased power and certain transmission expenses. Gross margin is a non-GAAP financial measure because it excludes depreciation and amortization, and other operation and maintenance expenses. Expenses for fuel and purchased power are recovered through fuel adjustment clauses and as a result changes in these expenses are offset in operating revenues with no impact on net income. OG&E believes gross margin provides a more meaningful basis for evaluating its operations across periods than operating revenues because gross margin excludes the revenue effect of fluctuations in these expenses. Gross margin is used internally to measure performance against budget and in reports for management and the Board of Directors. OG&E's definition of gross margin may be different from similar terms used by other companies. Further, gross margin is not intended to replace operating revenues as determined in accordance with GAAP as an indicator of operating performance.

# Regulatory Schedule

## Oklahoma

---

### Rate Review to be filed 4<sup>th</sup> Quarter 2018

- Recovery of the Scrubbers and Natural Gas Conversion
  - Scrubber investment approximately \$542M (including AFUDC)

- Test year ending September 2018; Rates implemented Mid-2019

## Arkansas

---

### Formula Rate Plan filings will be October 1<sup>st</sup> each year, starting in 2018

- The first formula rate filing will be for the recovery of Mustang

### 310 Filings – Environmental

- Recovery of Scrubbers and NG Conversion