

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549  
**FORM 10-Q**

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the quarterly period ended June 30, 2020

**OR**

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 1-12579

**OGE ENERGY CORP.**

(Exact name of registrant as specified in its charter)

**Oklahoma**

(State or other jurisdiction of  
incorporation or organization)

**73-1481638**

(I.R.S. Employer  
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	Trading Symbol(s)	Name of each exchange on which registered
Common Stock	OGE	New York Stock Exchange

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 whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).  Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).  Yes  No

At June 30, 2020, there were 200,169,838 shares of common stock, par value \$0.01 per share, outstanding.

**OGE ENERGY CORP.**  
**FORM 10-Q**  
**FOR THE QUARTER ENDED JUNE 30, 2020**  
**TABLE OF CONTENTS**

	Page
<u>GLOSSARY OF TERMS</u>	<u>ii</u>
<u>FORWARD-LOOKING STATEMENTS</u>	<u>1</u>
<b>Part I - FINANCIAL INFORMATION</b>	
<u>Item 1. Financial Statements (Unaudited)</u>	
<u>Condensed Consolidated Statements of Income</u>	<u>3</u>
<u>Condensed Consolidated Statements of Comprehensive Income</u>	<u>4</u>
<u>Condensed Consolidated Statements of Cash Flows</u>	<u>5</u>
<u>Condensed Consolidated Balance Sheets</u>	<u>6</u>
<u>Condensed Consolidated Statements of Changes in Stockholders' Equity</u>	<u>8</u>
<u>Notes to Condensed Consolidated Financial Statements</u>	<u>9</u>
<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>30</u>
<u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u>	<u>52</u>
<u>Item 4. Controls and Procedures</u>	<u>52</u>
<b>Part II - OTHER INFORMATION</b>	
<u>Item 1. Legal Proceedings</u>	<u>53</u>
<u>Item 1A. Risk Factors</u>	<u>53</u>
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>53</u>
<u>Item 5. Other Information</u>	<u>53</u>
<u>Item 6. Exhibits</u>	<u>54</u>
<u>Signature</u>	<u>55</u>

## GLOSSARY OF TERMS

The following is a glossary of frequently used abbreviations that are found throughout this Form 10-Q.

Abbreviation	Definition
2019 Form 10-K	Annual Report on Form 10-K for the year ended December 31, 2019
APSC	Arkansas Public Service Commission
ASU	Accounting Standards Update from the Financial Accounting Standards Board
CenterPoint	CenterPoint Energy Resources Corp., wholly-owned subsidiary of CenterPoint Energy, Inc.
CO <sub>2</sub>	Carbon dioxide
Company	OGE Energy Corp., collectively with its subsidiaries
COVID-19	Novel Coronavirus disease
Dry Scrubber	Dry flue gas desulfurization unit with spray dryer absorber
Enable	Enable Midstream Partners, LP, a partnership formed to own and operate the midstream businesses of OGE Energy and CenterPoint; OGE Energy indirectly owns 25.5 percent of the common units of Enable and 50 percent of the general partner interest of the general partner of Enable
Enogex Holdings	Enogex Holdings LLC, the parent company of Enogex LLC and a majority-owned subsidiary of OGE Holdings, LLC (prior to May 1, 2013)
Enogex LLC	Enogex LLC, collectively with its subsidiaries (effective July 30, 2013, the name was changed to Enable Oklahoma Intrastate Transmission, LLC)
EPA	U.S. Environmental Protection Agency
Federal Clean Air Act	Federal Clean Air Act of 1970, as amended
Federal Clean Water Act	Federal Water Pollution Control Act of 1972, as amended
FERC	Federal Energy Regulatory Commission
FIP	Federal Implementation Plan
GAAP	Accounting principles generally accepted in the U.S.
MATS	Mercury and Air Toxics Standards
MBbl/d	Thousand barrels per day
MW	Megawatt
MWh	Megawatt-hour
NAAQS	National Ambient Air Quality Standards
NGLs	Natural gas liquids
NO <sub>x</sub>	Nitrogen oxide
OCC	Oklahoma Corporation Commission
OG&E	Oklahoma Gas and Electric Company, wholly-owned subsidiary of OGE Energy
OGE Energy	Holding company
OGE Holdings	OGE Enogex Holdings, LLC, wholly-owned subsidiary of OGE Energy, parent company of Enogex Holdings (prior to May 1, 2013) and 25.5 percent owner of Enable
Pension Plan	Qualified defined benefit retirement plan
Regional Haze Rule	The EPA's Regional Haze Rule
Restoration of Retirement Income Plan	Supplemental retirement plan to the Pension Plan
SIP	State Implementation Plan
SO <sub>2</sub>	Sulfur dioxide
SPP	Southwest Power Pool
System sales	Sales to OG&E's customers
TBtu/d	Trillion British thermal units per day
U.S.	United States of America

## FORWARD-LOOKING STATEMENTS

Except for the historical statements contained herein, the matters discussed within this Form 10-Q, including those matters discussed within "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations," 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," "believe," "estimate," "expect," "intend," "objective," "plan," "possible," "potential," "project" and similar expressions. Actual results may vary materially from those expressed in forward-looking statements. In addition to the specific risk factors discussed within "Item 1A. Risk Factors" in the Company's [2019 Form 10-K](#) and within "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Item 1A. Risk Factors" of "Part II - Other Information" herein, factors that could cause actual results to differ materially from the forward-looking statements 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;
- the impact of extraordinary external events, such as the current pandemic health event resulting from COVID-19, and their collateral consequences, including extended disruption of economic activity in our markets;
- costs and other effects of legal and administrative proceedings, settlements, investigations, claims and matters, including, but not limited to, those described in this Form 10-Q;
- 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 within "Item 1A. Risk Factors" in the Company's [2019 Form 10-K](#) and "Item 1A. Risk Factors" of "Part II - Other Information" herein.

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.

**PART I. FINANCIAL INFORMATION**

**Item 1. Financial Statements.**

**OGE ENERGY CORP.**  
**CONDENSED CONSOLIDATED STATEMENTS OF INCOME**  
**(Unaudited)**

<i>(In millions, except per share data)</i>	Three Months Ended June		Six Months Ended June 30,	
	2020	2019	2020	2019
<b>OPERATING REVENUES</b>				
Revenues from contracts with customers	\$ 492.0	\$ 501.1	\$ 912.4	\$ 978.5
Other revenues	11.5	12.6	22.4	25.2
Operating revenues	503.5	513.7	934.8	1,003.7
<b>COST OF SALES</b>	<b>137.4</b>	<b>178.7</b>	<b>272.4</b>	<b>391.3</b>
<b>OPERATING EXPENSES</b>				
Other operation and maintenance	117.5	119.8	237.5	238.8
Depreciation and amortization	97.3	84.3	191.7	166.7
Taxes other than income	25.9	20.9	51.5	47.2
Operating expenses	240.7	225.0	480.7	452.7
<b>OPERATING INCOME</b>	<b>125.4</b>	<b>110.0</b>	<b>181.7</b>	<b>159.7</b>
<b>OTHER INCOME (EXPENSE)</b>				
Equity in earnings (losses) of unconsolidated affiliates	26.9	35.8	(719.6)	66.5
Allowance for equity funds used during construction	1.3	1.2	2.6	2.7
Other net periodic benefit expense	(1.0)	(0.3)	(1.5)	(7.3)
Other income	14.1	5.0	21.5	11.7
Other expense	(12.4)	(4.4)	(18.5)	(10.1)
Net other income (expense)	28.9	37.3	(715.5)	63.5
<b>INTEREST EXPENSE</b>				
Interest on long-term debt	38.8	31.8	75.4	64.4
Allowance for borrowed funds used during construction	(0.5)	(0.6)	(1.0)	(1.6)
Interest on short-term debt and other interest charges	2.5	4.7	4.7	7.7
Interest expense	40.8	35.9	79.1	70.5
<b>INCOME (LOSS) BEFORE TAXES</b>	<b>113.5</b>	<b>111.4</b>	<b>(612.9)</b>	<b>152.7</b>
<b>INCOME TAX EXPENSE (BENEFIT)</b>	<b>27.6</b>	<b>11.2</b>	<b>(207.0)</b>	<b>5.4</b>
<b>NET INCOME (LOSS)</b>	<b>\$ 85.9</b>	<b>\$ 100.2</b>	<b>\$ (405.9)</b>	<b>\$ 147.3</b>
<b>BASIC AVERAGE COMMON SHARES OUTSTANDING</b>	<b>200.2</b>	<b>200.2</b>	<b>200.2</b>	<b>200.1</b>
<b>DILUTED AVERAGE COMMON SHARES OUTSTANDING</b>	<b>200.5</b>	<b>200.6</b>	<b>200.2</b>	<b>200.5</b>
<b>BASIC EARNINGS (LOSS) PER AVERAGE COMMON SHARE</b>	<b>\$ 0.43</b>	<b>\$ 0.50</b>	<b>\$ (2.03)</b>	<b>\$ 0.74</b>
<b>DILUTED EARNINGS (LOSS) PER AVERAGE COMMON SHARE</b>	<b>\$ 0.43</b>	<b>\$ 0.50</b>	<b>\$ (2.03)</b>	<b>\$ 0.73</b>

*The accompanying Notes to Condensed Consolidated Financial Statements are an integral part hereof.*

**OGE ENERGY CORP.**  
**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**(Unaudited)**

<i>(In millions)</i>	Three Months Ended June		Six Months Ended June 30,	
	2020	2019	2020	2019
Net income (loss)	\$ 85.9	\$ 100.2	\$ (405.9)	\$ 147.3
Other comprehensive income (loss), net of tax:				
Pension Plan and Restoration of Retirement Income Plan:				
Amortization of deferred net loss, net of tax of \$0.3, \$0.3, \$0.6 and \$0.5, respectively	1.2	1.0	2.0	1.7
Settlement cost, net of tax of \$0.1, \$0.1, \$0.1 and \$2.3, respectively	0.2	0.5	0.2	7.1
Postretirement benefit plans:				
Amortization of prior service credit, net of tax of (\$0.1), (\$0.1), (\$0.3) and (\$0.2), respectively	(0.4)	(0.4)	(0.8)	(0.9)
Amortization of deferred net gain, net of tax of \$0.0, \$0.0, \$0.0 and \$0.0, respectively	(0.1)	(0.1)	(0.1)	(0.1)
Other comprehensive loss from unconsolidated affiliates, net of tax of \$0.0, \$0.0, (\$0.4) and \$0.0, respectively	—	—	(1.3)	—
Other comprehensive income (loss), net of tax	0.9	1.0	—	7.8
Comprehensive income (loss)	\$ 86.8	\$ 101.2	\$ (405.9)	\$ 155.1

*The accompanying Notes to Condensed Consolidated Financial Statements are an integral part hereof.*

**OGE ENERGY CORP.**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Unaudited)

<i>(In millions)</i>	<b>Six Months Ended June 30,</b>	
	<b>2020</b>	<b>2019</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income (loss)	\$ (405.9)	\$ 147.3
Adjustments to reconcile net income (loss) to net cash provided from operating activities:		
Depreciation and amortization	191.7	166.7
Deferred income taxes and investment tax credits, net	(226.7)	(1.9)
Equity in (earnings) losses of unconsolidated affiliates	719.6	(66.5)
Distributions from unconsolidated affiliates	55.0	70.6
Allowance for equity funds used during construction	(2.6)	(2.7)
Stock-based compensation expense	4.3	5.9
Regulatory assets	(6.1)	(25.6)
Regulatory liabilities	(26.7)	(21.1)
Other assets	1.3	(3.2)
Other liabilities	(15.6)	13.9
Change in certain current assets and liabilities:		
Accounts receivable and accrued unbilled revenues, net	(35.8)	(12.5)
Income taxes receivable	10.4	3.6
Fuel, materials and supplies inventories	(1.5)	7.2
Fuel recoveries	71.9	(28.9)
Other current assets	(10.8)	(4.5)
Accounts payable	(51.2)	(83.4)
Other current liabilities	(8.0)	(36.1)
Net cash provided from operating activities	263.3	128.8
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Capital expenditures (less allowance for equity funds used during construction)	(280.8)	(314.5)
Investment in unconsolidated affiliates	(1.5)	(3.2)
Net cash used in investing activities	(282.3)	(317.7)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from long-term debt	297.2	295.9
Increase (decrease) in short-term debt	(37.0)	207.5
Payment of long-term debt	—	(250.0)
Dividends paid on common stock	(156.8)	(148.6)
Cash paid for employee equity-based compensation and expense of common stock	(7.2)	(10.2)
Purchase of treasury stock	(9.7)	—
Net cash provided from financing activities	86.5	94.6
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>67.5</b>	<b>(94.3)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<b>—</b>	<b>94.3</b>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>\$ 67.5</b>	<b>\$ —</b>

*The accompanying Notes to Condensed Consolidated Financial Statements are an integral part hereof.*



**OGE ENERGY CORP.**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
(Unaudited)

<i>(In millions)</i>	June 30, 2020	December 31, 2019
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 67.5	\$ —
Accounts receivable, less reserve of \$2.0 and \$1.5, respectively	160.6	153.8
Accrued unbilled revenues	93.7	64.7
Income taxes receivable	0.5	10.9
Fuel inventories	42.7	46.3
Materials and supplies, at average cost	98.8	90.6
Fuel clause under recoveries	—	39.5
Other	35.2	24.4
Total current assets	499.0	430.2
<b>OTHER PROPERTY AND INVESTMENTS</b>		
Investment in unconsolidated affiliates	376.5	1,151.5
Other	79.2	82.7
Total other property and investments	455.7	1,234.2
<b>PROPERTY, PLANT AND EQUIPMENT</b>		
In service	13,005.4	12,771.1
Construction work in progress	124.0	141.6
Total property, plant and equipment	13,129.4	12,912.7
Less: accumulated depreciation	3,957.3	3,868.1
Net property, plant and equipment	9,172.1	9,044.6
<b>DEFERRED CHARGES AND OTHER ASSETS</b>		
Regulatory assets	299.4	306.0
Other	12.9	9.3
Total deferred charges and other assets	312.3	315.3
<b>TOTAL ASSETS</b>	<b>\$ 10,439.1</b>	<b>\$ 11,024.3</b>

*The accompanying Notes to Condensed Consolidated Financial Statements are an integral part hereof.*

**OGE ENERGY CORP.**  
**CONDENSED CONSOLIDATED BALANCE SHEETS (Continued)**  
(Unaudited)

<i>(In millions)</i>	June 30, 2020	December 31, 2019
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Short-term debt	\$ 75.0	\$ 112.0
Accounts payable	144.2	194.9
Dividends payable	77.6	77.6
Customer deposits	82.7	83.0
Accrued taxes	57.5	41.9
Accrued interest	40.3	37.9
Accrued compensation	38.7	40.6
Fuel clause over recoveries	37.2	4.8
Other	41.4	65.2
Total current liabilities	594.6	657.9
<b>LONG-TERM DEBT</b>	<b>3,493.4</b>	<b>3,195.2</b>
<b>DEFERRED CREDITS AND OTHER LIABILITIES</b>		
Accrued benefit obligations	214.3	225.0
Deferred income taxes	1,165.7	1,375.8
Deferred investment tax credits	7.1	7.1
Regulatory liabilities	1,206.2	1,223.5
Other	193.6	200.3
Total deferred credits and other liabilities	2,786.9	3,031.7
Total liabilities	6,874.9	6,884.8
<b>COMMITMENTS AND CONTINGENCIES (NOTE 13)</b>		
<b>STOCKHOLDERS' EQUITY</b>		
Common stockholders' equity	1,119.1	1,131.3
Retained earnings	2,473.3	3,036.1
Accumulated other comprehensive loss, net of tax	(27.9)	(27.9)
Treasury stock, at cost	(0.3)	—
Total stockholders' equity	3,564.2	4,139.5
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$ 10,439.1</b>	<b>\$ 11,024.3</b>

*The accompanying Notes to Condensed Consolidated Financial Statements are an integral part hereof.*

**OGE ENERGY CORP.**  
**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY**  
**(Unaudited)**

<i>(In millions)</i>	Common Stock		Treasury Stock		Premium on Common Stock	Retained Earnings	Accumulated Other Comprehensive (Loss) Income	Total
	Shares	Value	Shares	Value				
Balance at December 31, 2019	200.1	\$ 2.0	—	\$ —	\$ 1,129.3	\$ 3,036.1	\$ (27.9)	\$ 4,139.5
Net loss	—	—	—	—	—	(491.8)	—	(491.8)
Other comprehensive loss, net of tax	—	—	—	—	—	—	(0.9)	(0.9)
Dividends declared on common stock (\$0.3875 per share)	—	—	—	—	—	(79.3)	—	(79.3)
Stock-based compensation	—	—	(0.2)	9.4	(14.5)	—	—	(5.1)
Purchase of treasury stock	—	—	0.2	(9.7)	—	—	—	(9.7)
<b>Balance at March 31, 2020</b>	<b>200.1</b>	<b>\$ 2.0</b>	<b>—</b>	<b>\$ (0.3)</b>	<b>\$ 1,114.8</b>	<b>\$ 2,465.0</b>	<b>\$ (28.8)</b>	<b>\$ 3,552.7</b>
Net income	—	—	—	—	—	85.9	—	85.9
Other comprehensive income, net of tax	—	—	—	—	—	—	0.9	0.9
Dividends declared on common stock (\$0.3875 per share)	—	—	—	—	—	(77.6)	—	(77.6)
Stock-based compensation	—	—	—	—	2.3	—	—	2.3
<b>Balance at June 30, 2020</b>	<b>200.1</b>	<b>\$ 2.0</b>	<b>—</b>	<b>\$ (0.3)</b>	<b>\$ 1,117.1</b>	<b>\$ 2,473.3</b>	<b>\$ (27.9)</b>	<b>\$ 3,564.2</b>
Balance at December 31, 2018	199.7	\$ 2.0	—	\$ —	\$ 1,125.7	\$ 2,906.3	\$ (28.9)	\$ 4,005.1
Net income	—	—	—	—	—	47.1	—	47.1
Other comprehensive income, net of tax	—	—	—	—	—	—	6.8	6.8
Dividends declared on common stock (\$0.3650 per share)	—	—	—	—	—	(75.6)	—	(75.6)
Stock-based compensation	0.5	—	—	—	(7.2)	—	—	(7.2)
<b>Balance at March 31, 2019</b>	<b>200.2</b>	<b>\$ 2.0</b>	<b>—</b>	<b>\$ —</b>	<b>\$ 1,118.5</b>	<b>\$ 2,877.8</b>	<b>\$ (22.1)</b>	<b>\$ 3,976.2</b>
Net income	—	—	—	—	—	100.2	—	100.2
Other comprehensive income, net of tax	—	—	—	—	—	—	1.0	1.0
Dividends declared on common stock (\$0.3650 per share)	—	—	—	—	—	(73.1)	—	(73.1)
Stock-based compensation	—	—	—	—	2.9	—	—	2.9
<b>Balance at June 30, 2019</b>	<b>200.2</b>	<b>\$ 2.0</b>	<b>—</b>	<b>\$ —</b>	<b>\$ 1,121.4</b>	<b>\$ 2,904.9</b>	<b>\$ (21.1)</b>	<b>\$ 4,007.2</b>

*The accompanying Notes to Condensed Consolidated Financial Statements are an integral part hereof.*

**OGE ENERGY CORP.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(Unaudited)**

**1. Summary of Significant Accounting Policies**

The Company's significant accounting policies are detailed in "Note 1. Summary of Significant Accounting Policies" in the Company's [2019 Form 10-K](#). Changes to the Company's accounting policies as a result of adopting ASU 2016-13, "Financial Instruments - Credit Losses: Measurement of Credit Losses on Financial Information" are incorporated within "Allowance for Uncollectible Accounts Receivables" below and discussed in Note 2.

**Organization**

The Company is a holding company with investments in energy and energy services providers offering physical delivery and related services for both electricity and natural gas primarily in the south-central U.S. The Company conducts these activities through two business segments: (i) electric utility and (ii) natural gas midstream operations. The accounts of the Company and its wholly-owned subsidiaries are included in the Condensed Consolidated Financial Statements. All intercompany transactions and balances are eliminated in consolidation. The Company generally uses the equity method of accounting for investments where its ownership interest is between 20 percent and 50 percent and it lacks the power to direct activities that most significantly impact economic performance.

The electric utility segment generates, transmits, distributes and sells electric energy in Oklahoma and western Arkansas. Its operations are conducted through OG&E and are subject to regulation by the OCC, the APSC and the FERC. OG&E was incorporated in 1902 under the laws of the Oklahoma Territory and is a wholly-owned subsidiary of the Company. OG&E is the largest electric utility in Oklahoma, and its franchised service territory includes Fort Smith, Arkansas and the surrounding communities. OG&E sold its retail natural gas business in 1928 and is no longer engaged in the natural gas distribution business.

The natural gas midstream operations segment represents the Company's investment in Enable through wholly-owned subsidiaries and ultimately OGE Holdings. Enable was formed in 2013, and its general partner is equally controlled by the Company and CenterPoint, who each have 50 percent management ownership. Based on the 50/50 management ownership, with neither company having control, the Company accounts for its interest in Enable using the equity method of accounting. Enable is primarily engaged in the business of gathering, processing, transporting and storing natural gas. Enable's natural gas gathering and processing assets are strategically located in four states and serve natural gas production in the Anadarko, Arkoma and Ark-La-Tex Basins. Enable also owns crude oil gathering assets in the Anadarko and Williston Basins. Enable has intrastate natural gas transportation and storage assets that are located in Oklahoma as well as interstate assets that extend from western Oklahoma and the Texas Panhandle to Louisiana, from Louisiana to Illinois and from Louisiana to Alabama.

**Basis of Presentation**

The Condensed Consolidated Financial Statements included herein have been prepared by the Company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to such rules and regulations; however, the Company believes that the disclosures are adequate to prevent the information presented from being misleading.

In the opinion of management, all adjustments necessary to fairly present the consolidated financial position of the Company at June 30, 2020 and December 31, 2019, the consolidated results of its operations for the three and six months ended June 30, 2020 and 2019 and its consolidated cash flows for the six months ended June 30, 2020 and 2019 have been included and are of a normal, recurring nature except as otherwise disclosed. Management also has evaluated the impact of events occurring after June 30, 2020 up to the date of issuance of these Condensed Consolidated Financial Statements, and these statements contain all necessary adjustments and disclosures resulting from that evaluation.

Due to seasonal fluctuations and other factors, the Company's operating results for the three and six months ended June 30, 2020 are not necessarily indicative of the results that may be expected for the year ending December 31, 2020 or for any future period. The Condensed Consolidated Financial Statements and Notes thereto should be read in conjunction with the audited Consolidated Financial Statements and Notes thereto included in the Company's [2019 Form 10-K](#).

## Accounting Records

The accounting records of OG&E are maintained in accordance with the Uniform System of Accounts prescribed by the FERC and adopted by the OCC and the APSC. Additionally, OG&E, as a regulated utility, is subject to accounting principles for certain types of rate-regulated activities, which provide that certain incurred costs that would otherwise be charged to expense can be deferred as regulatory assets, based on the expected recovery from customers in future rates. Likewise, certain actual or anticipated credits that would otherwise reduce expense can be deferred as regulatory liabilities, based on the 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.

OG&E records certain incurred costs and obligations as regulatory assets or liabilities if, based on regulatory orders or other available evidence, it is probable that the costs or obligations will be included in amounts allowable for recovery or refund in future rates.

The following table is a summary of OG&E's regulatory assets and liabilities.

<i>(In millions)</i>	<b>June 30, 2020</b>	December 31, 2019
<b>REGULATORY ASSETS</b>		
Current:		
SPP cost tracker under recovery (A)	\$ 5.8	\$ —
Generation Capacity Replacement rider under recovery (A)	4.1	3.7
Fuel clause under recoveries	—	39.5
Other (A)	6.8	5.5
<b>Total current regulatory assets</b>	<b>\$ 16.7</b>	<b>\$ 48.7</b>
Non-current:		
Benefit obligations regulatory asset	\$ 163.0	\$ 167.2
Deferred storm expenses	63.8	65.5
Sooner Dry Scrubbers	20.2	20.6
Smart Grid	14.8	18.4
Unamortized loss on reacquired debt	10.2	10.6
Arkansas deferred pension expenses	7.6	8.0
COVID-19 deferred expenses	3.8	—
Pension tracker	—	2.3
Other	16.0	13.4
<b>Total non-current regulatory assets</b>	<b>\$ 299.4</b>	<b>\$ 306.0</b>
<b>REGULATORY LIABILITIES</b>		
Current:		
Fuel clause over recoveries	\$ 37.2	\$ 4.8
Reserve for tax refund and interim surcharge (B)	5.9	12.7
Oklahoma demand program rider over recovery (B)	3.6	2.0
SPP cost tracker over recovery (B)	—	2.6
Other (B)	5.7	6.9
<b>Total current regulatory liabilities</b>	<b>\$ 52.4</b>	<b>\$ 29.0</b>
Non-current:		
Income taxes refundable to customers, net	\$ 882.6	\$ 899.2
Accrued removal obligations, net	317.9	318.5
Pension tracker	0.4	—
Other	5.3	5.8
<b>Total non-current regulatory liabilities</b>	<b>\$ 1,206.2</b>	<b>\$ 1,223.5</b>

(A) Included in Other Current Assets in the Condensed Consolidated Balance Sheets.

(B) Included in Other Current Liabilities in the Condensed Consolidated Balance Sheets.

In response to the COVID-19 pandemic, the OCC and APSC issued orders allowing OG&E to defer certain expenses related to its COVID-19 response. For additional information about these orders, see Note 14 and "Item 2. Management's Discussion and Analysis - Recent Developments."

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 adjusted, as appropriate. If OG&E were required to discontinue the application of accounting principles for certain types of rate-regulated activities for some or all of its operations, it could result in writing off the related regulatory assets or liabilities, which could have significant financial effects.

#### **Allowance for Uncollectible Accounts Receivable**

Customer balances are generally written off if not collected within six months after the final billing date. The allowance for uncollectible accounts receivable for OG&E is calculated by multiplying the last six months of electric revenue by the provision rate, which is based on a 12-month historical average of actual balances written off and is adjusted for current conditions and supportable forecasts as necessary. To the extent the historical collection rates, when incorporating forecasted conditions, are not representative of future collections, there could be an effect on the amount of uncollectible expense recognized. Also, a portion of the uncollectible provision related to fuel within the Oklahoma jurisdiction is being recovered through the fuel adjustment clause. The allowance for uncollectible accounts receivable is a reduction to Accounts Receivable in the Condensed Consolidated Balance Sheets and is included in the Other Operation and Maintenance in the Condensed Consolidated Statements of Income.

New business customers are required to provide a security deposit in the form of cash, bond or irrevocable letter of credit that is refunded when the account is closed. New residential customers whose outside credit scores indicate an elevated risk are required to provide a security deposit that may be refunded based on customer protection rules defined by the OCC and the APSC. The payment behavior of all existing customers is continuously monitored, and, if the payment behavior indicates sufficient risk within the meaning of the applicable utility regulation, customers will be required to provide a security deposit.

The Company considered COVID-19 pandemic impacts when calculating its reserve on accounts receivable as of June 30, 2020, as further discussed in "Item 2. Management's Discussion and Analysis - Recent Developments."

#### **Investment in Unconsolidated Affiliates**

The Company's investment in Enable is considered to be a variable interest entity because the owners of the equity at risk in this entity have disproportionate voting rights in relation to their obligations to absorb the entity's expected losses or to receive its expected residual returns. However, the Company is not considered the primary beneficiary of Enable since it does not have the power to direct the activities of Enable that are considered most significant to the economic performance of Enable; therefore, the Company accounts for its investment in Enable using the equity method of accounting. Under the equity method, the investment will be adjusted each period for contributions made, distributions received and the Company's share of the investee's comprehensive income as adjusted for basis differences. The Company's maximum exposure to loss related to Enable is limited to the Company's equity investment in Enable at June 30, 2020 as presented in Note 12. The Company evaluates its equity method investments for impairment when events or changes in circumstances indicate there is a loss in value of the investment that is other than a temporary decline. When indicators exist, the fair value is estimated and compared to the investment carrying value, and if any impairment is judgmentally determined to be other than temporary, the carrying value of the investment is written down to fair value.

The Company determined, effective March 31, 2020, that an other than temporary decline in the value of the Company's investment in Enable had occurred. Further information detailing the results of the Company's impairment analysis and fair value measurement can be found in Notes 4 and 5.

The Company considers distributions received from Enable, which do not exceed cumulative equity in earnings subsequent to the date of investment, to be a return on investment and are classified as operating activities in the Condensed Consolidated Statements of Cash Flows. The Company considers distributions received from Enable in excess of cumulative equity in earnings subsequent to the date of investment to be a return of investment and are classified as investing activities in the Condensed Consolidated Statements of Cash Flows.

## Accumulated Other Comprehensive Income (Loss)

The following tables summarize changes in the components of accumulated other comprehensive income (loss) attributable to the Company during the six months ended June 30, 2020 and 2019. All amounts below are presented net of tax.

<i>(In millions)</i>	<b>Pension Plan and Restoration of Retirement Income Plan</b>	<b>Postretirement Benefit Plans</b>	<b>Other Comprehensive Loss from Unconsolidated Affiliates</b>	<b>Total</b>
Balance at December 31, 2019	\$ (35.1)	\$ 7.8	\$ (0.6)	\$ (27.9)
Other comprehensive income (loss) before reclassifications	—	—	(1.3)	(1.3)
Amounts reclassified from accumulated other comprehensive income (loss)	2.0	(0.9)	—	1.1
Settlement cost	0.2	—	—	0.2
Balance at June 30, 2020	\$ (32.9)	\$ 6.9	\$ (1.9)	\$ (27.9)

<i>(In millions)</i>	<b>Pension Plan and Restoration of Retirement Income Plan</b>	<b>Postretirement Benefit Plans</b>	<b>Total</b>
Balance at December 31, 2018	\$ (38.8)	\$ 9.9	\$ (28.9)
Amounts reclassified from accumulated other comprehensive income (loss)	1.7	(1.0)	0.7
Settlement cost	7.1	—	7.1
Balance at June 30, 2019	\$ (30.0)	\$ 8.9	\$ (21.1)

The following table summarizes significant amounts reclassified out of accumulated other comprehensive income (loss) by the respective line items in net income (loss) during the three and six months ended June 30, 2020 and 2019.

Details about Accumulated Other Comprehensive Income (Loss) Components	Amount Reclassified from Accumulated Other Comprehensive Income (Loss)				Affected Line Item in the Consolidated Statements of Income
	Three Months Ended		Six Months Ended		
	June 30,		June 30,		
(In millions)	2020	2019	2020	2019	
Amortization of Pension Plan and Restoration of Retirement Income Plan items:					
Actuarial losses	\$ (1.5)	\$ (1.3)	\$ (2.6)	\$ (2.2)	(A)
Settlement cost	(0.3)	(0.6)	(0.3)	(9.4)	(A)
	(1.8)	(1.9)	(2.9)	(11.6)	Income (Loss) Before Taxes
	(0.4)	(0.4)	(0.7)	(2.8)	Income Tax Expense (Benefit)
	\$ (1.4)	\$ (1.5)	\$ (2.2)	\$ (8.8)	Net Income (Loss)
Amortization of postretirement benefit plans items:					
Prior service credit	\$ 0.5	\$ 0.5	\$ 1.1	\$ 1.1	(A)
Actuarial gains	0.1	0.1	0.1	0.1	(A)
	0.6	0.6	1.2	1.2	Income (Loss) Before Taxes
	0.1	0.1	0.3	0.2	Income Tax Expense (Benefit)
	\$ 0.5	\$ 0.5	\$ 0.9	\$ 1.0	Net Income (Loss)
Total reclassifications for the period, net of tax	\$ (0.9)	\$ (1.0)	\$ (1.3)	\$ (7.8)	Net Income (Loss)

(A) These accumulated other comprehensive income (loss) components are included in the computation of net periodic benefit cost (see Note 11 for additional information).



## 2. Accounting Pronouncements

### Recently Adopted Accounting Standards

The following table provides an overview of recently adopted accounting pronouncements and their impacts on the Company.

ASU Number and Name	Description	Date of Adoption	Financial Statements and Disclosures Impact
ASU 2016-13, "Financial Instruments - Credit Losses: Measurement of Credit Losses on Financial Information"	This standard requires entities to measure all expected credit losses of financial assets held at a reporting date based on historical experience, current conditions and reasonable and supportable forecasts in order to record credit losses in a more timely manner.	January 1, 2020	Utilizing a modified-retrospective approach, the Company determined its only financial instrument requiring measurement under ASU 2016-13 is trade receivables. The Company considers both future economic conditions and historical data to measure the reserve for trade receivables under this standard and determined no adjustments to its reserve were necessary upon adoption.
ASU 2018-15, "Intangibles - Goodwill and Other - Internal-Use Software (Subtopic 350-40)"	The standard aligns requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software.	January 1, 2020	The new standard did not have a material effect on the Company's financial statements upon adoption. Prospectively, the Company records applicable capitalized implementation costs in Other Current Assets and related amortization expense in Other Operation and Maintenance.
ASU 2018-13, "Fair Value Measurement (Topic 820): Disclosure Framework"	The standard removes, adds or modifies disclosure requirements that impact all levels of the fair value hierarchy, as well as investments measured using the net asset value practical expedient.	January 1, 2020	The Company applied the guidance on a retrospective or prospective basis, depending on the requirement, and did not experience a significant impact on its financial statement disclosures.
ASU 2018-14, "Compensation - Retirement Benefits - Defined Benefit Plans - General (Subtopic 715-20)"	The standard removes, adds or clarifies disclosure requirements for employers that sponsor defined benefit pension or other postretirement plans.	January 1, 2020	The Company applied the guidance on a retrospective basis and did not experience a significant impact on its financial statement disclosures.
ASU 2020-04, "Reference Rate Reform (Topic 848)"	This standard provides optional expedients and exceptions, if certain criteria are met, for applying GAAP to contracts, hedging relationships and other transactions that reference LIBOR or another reference rate expected to be discontinued because of reference rate reform.	January 1, 2020	The guidance did not have a material impact upon adoption, nor does the Company expect a material impact in the future, on its consolidated financial statements.

### 3. Revenue Recognition

The following table disaggregates the Company's revenues from contracts with customers by customer classification. The Company's operating revenues disaggregated by customer classification can be found in "OG&E (Electric Utility) Results of Operations" within "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations."

<i>(In millions)</i>	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Residential	\$ 202.8	\$ 182.3	\$ 369.7	\$ 373.5
Commercial	113.0	115.4	204.3	210.8
Industrial	44.7	52.9	86.2	105.2
Oilfield	38.4	48.9	76.6	98.3
Public authorities and street light	40.6	44.4	75.3	84.5
System sales revenues	439.5	443.9	812.1	872.3
Provision for rate refund	(1.0)	(0.5)	(1.6)	(0.6)
Integrated market	8.5	10.3	15.7	17.0
Transmission	39.8	39.8	74.0	75.9
Other	5.2	7.6	12.2	13.9
Revenues from contracts with customers	\$ 492.0	\$ 501.1	\$ 912.4	\$ 978.5

### 4. Investment in Unconsolidated Affiliates and Related Party Transactions

At June 30, 2020, the Company owned 111.0 million common units, or 25.5 percent, of Enable's outstanding common units. On June 30, 2020, Enable's common unit price closed at \$4.68. The Company recorded equity in earnings of unconsolidated affiliates of \$26.9 million for the three months ended June 30, 2020 and equity in losses of unconsolidated affiliates of \$719.6 million for the six months ended June 30, 2020, compared to equity in earnings of unconsolidated affiliates of \$35.8 million and \$66.5 million for the three and six months ended June 30, 2019, respectively. Equity in earnings (losses) of unconsolidated affiliates includes the Company's share of Enable's earnings adjusted for the amortization of the basis difference of the Company's original investment in Enogex LLC and its underlying equity in the net assets of Enable, as well as any impairment the Company records on its investment in Enable. Equity in earnings (losses) of unconsolidated affiliates is also adjusted for the elimination of the Enogex Holdings fair value adjustments. These amortizations may also include gain or loss on dilution, net of proportional basis difference recognition. For more information concerning the formation of Enable and the Company's accounting for its investment in Enable, see Note 5 within "Item 8. Financial Statements and Supplementary Data" in the Company's [2019 Form 10-K](#).

The Company evaluates its equity method investment for impairment when factors indicate that a decline in the value of its investment has occurred and the carrying amount of its investment may not be recoverable. An impairment loss, based on the excess of the carrying value over estimated fair value of the investment, is recognized in earnings when an impairment is deemed to be other than temporary. Considerable judgment is used in determining if an impairment loss is other than temporary and the amount of any impairment. Effective March 31, 2020, the Company estimated the fair value of its investment in Enable was below the book value and concluded the decline in value was not temporary due to the severity of the decline and the recent rapid deterioration, as well as the near term future outlook, of the midstream oil and gas industry. Accordingly, the Company recorded a \$780.0 million impairment on its investment in Enable in March 2020, which is included in Equity in Earnings (Losses) of Unconsolidated Affiliates in the Company's 2020 Condensed Consolidated Income Statement. Further information concerning the fair value method used to measure the impairment on the Company's investment in Enable can be found in Note 5.

Summarized unaudited financial information for 100 percent of Enable is presented below at June 30, 2020 and December 31, 2019 and for the three and six months ended June 30, 2020 and 2019.

<b>Balance Sheet</b>	<b>June 30, 2020</b>	<b>December 31, 2019</b>
<i>(In millions)</i>		
Current assets	\$ 374	\$ 389
Non-current assets	\$ 11,687	\$ 11,877
Current liabilities	\$ 290	\$ 780
Non-current liabilities	\$ 4,454	\$ 4,077

<b>Income Statement</b>	<b>Three Months Ended June 30,</b>		<b>Six Months Ended June 30,</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
<i>(In millions)</i>				
Total revenues	\$ 515	\$ 735	\$ 1,163	\$ 1,530
Cost of natural gas and NGLs	\$ 177	\$ 317	\$ 403	\$ 695
Operating income	\$ 80	\$ 167	\$ 226	\$ 332
Net income	\$ 35	\$ 115	\$ 138	\$ 228

The following table reconciles the Company's equity in earnings (losses) of unconsolidated affiliates for the three and six months ended June 30, 2020 and 2019.

<i>(In millions)</i>	<b>Three Months Ended June 30,</b>		<b>Six Months Ended June 30,</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Enable net income	\$ 35.0	\$ 114.8	\$ 138.0	\$ 228.1
OGE Energy's percent ownership at period end	25.5 %	25.5 %	25.5 %	25.5 %
OGE Energy's portion of Enable net income	\$ 8.8	\$ 29.3	\$ 35.1	\$ 58.2
Amortization of basis difference and dilution recognition (A)	18.1	6.5	25.3	8.3
Impairment of OGE Energy's equity method investment in Enable	—	—	(780.0)	—
Equity in earnings (losses) of unconsolidated affiliates	\$ 26.9	\$ 35.8	\$ (719.6)	\$ 66.5

(A) Includes loss on dilution, net of proportional basis difference recognition.

The following table reconciles the difference between OGE Energy's investment in Enable and its underlying equity in the net assets of Enable (basis difference) from December 31, 2019 to June 30, 2020. The basis difference is being amortized over approximately 30 years.

<i>(In millions)</i>	
Basis difference at December 31, 2019	\$ 652.5
Amortization of basis difference (A)	(26.3)
Impairment of OGE Energy's equity method investment in Enable	780.0
Basis difference at June 30, 2020	\$ 1,406.2

(A) Includes proportional basis difference recognition due to dilution.

On April 1, 2020, Enable announced a 50 percent reduction to its quarterly distribution in order to strengthen its balance sheet and increase its annualized retained cash flow. See "Item 2. Management's Discussion and Analysis - Recent Developments" for further discussion of the Company's response.

On August 4, 2020, Enable announced a quarterly dividend distribution of \$0.16525 per unit on its outstanding common units, which is unchanged from the previous quarter and a decrease from the beginning of the year dividend distribution of \$0.33050 per unit. If cash distributions to Enable's unitholders exceed \$0.330625 per unit in any quarter, the general partner will receive increasing percentages, up to 50 percent, of the cash Enable distributes in excess of that amount. The Company is entitled to 60 percent of those "incentive distributions." In certain circumstances, the general partner has the

right to reset the minimum quarterly distribution and the target distribution levels at which the incentive distributions receive increasing percentages to higher levels based on Enable's cash distributions at the time of the exercise of this reset election.

Distributions received from Enable were \$18.3 million and \$35.3 million during the three months ended June 30, 2020 and 2019, respectively, and \$55.0 million and \$70.6 million during the six months ended June 30, 2020 and 2019, respectively.

### Related Party Transactions

The Company charges operating costs to OG&E and Enable based on several factors, and operating costs directly related to OG&E and/or Enable are assigned as such. Operating costs incurred for the benefit of OG&E are allocated either as overhead based primarily on labor costs or using the "Distrigas" method, which is a three-factor formula that uses an equal weighting of payroll, net operating revenues and gross property, plant and equipment.

#### *The Company and Enable*

The Company and Enable are currently parties to several agreements whereby the Company provides specified support services to Enable, such as certain information technology, payroll and benefits administration. Under these agreements, the Company charged operating costs to Enable of \$0.1 million during both the three months ended June 30, 2020 and 2019 and \$0.2 million during both the six months ended June 30, 2020 and 2019.

Pursuant to a seconding agreement, the Company provides seconded employees to Enable to support Enable's operations. As of June 30, 2020, 80 employees that participate in the Company's defined benefit and retirement plans are seconded to Enable. The Company billed Enable for reimbursement of \$3.8 million and \$4.0 million during the three months ended June 30, 2020 and 2019, respectively, and \$10.1 million and \$16.4 million during the six months ended June 30, 2020 and 2019, respectively, under the seconding agreement for employment costs. If the seconding agreement was terminated, and those employees were no longer employed by the Company, and lump sum payments were made to those employees, the Company would recognize a settlement or curtailment of the pension/retiree health care charges, which would increase expense at the Company by \$16.5 million. Settlement and curtailment charges associated with the Enable seconded employees are not reimbursable to the Company by Enable. The seconding agreement can be terminated by mutual agreement of the Company and Enable or solely by the Company upon 120 days' notice.

The Company had accounts receivable from Enable for amounts billed for support services, including the cost of seconded employees, of \$2.2 million as of June 30, 2020 and \$0.8 million as of December 31, 2019, which are included in Accounts Receivable in the Company's Condensed Consolidated Balance Sheets.

#### *OG&E and Enable*

Enable provides gas transportation services to OG&E pursuant to an agreement that grants Enable the responsibility of delivering natural gas to OG&E's generating facilities and performing an imbalance service. With this imbalance service, in accordance with the cash-out provision of the contract, OG&E purchases gas from Enable when Enable's deliveries exceed OG&E's pipeline receipts. Enable purchases gas from OG&E when OG&E's pipeline receipts exceed Enable's deliveries. The following table summarizes related party transactions between OG&E and Enable during the three and six months ended June 30, 2020 and 2019.

<i>(In millions)</i>	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2020	2019	2020	2019
Operating revenues:				
Electricity to power electric compression assets	\$ 3.5	\$ 3.8	\$ 7.2	\$ 7.6
Cost of sales:				
Natural gas transportation services	\$ 9.4	\$ 9.3	\$ 14.1	\$ 24.1
Natural gas purchases (sales)	\$ (1.7)	\$ (3.3)	\$ (1.0)	\$ (4.3)

### 5. Fair Value Measurements

The classification of the Company's fair value measurements requires judgment regarding the degree to which market data is observable or corroborated by observable market data. GAAP establishes a fair value hierarchy that prioritizes the inputs used to measure fair value based on observable and unobservable data. The hierarchy categorizes the inputs into three levels,

with the highest priority given to quoted prices in active markets for identical unrestricted assets or liabilities (Level 1), and the lowest priority given to unobservable inputs (Level 3). Financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The three levels defined in the fair value hierarchy are as follows:

Level 1 inputs are quoted prices in active markets for identical unrestricted assets or liabilities that are accessible at the measurement date.

Level 2 inputs are inputs other than quoted prices in active markets included within Level 1 that are either directly or indirectly observable at the reporting date for the asset or liability for substantially the full term of the asset or liability. Level 2 inputs include quoted prices for similar assets or liabilities in active markets and quoted prices for identical or similar assets or liabilities in markets that are not active.

Level 3 inputs are prices or valuation techniques for the asset or liability that require inputs that are both significant to the fair value measurement and unobservable (i.e., supported by little or no market activity). Unobservable inputs reflect the reporting entity's own assumptions about the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk).

The Company had no financial instruments measured at fair value on a recurring basis at June 30, 2020 and December 31, 2019. The following table summarizes the carrying amount and fair value of the Company's financial instruments at June 30, 2020 and December 31, 2019.

<i>(In millions)</i>	June 30, 2020		December 31, 2019		Classification
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	
Long-term Debt (including Long-term Debt due within one year):					
OG&E Senior Notes	\$ 3,348.5	\$ 4,024.7	\$ 3,050.3	\$ 3,500.4	Level 2
OG&E Industrial Authority Bonds	\$ 135.4	\$ 135.4	\$ 135.4	\$ 135.4	Level 2
Tinker Debt	\$ 9.5	\$ 10.7	\$ 9.5	\$ 10.0	Level 3

#### Nonrecurring Fair Value Measurements

As further discussed in Note 4, the Company recorded an impairment on its investment in Enable in March 2020. The nonrecurring fair value measurement consisted of calculating a 20-trading day volume weighted average price for Enable's common units through March 31, 2020. This method of valuation was determined to be representative of the fair value of Enable's common units as it incorporated market prices during the period and reduced the impact of volatility that a single day could represent. The Company concluded that this valuation method resulted in a Level 3 nonrecurring fair value measurement.

#### 6. Stock-Based Compensation

The following table summarizes the Company's pre-tax compensation expense and related income tax benefit during the three and six months ended June 30, 2020 and 2019 related to the Company's performance units and restricted stock units.

<i>(In millions)</i>	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Performance units:				
Total shareholder return	\$ 2.0	\$ 2.3	\$ 3.7	\$ 4.5
Earnings per share	0.1	0.4	0.3	0.9
Total performance units	2.1	2.7	4.0	5.4
Restricted stock units	0.2	0.2	0.3	0.5
Total compensation expense	\$ 2.3	\$ 2.9	\$ 4.3	\$ 5.9
Income tax benefit	\$ 0.6	\$ 0.7	\$ 1.1	\$ 1.5

During the six months ended June 30, 2020, the Company purchased 255,000 shares of its common stock at an average cost of \$38.04 per share on the open market, and 247,073 of these shares were used during the same period to satisfy payouts of earned performance units pursuant to the Company's Stock Incentive Plan. The Company records treasury stock purchases at cost. Treasury stock is presented as a reduction of stockholders' equity in the Company's 2020 Condensed Consolidated Balance Sheet.

During the six months ended June 30, 2020, there was an immaterial amount of shares of new common stock issued pursuant to the Company's Stock Incentive Plan to satisfy restricted stock grants.

## 7. Income Taxes

The Company files consolidated income tax returns in the U.S. federal jurisdiction and various state jurisdictions. With few exceptions, the Company is no longer subject to U.S. federal tax or state and local examinations by tax authorities for years prior to 2016. Income taxes are generally allocated to each company in the affiliated group based on its stand-alone taxable income or loss. Federal investment tax credits previously claimed on electric utility property have been deferred and will be amortized to income over the life of the related property. Additionally, OG&E earns federal tax credits associated with production from its wind facilities. Oklahoma production and investment state tax credits are also earned on investments in electric and solar generating facilities which further reduce the Company's effective tax rate.

## 8. Common Equity

### Automatic Dividend Reinvestment and Stock Purchase Plan

The Company issued no shares of common stock under its Automatic Dividend Reinvestment and Stock Purchase Plan during the three and six months ended June 30, 2020.

### Earnings (Loss) Per Share

Basic earnings (loss) per share is calculated by dividing net income (loss) attributable to the Company by the weighted-average number of the Company's common shares outstanding during the period. In the calculation of diluted earnings (loss) per share, weighted-average shares outstanding are increased for additional shares that would be outstanding if potentially dilutive securities were converted to common stock. Potentially dilutive securities for the Company consist of performance units and restricted stock units. The following table calculates basic and diluted earnings (loss) per share for the Company.

<i>(In millions except per share data)</i>	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Net income (loss)	\$ 85.9	\$ 100.2	\$ (405.9)	\$ 147.3
Average common shares outstanding:				
Basic average common shares outstanding	200.2	200.2	200.2	200.1
Effect of dilutive securities:				
Contingently issuable shares (performance and restricted stock units)	0.3	0.4	—	0.4
Diluted average common shares outstanding	200.5	200.6	200.2	200.5
Basic earnings (loss) per average common share	\$ 0.43	\$ 0.50	\$ (2.03)	\$ 0.74
Diluted earnings (loss) per average common share	\$ 0.43	\$ 0.50	\$ (2.03)	\$ 0.73
Anti-dilutive shares excluded from earnings per share calculation	—	—	—	—

## 9. Long-Term Debt

At June 30, 2020, the Company was in compliance with all of its debt agreements.

### OG&E Industrial Authority Bonds

OG&E has tax-exempt pollution control bonds with optional redemption provisions that allow the holders to request repayment of the bonds on any business day. The bonds, which can be tendered at the option of the holder during the next 12 months, are included in the following table.

Series	Date Due	Amount
		<i>(In millions)</i>
0.35% - 2.20% Garfield Industrial Authority, January 1, 2025		\$ 47.0
0.37% - 1.50% Muskogee Industrial Authority, January 1, 2025		32.4
0.35% - 2.20% Muskogee Industrial Authority, June 1, 2027		56.0
Total (redeemable during next 12 months)		\$ 135.4

All of these bonds are subject to an optional tender at the request of the holders, at 100 percent of the principal amount, together with accrued and unpaid interest to the date of purchase. The bond holders, on any business day, can request repayment of the bond by delivering an irrevocable notice to the tender agent stating the principal amount of the bond, payment instructions for the purchase price and the business day the bond is to be purchased. The repayment option may only be exercised by the holder of a bond for the principal amount. When a tender notice has been received by the trustee, a third-party remarketing agent for the bonds will attempt to remarket any bonds tendered for purchase. This process occurs once per week. Since the original issuance of these series of bonds in 1995 and 1997, the remarketing agent has successfully remarketed all tendered bonds. If the remarketing agent is unable to remarket any such bonds, OG&E is obligated to repurchase such unremarketed bonds. As OG&E has both the intent and ability to refinance the bonds on a long-term basis and such ability is supported by an ability to consummate the refinancing, the bonds are classified as Long-term Debt in the Company's Condensed Consolidated Balance Sheets. OG&E believes that it has sufficient liquidity to meet these obligations.

### Issuance of Long-Term Debt

In April 2020, OG&E issued \$300.0 million of 3.25 percent senior notes due April 1, 2030. The proceeds from the issuance were added to OG&E's general funds to be used for general corporate purposes, including to fund ongoing capital expenditures and working capital.

## 10. Short-Term Debt and Credit Facilities

The Company holds short-term debt through revolving credit facilities and term credit agreements maturing in one year or less. As of June 30, 2020, the Company had \$75.0 million of short-term debt as compared to \$112.0 million of short-term debt at December 31, 2019.

The Company borrows on a short-term basis, as necessary, by the issuance of commercial paper and borrowings under its revolving credit agreements and term credit agreement. In April 2020, the Company entered into a \$75.0 million floating rate unsecured one-year term credit agreement and borrowed the full \$75.0 million, in order to preserve financial flexibility in response to COVID-19. Advances under this agreement were used to refinance existing indebtedness and for working capital and general corporate purposes of the Company. The term credit agreement, under certain circumstances, may be increased to a maximum commitment limit of \$100.0 million and contains substantially the same covenants as the Company's existing \$450.0 million revolving credit agreement. The term credit agreement is scheduled to terminate on April 7, 2021. At June 30, 2020, the weighted-average interest rate for the amount drawn on the term loan was 1.25 percent.

The following table provides information regarding the Company's revolving credit agreements at June 30, 2020.

Entity	Aggregate Commitment	Amount Outstanding (A)	Weighted-Average Interest Rate	Expiration
<i>(In millions)</i>				
OGE Energy (B)	\$ 450.0	\$ —	— % (D)	March 8, 2023
OG&E (C)	450.0	0.3	1.15 % (D)	March 8, 2023
<b>Total</b>	<b>\$ 900.0</b>	<b>\$ 0.3</b>	<b>1.15 %</b>	

(A) Includes direct borrowings under the revolving credit agreements, commercial paper borrowings and letters of credit at June 30, 2020.

(B) This bank facility is available to back up the Company's commercial paper borrowings and to provide revolving credit borrowings. This bank facility can also be used as a letter of credit facility.

(C) This bank facility is available to back up OG&E's commercial paper borrowings and to provide revolving credit borrowings. This bank facility can also be used as a letter of credit facility.

(D) Represents the weighted-average interest rate for the outstanding borrowings under the revolving credit agreements, commercial paper borrowings and letters of credit.

The Company's ability to access the commercial paper market could be adversely impacted by a credit ratings downgrade or major market disruptions. Pricing grids associated with the Company's credit facilities could cause annual fees and borrowing rates to increase if an adverse rating impact occurs. The impact of any future downgrade could include an increase in the costs of the Company's short-term borrowings, but a reduction in the Company's credit ratings would not result in any defaults or accelerations. Any future downgrade could also lead to higher long-term borrowing costs and, if below investment grade, would require the Company to post collateral or letters of credit.

OG&E must obtain regulatory approval from the FERC in order to borrow on a short-term basis. OG&E has the necessary regulatory approvals to incur up to \$800.0 million in short-term borrowings at any one time for a two-year period beginning January 1, 2019 and ending December 31, 2020.



## 11. Retirement Plans and Postretirement Benefit Plans

### Net Periodic Benefit Cost

The following table presents the net periodic benefit cost components, before consideration of capitalized amounts, of the Company's Pension Plan, Restoration of Retirement Income Plan and postretirement benefit plans that are included in the Condensed Consolidated Financial Statements. Service cost is presented within Other Operation and Maintenance, and the remaining net periodic benefit cost components as listed in the table below are presented within Other Net Periodic Benefit Expense in the Company's Condensed Consolidated Statements of Income. OG&E recovers specific amounts of pension and postretirement medical costs in rates approved in its Oklahoma rate reviews. In accordance with approved orders, OG&E defers the difference between actual pension and postretirement medical expenses and the amount approved in its last Oklahoma rate review as a regulatory asset or regulatory liability. These amounts have been recorded in the Pension tracker in the regulatory assets and liabilities table in Note 1 and within Other Net Periodic Benefit Expense in the Company's Condensed Consolidated Statements of Income.

	Pension Plan				Restoration of Retirement Income Plan			
	Three Months Ended		Six Months Ended		Three Months Ended		Six Months Ended	
	June 30,		June 30,		June 30,		June 30,	
(In millions)	2020	2019	2020	2019	2020	2019	2020	2019
Service cost	\$ 2.8	\$ 2.8	\$ 6.5	\$ 6.3	\$ 0.2	\$ 0.1	\$ 0.4	\$ 0.2
Interest cost	4.6	5.2	9.2	10.9	—	0.1	0.1	0.2
Expected return on plan assets	(9.2)	(8.9)	(18.6)	(17.6)	—	—	—	—
Amortization of net loss	4.6	4.8	8.4	8.6	0.2	0.1	0.3	0.2
Settlement cost	—	0.9	—	20.6	0.3	—	0.3	—
Total net periodic benefit cost	2.8	4.8	5.5	28.8	0.7	0.3	1.1	0.6
Less: Amount paid by unconsolidated affiliates	0.6	0.8	1.1	1.7	—	—	—	—
Net periodic benefit cost	\$ 2.2	\$ 4.0	\$ 4.4	\$ 27.1	\$ 0.7	\$ 0.3	\$ 1.1	\$ 0.6

In addition to the net periodic benefit cost amounts recognized, as presented in the table above, for the Pension and Restoration of Retirement Income Plans for the three and six months ended June 30, 2020 and 2019, the Company recognized the following:

(In millions)	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Increase (decrease) of pension expense to maintain allowed recoverable amount in Oklahoma jurisdiction (A)	\$ 1.6	\$ (0.7)	\$ 3.3	\$ (1.7)
Deferral of pension expense related to pension settlement charges:				
Oklahoma jurisdiction (A)	\$ 0.3	\$ 0.5	\$ 0.3	\$ 11.7
Arkansas jurisdiction (A)	\$ —	\$ 0.1	\$ —	\$ 1.1

(A) Included in the pension regulatory asset or liability in each jurisdiction, as indicated in the regulatory assets and liabilities table in Note 1.

<i>(In millions)</i>	<b>Postretirement Benefit Plans</b>			
	<b>Three Months Ended</b>		<b>Six Months Ended</b>	
	<b>June 30,</b>		<b>June 30,</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Service cost	\$ —	\$ —	\$ 0.1	\$ 0.1
Interest cost	1.0	1.4	2.1	2.8
Expected return on plan assets	(0.4)	(0.4)	(0.9)	(0.9)
Amortization of net loss	0.4	0.4	1.0	1.0
Amortization of unrecognized prior service cost (A)	(2.1)	(2.1)	(4.2)	(4.2)
Total net periodic benefit cost	(1.1)	(0.7)	(1.9)	(1.2)
Less: Amount paid by unconsolidated affiliates	(0.2)	(0.1)	(0.4)	(0.3)
Net periodic benefit cost	\$ (0.9)	\$ (0.6)	\$ (1.5)	\$ (0.9)

(A) Unamortized prior service cost is amortized on a straight-line basis over the average remaining service period to the first eligibility age of participants who are expected to receive a benefit and are active at the date of the plan amendment.

In addition to the net periodic benefit income amounts recognized, as presented in the table above, for the postretirement benefit plans for the three and six months ended June 30, 2020 and 2019, the Company recognized the following:

<i>(In millions)</i>	<b>Three Months Ended June</b>		<b>Six Months Ended June 30,</b>	
	<b>30,</b>		<b>2020</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Increase of postretirement expense to maintain allowed recoverable amount in Oklahoma jurisdiction (A)	\$ 0.6	\$ 0.5	\$ 0.8	\$ 0.8

(A) Included in the Pension tracker, as presented in the regulatory assets and liabilities table in Note 1.

<i>(In millions)</i>	<b>Three Months Ended</b>		<b>Six Months Ended</b>	
	<b>June 30,</b>		<b>June 30,</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Capitalized portion of net periodic pension benefit cost	\$ 0.8	\$ 0.8	\$ 1.8	\$ 1.8
Capitalized portion of net periodic postretirement benefit cost	\$ 0.1	\$ —	\$ 0.1	\$ 0.1

## 12. Report of Business Segments

The Company reports its operations in two business segments: (i) the electric utility segment, which is engaged in the generation, transmission, distribution and sale of electric energy and (ii) the natural gas midstream operations segment. Intersegment revenues are recorded at prices comparable to those of unaffiliated customers and are affected by regulatory considerations. The following tables summarize the results of the Company's business segments during the three and six months ended June 30, 2020 and 2019.

Three Months Ended June 30, 2020	Electric Utility	Natural Gas Midstream Operations	Other Operations	Eliminations	Total
<i>(In millions)</i>					
Operating revenues	\$ 503.5	\$ —	\$ —	\$ —	\$ 503.5
Cost of sales	137.4	—	—	—	137.4
Other operation and maintenance	117.7	0.3	(0.5)	—	117.5
Depreciation and amortization	97.3	—	—	—	97.3
Taxes other than income	25.0	0.1	0.8	—	25.9
Operating income (loss)	126.1	(0.4)	(0.3)	—	125.4
Equity in earnings of unconsolidated affiliates	—	26.9	—	—	26.9
Other income	0.5	—	1.7	(0.2)	2.0
Interest expense	39.3	—	1.7	(0.2)	40.8
Income tax expense	8.4	7.5	11.7	—	27.6
Net income (loss)	\$ 78.9	\$ 19.0	\$ (12.0)	\$ —	\$ 85.9
Investment in unconsolidated affiliates	\$ —	\$ 356.4	\$ 20.1	\$ —	\$ 376.5
Total assets	\$ 10,367.6	\$ 360.2	\$ 109.1	\$ (397.8)	\$ 10,439.1

Three Months Ended June 30, 2019	Electric Utility	Natural Gas Midstream Operations	Other Operations	Eliminations	Total
<i>(In millions)</i>					
Operating revenues	\$ 513.7	\$ —	\$ —	\$ —	\$ 513.7
Cost of sales	178.7	—	—	—	178.7
Other operation and maintenance	120.0	0.3	(0.5)	—	119.8
Depreciation and amortization	84.3	—	—	—	84.3
Taxes other than income	20.1	0.1	0.7	—	20.9
Operating income (loss)	110.6	(0.4)	(0.2)	—	110.0
Equity in earnings of unconsolidated affiliates	—	35.8	—	—	35.8
Other income (expense)	1.5	(0.4)	1.0	(0.6)	1.5
Interest expense	33.3	—	3.2	(0.6)	35.9
Income tax expense (benefit)	4.3	8.1	(1.2)	—	11.2
Net income (loss)	\$ 74.5	\$ 26.9	\$ (1.2)	\$ —	\$ 100.2
Investment in unconsolidated affiliates	\$ —	\$ 1,157.2	\$ 14.1	\$ —	\$ 1,171.3
Total assets	\$ 9,733.8	\$ 1,160.0	\$ 104.5	\$ (112.1)	\$ 10,886.2

Six Months Ended June 30, 2020	Electric Utility	Natural Gas Midstream Operations	Other Operations	Eliminations	Total
<i>(In millions)</i>					
Operating revenues	\$ 934.8	\$ —	\$ —	\$ —	\$ 934.8
Cost of sales	272.4	—	—	—	272.4
Other operation and maintenance	238.7	0.9	(2.1)	—	237.5
Depreciation and amortization	191.7	—	—	—	191.7
Taxes other than income	48.9	0.2	2.4	—	51.5
Operating income (loss)	183.1	(1.1)	(0.3)	—	181.7
Equity in earnings (losses) of unconsolidated affiliates (A)	—	(719.6)	—	—	(719.6)
Other income	2.3	—	3.0	(1.2)	4.1
Interest expense	76.2	—	4.1	(1.2)	79.1
Income tax expense (benefit)	10.4	(171.7)	(45.7)	—	(207.0)
Net income (loss)	\$ 98.8	\$ (549.0)	\$ 44.3	\$ —	\$ (405.9)
Investment in unconsolidated affiliates	\$ —	\$ 356.4	\$ 20.1	\$ —	\$ 376.5
Total assets	\$ 10,367.6	\$ 360.2	\$ 109.1	\$ (397.8)	\$ 10,439.1

(A) In March 2020, the Company recorded a \$780.0 million impairment on its investment in Enable, as further discussed in Notes 4 and 5.

Six Months Ended June 30, 2019	Electric Utility	Natural Gas Midstream Operations	Other Operations	Eliminations	Total
<i>(In millions)</i>					
Operating revenues	\$ 1,003.7	\$ —	\$ —	\$ —	\$ 1,003.7
Cost of sales	391.3	—	—	—	391.3
Other operation and maintenance	240.3	0.7	(2.2)	—	238.8
Depreciation and amortization	166.7	—	—	—	166.7
Taxes other than income	44.5	0.3	2.4	—	47.2
Operating income (loss)	160.9	(1.0)	(0.2)	—	159.7
Equity in earnings of unconsolidated affiliates	—	66.5	—	—	66.5
Other income (expense)	4.1	(7.8)	1.7	(1.0)	(3.0)
Interest expense	65.7	—	5.8	(1.0)	70.5
Income tax expense (benefit)	5.2	9.5	(9.3)	—	5.4
Net income	\$ 94.1	\$ 48.2	\$ 5.0	\$ —	\$ 147.3
Investment in unconsolidated affiliates	\$ —	\$ 1,157.2	\$ 14.1	\$ —	\$ 1,171.3
Total assets	\$ 9,733.8	\$ 1,160.0	\$ 104.5	\$ (112.1)	\$ 10,886.2

### 13. Commitments and Contingencies

Except as set forth below, in Note 14 and under "Environmental Laws and Regulations" in Item 2 of Part I and in Item 1 of Part II of this Form 10-Q, the circumstances set forth in Notes 15 and 16 to the Consolidated Financial Statements included in the Company's [2019 Form 10-K](#) appropriately represent, in all material respects, the current status of the Company's material commitments and contingent liabilities.

#### Environmental Laws and Regulations

The activities of OG&E are subject to numerous stringent and complex federal, state and local laws and regulations governing environmental protection. These laws and regulations can change, restrict or otherwise impact OG&E's business activities in many ways, including the handling or disposal of waste material, planning for future construction activities to avoid or mitigate harm to threatened or endangered species and requiring the installation and operation of emissions or pollution control equipment. Failure to comply with these laws and regulations could result in the assessment of administrative, civil and

criminal penalties, the imposition of remedial requirements and the issuance of orders enjoining future operations. Management believes that all of its operations are in substantial compliance with current federal, state and local environmental standards.

Environmental regulation can increase the cost of planning, design, initial installation and operation of OG&E's facilities. Management continues to evaluate its compliance with existing and proposed environmental legislation and regulations and implement appropriate environmental programs in a competitive market.

## **Other**

In the normal course of business, the Company is confronted with issues or events that may result in a contingent liability. These generally relate to lawsuits or claims made by third parties, including governmental agencies. When appropriate, management consults with legal counsel and other experts to assess the claim. If, in management's opinion, the Company has incurred a probable loss as set forth by GAAP, an estimate is made of the loss, and the appropriate accounting entries are reflected in the Company's Condensed Consolidated Financial Statements. At the present time, based on currently available information, the Company believes that any reasonably possible losses in excess of accrued amounts arising out of pending or threatened lawsuits or claims would not be quantitatively material to its financial statements and would not have a material adverse effect on the Company's consolidated financial position, results of operations or cash flows.

## **14. Rate Matters and Regulation**

Except as set forth below, the circumstances set forth in Note 16 to the Consolidated Financial Statements included in the Company's [2019 Form 10-K](#) appropriately represent, in all material respects, the current status of the Company's regulatory matters.

### **Completed Regulatory Matters**

#### ***APSC Proceedings***

##### *Arkansas 2019 Formula Rate Plan Filing*

OG&E filed its second evaluation report under its Formula Rate Plan in October 2019. On January 29, 2020, OG&E, the General Staff of the APSC and the Office of the Arkansas Attorney General filed a settlement agreement requesting the APSC approve a \$5.2 million revenue increase, with rates effective April 1, 2020. The settling parties agreed that the Series I grid modernization projects are prudent in both action and cost and that the Series II grid modernization projects are prudent in action only and the determination of prudence of costs will be reserved until the actual historical costs are reviewed. The settling parties also agreed that OG&E will no longer use projections for the remaining initial term or extension of its current Formula Rate Plan and that all costs will be included for recovery for the first time in the historical year. On February 28, 2020, the APSC approved the settlement agreement.

##### *Order Regarding COVID-19*

On April 10, 2020, the APSC issued Order No. 1 related to COVID-19 and the provision of safe, adequate and reliable utility service at just and reasonable rates. Among other things, the APSC ordered the suspension of customer disconnects for non-payment during the pendency of the Arkansas Governor's emergency declaration or until the directive is rescinded by the APSC, neither of which have occurred yet. The order encourages companies to provide reasonable payment arrangements once the suspension is lifted. The APSC also authorized utilities to establish regulatory assets to record costs resulting from the suspension of disconnects. These regulatory assets will be reviewed in future proceedings for reasonableness. The APSC ordered the General Staff of the APSC to consult with utilities to create a quarterly report to be used to report the costs incurred and saved that have been booked to the regulatory asset. OG&E is monitoring the regulatory activity regarding COVID-19 at the APSC and will consider the request for additional regulatory action by the APSC as needed.

On May 1, 2020, OG&E filed a Request for Additional Actions and Tariff Deviation seeking relief from the Arkansas General Service Rules and OG&E's Terms and Conditions under the tariff, in order to allow for: more flexible deferred payment agreements for all customer classes, suspension of increased deposits due to non-payment and suspension of the removal of customers from certain billing and extended due date plans for late payments. In addition, OG&E requested that incremental expenses, such as additional personal protective equipment, increased sanitation efforts at facilities, implementing health-screening processes and securing temporary facilities for potential sequestration of critical operation personnel, be tracked in a regulatory asset. OG&E noted that all possible cost categories are not known currently and reserved the right to file subsequent requests as needed.

On May 27, 2020, the APSC issued an order approving OG&E's request to deviate from the specified terms in the Arkansas General Service Rules and OG&E's Terms and Conditions to allow deferred payment arrangements to be offered to all customer classes and have more flexible payment arrangements. OG&E is authorized to record the expenses requested in its regulatory asset to defer and seek future recovery. The APSC found that because each utility has different cost recovery mechanisms and the magnitude of the utilities' expenses are unknown at this time, the APSC finds that it is premature to decide the exact recovery mechanism for any utility for COVID-19 related costs.

### **OCC Proceedings**

#### *OCC Public Utility Division Motion Regarding COVID-19*

On April 28, 2020, the Director of the Public Utility Division filed an application requesting an order from the OCC authorizing action in response to COVID-19. The application requested that the OCC authorize the State's utilities to record as a regulatory asset increased bad debt expenses, costs associated with expanded payment plans, waived fees and incremental expenses that are directly related to the suspension of or delay in disconnection of service beginning March 15, 2020, which coincides with the issuance of the Oklahoma Governor's emergency declaration. The application also requested that the OCC allow utilities to defer additional expenses associated with ensuring the continuity of utility service, such as additional personal protective equipment, increased sanitation efforts at facilities, implementing health-screening processes and securing temporary facilities for potential sequestration of critical operation personnel. The application asked the OCC to consider in future proceedings whether each utility's request for recovery of these regulatory assets is reasonable and necessary and to consider issues such as the incremental bad debt experienced over normal periods, the appropriate period of recovery for any approved amount of regulatory asset, any amount of carrying costs and other related matters.

On May 7, 2020, the OCC ordered that each utility is authorized to record as a regulatory asset any increased bad debt expense, cost associated with expanded payment plans, waived fees and incremental expenses that are directly related to the suspension of or delay in disconnection of service beginning March 15, 2020 until September 2020, unless otherwise ordered by the OCC. The OCC will consider in future proceedings whether each utility's request for recovery of these regulatory assets is reasonable and necessary. The OCC will also consider issues such as the incremental bad debt experienced over normal periods, appropriate period of recovery for any approved amount of regulatory assets, any amounts of carrying costs thereon and other related matters. The OCC also authorized utilities to defer expenses associated with ensuring continuity of service and protecting utility personnel, customers and the general public.

### **Pending Regulatory Matters**

Various proceedings pending before state or federal regulatory agencies are described below. Unless stated otherwise, OG&E cannot predict when the regulatory agency will act or what action the regulatory agency will take. OG&E's financial results are dependent in part on timely and adequate decisions by the regulatory agencies that set OG&E's rates.

### **FERC Proceedings**

#### *Order for Sponsored Transmission Upgrades within SPP*

Under the SPP Open Access Transmission Tariff, costs of participant-funded, or "sponsored," transmission upgrades may be recovered from other SPP customers whose transmission service depends on capacity enabled by the upgrade. The SPP Open Access Transmission Tariff required the SPP to charge for these upgrades beginning in 2008, but the SPP had not been charging its customers for these upgrades due to information system limitations. However, the SPP had informed participants in the market that these charges would be forthcoming. In July 2016, the FERC granted the SPP's request to recover the charges not billed since 2008. The SPP subsequently billed OG&E for these charges and credited OG&E related to transmission upgrades that OG&E had sponsored, which resulted in OG&E being a net receiver of sponsored upgrade credits. The majority of these net credits were refunded to customers through OG&E's various rate riders that include SPP activity with the remaining amounts retained by OG&E.

Several companies that were net payers of Z2 charges sought rehearing of the FERC's July 2016 order; however, in November 2017, the FERC denied the rehearing requests. In January 2018, one of the impacted companies appealed the FERC's decision to the U.S. Court of Appeals for the District of Columbia Circuit. In July 2018, that court granted a motion requested by the FERC that the case be remanded back to the FERC for further examination and proceedings. In February 2019, the FERC reversed its July 2016 order and November 2017 rehearing denial, ruled that the SPP violated its tariff to charge for the 2008 - 2015 period in 2016, held that the SPP tariff provision that prohibited those charges could not be waived and ordered the SPP to develop a plan to refund the payments but not to implement the refunds until further ordered to do so. In response, in

April 2019, OG&E filed a request for rehearing with the FERC, and in May 2019, OG&E filed a FERC 206 complaint against the SPP, alleging that the SPP's forced unwinding of the revenue credit payments to OG&E would violate the provisions of the Sponsored Upgrade Agreement and of the applicable tariff. OG&E's filing requested that the FERC rule that the SPP is not entitled to seek refunds or in any other way seek to unwind the revenue credit payments it had paid to OG&E pursuant to the Sponsored Upgrade Agreement. The SPP's response to OG&E's filing agreed that OG&E should be entitled to keep its Z2 payments and argued that the SPP should not be held responsible for those payments if refunds are ordered. Further, the SPP has requested the FERC to negotiate a global settlement with all impacted parties, including other project sponsors who, like OG&E, have also filed complaints at FERC contending that the payments they have received cannot properly be unwound.

On February 20, 2020, the FERC denied OG&E's request for rehearing of its February 2019 order, denying the waiver and ruling that the SPP must seek refunds from project sponsors for Z2 payments for the 2008 through 2015 period and pay them back to transmission owners. The FERC also denied the SPP's request for a stay and for institution of settlement procedures. The FERC stated it would not institute settlement procedures unless parties on both sides of the matter requested them. The FERC did not rule on OG&E's complaint or the complaints of other project sponsors, or consider the SPP's refund plan. The FERC thus has not set any date for payment of refunds. On March 2, 2020, OG&E petitioned the U.S. Court of Appeals for the District of Columbia Circuit for review of the FERC's order denying the waiver and requiring refunds. The appeal will likely be decided by the second quarter of 2021.

The Company cannot predict the outcome of this proceeding based on currently available information, and as of June 30, 2020 and at present time, the Company has not reserved an amount for a potential refund. If the reversal of the July 2016 FERC order remains intact, OG&E estimates it would be required to refund \$13.0 million, which is net of amounts paid to other utilities for upgrades and would be subject to interest at the FERC-approved rate. If refunds were required, recovery of these upgrade credits would shift to future periods. Of the \$13.0 million, the Company would be impacted by \$5.0 million in expense that initially benefited the Company in 2016, and OG&E customers would incur a net impact of \$8.0 million in expense through rider mechanisms or the FERC formula rate.

The SPP has recently proposed eliminating Attachment Z2 revenue crediting and replacing it with a different mechanism that would provide project sponsors such as OG&E the same level of recovery they would receive if payments continued under Attachment Z2. The FERC rejected that proposal to the extent it would limit recovery to the amount of the upgrade sponsor's directly assigned upgrade costs with interest, finding that providing the possibility of recovering greater than the cost of the investment could serve as an incentive for entities to build merchant transmission projects. The SPP is allowed to resubmit a proposal without this limited recovery.

## ***APSC Proceedings***

### *Environmental Compliance Plan Rider*

In May 2019, OG&E filed an environmental compliance plan rider in Arkansas to recover its investment for the environmentally mandated costs associated with the Sooner Dry Scrubbers project and the conversion of Muskogee Units 4 and 5 to natural gas. The filing initiated an interim surcharge, subject to refund, that began with the first billing cycle of June 2019. OG&E is reserving the amounts collected through the interim surcharge, pending APSC approval of OG&E's filing. A hearing on the merits was held in December 2019. Parties submitted additional briefs to the APSC in March 2020, which were requested due to certain intervenors questioning whether a company can utilize an environmental compliance plan rider while also being regulated under a formula rate plan. The APSC Staff concurred with OG&E that the rider may run concurrently with a formula rate plan, and the Arkansas Attorney General and other intervenors were in opposition. On July 31, 2020, OG&E's request to recover its investment for these environmentally mandated costs through the interim surcharge was not approved, as the APSC indicated OG&E could otherwise recover this investment, such as through the Formula Rate Plan Rider. OG&E will return \$5.1 million to customers that had been reserved for refund and will include these costs for recovery in its upcoming Formula Rate Plan filing.

### *Net Metering Order*

On June 1, 2020, the APSC revised its net-metering rules. The revised rules retained 1:1 full credit for net excess generation of residential customers and commercial customers up to 1 MW without demand charges. For larger commercial customers, 1 MW to 20 MW, the APSC found that some cost shifting to non-net-metering customers may occur. While the rules retain 1:1 full credit for net excess generation, they allow for a grid charge. The grid charge is initially set at zero; however, a utility may request approval to revise the grid charge based on evidence that an unreasonable cost shift to non-net-metering customers is occurring. OG&E does not currently have a significant number of net-metering customers in Arkansas.

OG&E is reviewing its existing net-metering tariffs considering the new rules and will request the APSC approve any changes that are believed to be necessary.

### ***OCC Proceedings***

#### *Oklahoma Grid Enhancement Plan*

On February 24, 2020, OG&E filed an application with the OCC for approval of a mechanism that allows for interim recovery of the costs associated with its grid enhancement plan. The plan includes approximately \$800.0 million of strategic, data-driven investments, over five years, covering grid resiliency, grid automation, communication systems and technology platforms and applications. On May 19, 2020, the OCC temporarily suspended the procedural schedule in light of various conditions related to the COVID-19 pandemic and the uncertainty surrounding the method and date in which the hearing on the merits may occur. On July 9, 2020, a prehearing conference was held before the Administrative Law Judge to establish a procedural schedule and lift the stay ordered on May 19, 2020. On July 23, 2020, the OCC issued an order approving the amended procedural schedule and thereby lifting the stay. A hearing on the merits is scheduled for October 8, 2020.

#### *2019 Oklahoma Fuel Prudency*

On June 16, 2020, the Public Utility Division Staff filed their application initiating the review of the 2019 fuel adjustment clause and prudence review. OG&E plans to file its Minimum Filing Requirements and Supporting Testimony on August 17, 2020.

#### *Oklahoma Retail Electric Supplier Certified Territory Act Causes*

Certain rural electric cooperative electricity suppliers have filed complaints with the OCC alleging that OG&E has violated the Oklahoma Retail Electric Supplier Certified Territory Act. OG&E believes it is lawfully serving customers specifically exempted from this act and has presented evidence and testimony to the OCC supporting its position. If the OCC were to ultimately find that some or all of the customers being served are not exempted, then OG&E would have to evaluate the recoverability of some plant investments made to serve these customers. OG&E may also be required to reimburse certified territory suppliers for an amount of lost revenue. Currently, the People's Electric Cooperative, Inc. case has been stayed with the OCC, and an appeal has been filed with the Oklahoma Supreme Court.



## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

### Introduction

The Company is a holding company with investments in energy and energy services providers offering physical delivery and related services for both electricity and natural gas primarily in the south-central U.S. The Company conducts these activities through two business segments: (i) electric utility and (ii) natural gas midstream operations. The accounts of the Company and its wholly-owned subsidiaries are included in the Condensed Consolidated Financial Statements. All intercompany transactions and balances are eliminated in consolidation. The Company generally uses the equity method of accounting for investments where its ownership interest is between 20 percent and 50 percent and it lacks the power to direct activities that most significantly impact economic performance.

The electric utility segment generates, transmits, distributes and sells electric energy in Oklahoma and western Arkansas. Its operations are conducted through OG&E and are subject to regulation by the OCC, the APSC and the FERC. OG&E was incorporated in 1902 under the laws of the Oklahoma Territory and is a wholly-owned subsidiary of the Company. OG&E is the largest electric utility in Oklahoma, and its franchised service territory includes Fort Smith, Arkansas and the surrounding communities. OG&E sold its retail natural gas business in 1928 and is no longer engaged in the natural gas distribution business.

The natural gas midstream operations segment represents the Company's investment in Enable through wholly-owned subsidiaries and ultimately OGE Holdings. Enable was formed in 2013, and its general partner is equally controlled by the Company and CenterPoint, who each have 50 percent management ownership. Based on the 50/50 management ownership, with neither company having control, the Company accounts for its interest in Enable using the equity method of accounting. Enable is primarily engaged in the business of gathering, processing, transporting and storing natural gas. Enable's natural gas gathering and processing assets are strategically located in four states and serve natural gas production in the Anadarko, Arkoma and Ark-La-Tex Basins. Enable also owns crude oil gathering assets in the Anadarko and Williston Basins. Enable has intrastate natural gas transportation and storage assets that are located in Oklahoma as well as interstate assets that extend from western Oklahoma and the Texas Panhandle to Louisiana, from Louisiana to Illinois and from Louisiana to Alabama. As disclosed in the Company's [2019 Form 10-K](#), Enable is subject to a number of risks, including contract renewal risk, the reliance on the drilling and production decisions of others and the volatility of natural gas, NGLs and crude oil prices. The effects of COVID-19, including negative impacts on demand and commodity prices, could exacerbate these risks. If any of those risks were to occur, the Company's business, financial condition, results of operations or cash flows could be materially adversely affected.

### Overview

#### *Company Strategy*

The Company's mission, through OG&E and the Company's equity interest in Enable, is to fulfill its critical role in the nation's electric utility and natural gas midstream pipeline infrastructure and meet individual customer's needs for energy and related services, focusing on safety, efficiency, reliability, customer service and risk management. The Company's corporate strategy is to continue to maintain its existing business mix and diversified asset position of its regulated electric utility business and interest in a publicly traded midstream company, while providing competitive energy products and services to customers as well as seeking growth opportunities in both businesses.

Additionally, the Company wants to achieve a premium valuation of its businesses relative to its peers, grow earnings per share with a stable earnings pattern, create a high-performance culture and achieve desired outcomes with target stakeholders. The Company's financial objectives include a long-term annual earnings growth rate for OG&E of four to six percent on a weather-normalized basis, maintaining a strong credit rating as well as projecting dividend increases to be consistent with utility earnings growth. The Company also utilizes cash distributions from its investment in Enable to help fund its capital needs and support future dividend growth. The Company believes it can accomplish these financial objectives by, among other things, pursuing multiple avenues to build its business, maintaining a diversified asset position, continuing to develop a wide range of skills to succeed with changes in its industries, providing products and services to customers efficiently, managing risks effectively and having strong regulatory and legislative relationships.

## Recent Developments

### COVID-19 Pandemic

In March 2020, the World Health Organization declared the outbreak of COVID-19 as a pandemic, which continues to spread throughout the U.S. and world. In an effort to contain COVID-19 or slow its spread, the U.S. federal, state and local governments enacted various measures, including orders to close or place restrictions on businesses not deemed "essential," enact "shelter in place" restrictions on residents and practice social distancing when engaging in essential activities. The COVID-19 outbreak has adversely impacted global markets and activity, including the energy industry, and it is impossible to predict the ultimate impact of the COVID-19 pandemic, as the situation continues to evolve. In Oklahoma City, OG&E's largest service territory, the mayor's "shelter in place" order required residents to stay home except for certain "essential" activities and closed down restaurant dining rooms, personal care services and other businesses that posed a high risk for spreading COVID-19. The order was effective from March 16, 2020 to April 30, 2020. Beginning May 1, 2020, Oklahoma City began its phased "re-opening," and there are currently no city-wide or state-wide "shelter in place" restrictions.

The Company's current and potential future responses to the COVID-19 impacts on its employees, customers and shareholders are further discussed below.

- The Company's top priority is to protect its employees and their families, as well as its customers. The Company is taking all precautionary measures as directed by health authorities and local and national governments. The Company continues to monitor the outbreak of COVID-19, and other facility closures, or closures for a longer period of time, may be required to help ensure the health and safety of its employees and customers. In order to promote the safety of the Company's employees and the continuity of utility service, the Company implemented health-screening processes and increased sanitation efforts at its facilities and secured additional personal protective equipment, among other additional measures taken. The OCC and the APSC both issued accounting orders allowing the Company to defer these incremental costs incurred for recovery.
- As a precautionary measure in order to increase the Company's cash position and preserve financial flexibility in light of current uncertainty resulting from the COVID-19 pandemic, the Company entered into a one-year \$75.0 million term loan agreement in April 2020. Further, OG&E issued \$300.0 million in senior notes in April 2020.
- In March 2020, President Trump signed into U.S. federal law the Coronavirus Aid, Relief, and Economic Security Act, or the "CARES Act," which is aimed at addressing the economic disruption resulting from the COVID-19 pandemic and providing certain tax relief to businesses in the U.S. The CARES Act, among other things, includes provisions relating to refundable payroll tax credits, deferment of the employer portion of FICA payroll taxes, net operating loss carryback periods, alternative minimum tax credit refunds, modifications to the net interest deduction limitations and technical corrections to tax depreciation methods for qualified improvement property. The Company concluded that the financial impact of the provisions it adopted is immaterial.
- The Company voluntarily suspended all disconnects for nonpayment, effective March 16, 2020, and on June 25, 2020 announced that it would reinstate disconnects for nonpayment in Oklahoma, effective July 6, 2020. The Company also announced that it will provide broad payment options to customers who repay their past due balances, including a six-month installment plan and the Average Monthly Billing plan which would spread past due balances over a 12-month period. The Company adjusted its reserve on accounts receivable as of June 30, 2020 in light of the current expected credit loss model (ASU 2016-13) and the COVID-19 pandemic. The adjustment, which was \$1.1 million, incorporated concerns of continued slower customer payment due to unemployment. The Company deferred this credit reserve amount to a regulatory asset, as both the OCC and the APSC issued accounting orders allowing the Company to seek recovery of incremental bad debt resulting from COVID-19. The Company will continue to monitor the reserve as it gains better clarity on the impacts of COVID-19 on its customers and business. The Company is also monitoring customer usage to determine any impact on load forecasts, in terms of both energy and demand usage. While other customer classes have experienced declines due to COVID-19, residential MWh sales have increased by 2.3 percent on a weather-adjusted basis for the six months ended June 30, 2020 compared to the same period in 2019, likely due to more customers spending a higher percentage of time at home as a result of the pandemic. Due to different customer characteristics, the contribution to margin varies by customer class and applicable tariffs. The below table presents a one percent annual gross margin sensitivity by class, based on the gross margin guidance the Company provided in its [2019 Form 10-K](#). This analysis only incorporates retail gross margin and excludes transmission and other gross margin sensitivities.

Customer Class	1% Margin Sensitivity (In millions)
Residential	\$ 6.5
Commercial	\$ 3.6
Industrial	\$ 1.3
Oilfield	\$ 1.1
Public authorities	\$ 1.2

- Beginning in March 2020, oil and natural gas commodity prices have experienced extreme volatility, primarily attributable to decreased demand resulting from the COVID-19 pandemic and the actions of the Organization of Petroleum Exporting Countries and other oil exporting nations. On April 1, 2020, Enable announced its plan to reduce its quarterly distributions to its shareholders by 50 percent. This change in distribution, which should help strengthen Enable's balance sheet and increase its annualized cash flows, is supported by the Company. The Company does not foresee the need to access equity markets as a result of this reduction in distributions from Enable.

#### *Impairment of the Company's Equity Investment in Enable*

Effective March 31, 2020, the Company estimated the fair value of its investment in Enable was below the book value and concluded the decline in value was not temporary due to the severity of the decline and recent rapid deterioration, as well as the near term future outlook, of the midstream oil and gas industry. Accordingly, the Company recorded a \$780.0 million impairment on its investment in Enable in March 2020. Further discussion can be found in Notes 4 and 5 in "Item 1. Financial Statements."

#### *Regulatory Matters*

Further discussion can be found in Note 14 within "Item 1. Financial Statements."

#### *Arkansas 2019 Formula Rate Plan Filing*

OG&E filed its second evaluation report under its Formula Rate Plan in October 2019. On January 29, 2020, OG&E, the General Staff of the APSC and the Office of the Arkansas Attorney General filed a settlement agreement requesting the APSC approve a \$5.2 million revenue increase, with rates effective April 1, 2020. The settling parties agreed that the Series I grid modernization projects are prudent in both action and cost and that the Series II grid modernization projects are prudent in action only and the determination of prudence of costs will be reserved until the actual historical costs are reviewed. The settling parties also agreed that OG&E will no longer use projections for the remaining initial term or extension of its current Formula Rate Plan and that all costs will be included for recovery for the first time in the historical year. On February 28, 2020, the APSC approved the settlement agreement.

#### *APSC Order Regarding COVID-19*

On May 27, 2020, the APSC issued an order approving OG&E's request to deviate from the specified terms in the Arkansas General Service Rules and OG&E's Terms and Conditions to allow deferred payment arrangements to be offered to all customer classes and have more flexible payment arrangements. OG&E is also authorized to defer to a regulatory asset certain incremental expenses, such as additional personal protective equipment, increased sanitation efforts at facilities, implementing health-screening processes and securing temporary facilities for potential sequestration of critical operation personnel, and seek future recovery. The APSC found that it is premature to decide at this time the exact recovery mechanism for any utility for COVID-19 related costs.

#### *OCC Public Utility Division Motion Regarding COVID-19*

On May 7, 2020, the OCC ordered that the State's utilities, including OG&E, are authorized to record as a regulatory asset any increased bad debt expense, cost associated with expanded payment plans, waived fees and incremental expenses that are directly related to the suspension of or delay in disconnection of service beginning March 15, 2020 until September 2020, unless otherwise ordered by the OCC. The OCC will consider in future proceedings whether each utility's request for recovery of these regulatory assets is reasonable and necessary. The OCC will also consider issues such as the incremental bad debt experienced over normal periods, appropriate period of recovery for any approved amount of regulatory assets, any amounts of

carrying costs thereon and other related matters. The OCC also authorized utilities to defer expenses associated with ensuring continuity of service and protecting utility personnel, customers and the general public.

### **Summary of Operating Results**

#### *Three Months Ended June 30, 2020 as compared to the Three Months Ended June 30, 2019*

Net income was \$85.9 million, or \$0.43 per diluted share, during the three months ended June 30, 2020 as compared to net income of \$100.2 million, or \$0.50 per diluted share, during the same period in 2019. The decrease in net income of \$14.3 million, or \$0.07 per diluted share, is further discussed below.

- A decrease in net income at OGE Holdings of \$7.9 million, or \$0.03 per diluted share of the Company's common stock, was primarily due to a decrease in equity in earnings of Enable driven by decreased net income from Enable's gathering and processing business resulting from lower natural gas and crude oil gathered volumes and natural gas processed volumes.
- An increase in net income at OG&E of \$4.4 million, or \$0.02 per diluted share of the Company's common stock, was primarily due to higher gross margin driven by the expiration of the cogeneration credit rider, partially offset by higher depreciation and amortization expense due to additional assets being placed into service and higher interest expense driven by increased long-term debt outstanding.
- An increase in net loss of other operations (holding company) of \$10.8 million, or \$0.06 per diluted share of the Company's common stock, was primarily due to higher income tax expense driven by the partial elimination of the income tax benefit recorded in March 2020 related to the impairment recorded on the Company's investment in Enable. The income tax benefit impact is due to a consolidating income tax adjustment related to the interim period that will continue to eliminate in the ordinary course of business over the remainder of the year, as discussed in the Company's first quarter 2020 [Form 10-Q](#).

#### *Six Months Ended June 30, 2020 as compared to the Six Months Ended June 30, 2019*

Net loss was \$405.9 million, or \$2.03 per diluted share, during the six months ended June 30, 2020 as compared to net income of \$147.3 million, or \$0.73 per diluted share, during the same period in 2019. The decrease in net income of \$553.2 million, or \$2.76 per diluted share, is further discussed below.

- A net loss at OGE Holdings of \$549.0 million, or \$2.74 per diluted share of the Company's common stock, during the six months ended June 30, 2020 compared to net income of \$48.2 million, or \$0.24 per diluted share of the Company's common stock, during the six months ended June 30, 2019 was primarily due to a decrease in equity in earnings of Enable related to the impairment of the Company's investment in Enable recorded in March 2020, partially offset by an income tax benefit related to this impairment charge. The decrease in equity in earnings of Enable was also impacted by decreased net income from Enable's gathering and processing business resulting from lower natural gas gathered and processed volumes.
- An increase in net income at OG&E of \$4.7 million, or \$0.02 per diluted share of the Company's common stock, was primarily due to higher gross margin driven by the expiration of the cogeneration credit rider, partially offset by higher depreciation and amortization expense due to additional assets being placed into service and higher interest expense driven by increased long-term debt outstanding.
- An increase in net income of other operations (holding company) of \$39.3 million, or \$0.20 per diluted share of the Company's common stock, was primarily due to higher income tax benefit driven by the impairment recorded in March 2020 on the Company's investment in Enable. The income tax benefit impact is due to a consolidating income tax adjustment related to the interim period that will continue to eliminate in the ordinary course of business over the remainder of the year, as discussed in the Company's first quarter 2020 [Form 10-Q](#).

### **2020 Outlook**

The Company's 2020 earnings guidance is unchanged. OG&E is projected to earn approximately \$346 million to \$357 million of net income, or \$1.72 to \$1.78 per average diluted share. Consolidated earnings guidance for 2020 is projected to range from a net loss of approximately (\$173) million to (\$154) million, or (\$0.87) to (\$0.77) per average diluted share. Ongoing earnings are projected to be between approximately \$417 million to \$436 million of net income, or \$2.08 to \$2.18 per average diluted share. The guidance is based on approximately 201 million average diluted shares outstanding. Ongoing earnings and ongoing earnings per average diluted share are non-GAAP financial measures; further discussion and reconciliations in accordance with GAAP can be found under "Non-GAAP Financial Measures" below. See the Company's

[2019 Form 10-K](#) and [Form 10-Q](#) for the quarter ended March 31, 2020 for other key factors and assumptions underlying its 2020 earnings guidance.

## Non-GAAP Financial Measures

### The Company

"Ongoing earnings" and "ongoing earnings per average diluted share" are defined by the Company as GAAP Net Income (Loss) and GAAP Earnings (Loss) per Average Diluted Share adjusted to exclude certain non-cash charges and the associated tax impacts. These financial measures excluded a non-cash charge of \$780.0 million, or \$3.90 per average diluted share, associated with the impairment of the Company's investment in Enable, which the Company's management considers an unusual and infrequent event. Management believes that ongoing earnings and ongoing earnings per average diluted share provide a more meaningful comparison of earnings results and are more representative of the Company's fundamental core earnings power. The Company's management uses ongoing earnings and ongoing earnings per average diluted share internally for financial planning and analysis, for reporting of results to the Board of Directors and when communicating its earnings outlook to analysts and investors.

Reconciliations of ongoing earnings and ongoing earnings per average diluted share for the three and six months ended June 30, 2020 are below.

	OG&E (Electric Utility)	OGE Holdings (Natural Gas Midstream Operations) (B)	Other Operations (C)	Consolidated Total
<b>Three months ended June 30, 2020</b>				
<i>(In millions)</i>				
GAAP net income (loss)	\$ 78.9	\$ 19.0	\$ (12.0)	\$ 85.9
Enable investment impairment charge	—	—	—	—
Tax effect	—	—	16.4	16.4
Ongoing earnings	\$ 78.9	\$ 19.0	\$ 4.4	\$ 102.3
GAAP net income (loss) per average diluted share	\$ 0.39	\$ 0.10	\$ (0.06)	\$ 0.43
Enable investment impairment charge per share	—	—	—	—
Tax effect per share	—	—	0.08	0.08
Ongoing earnings per average diluted share	\$ 0.39	\$ 0.10	\$ 0.02	\$ 0.51
<b>Six months ended June 30, 2020</b>				
<i>(In millions)</i>				
GAAP net income (loss)	\$ 98.8	\$ (549.0)	\$ 44.3	\$ (405.9)
Enable investment impairment charge (A)	—	780.0	—	780.0
Tax effect	—	(190.4)	(36.4)	(226.8)
Ongoing earnings	\$ 98.8	\$ 40.6	\$ 7.9	\$ 147.3
GAAP net income (loss) per average diluted share	\$ 0.49	\$ (2.74)	\$ 0.22	\$ (2.03)
Enable investment impairment charge per share (A)	—	3.90	—	3.90
Tax effect per share	—	(0.95)	(0.18)	(1.13)
Ongoing earnings per average diluted share	\$ 0.49	\$ 0.21	\$ 0.04	\$ 0.74

(A) Does not include a \$5.4 million pre-tax charge recorded during the six months ended June 30, 2020 for the Company's share of Enable's goodwill, long-lived asset impairments and loss on retirements, as adjusted for basis differences.

(B) Tax effect and tax effect per share are calculated utilizing OGE Holdings' statutory tax rate for the six months ended June 30, 2020.

(C) As a result of the impairment of the Company's investment in Enable, other operations' GAAP net income (loss) and GAAP earnings (loss) per average diluted share include a tax benefit impact due to a consolidating income tax adjustment related to the interim period that will continue to eliminate in the ordinary course of business over the remainder of the year.

Reconciliations of ongoing earnings and ongoing earnings per average diluted share included in the 2020 Outlook are below.

	<b>Twelve Months Ended December 31, 2020 (A)</b>	
<b>OGE Holdings</b>		
GAAP net loss per average diluted share	\$	(2.57)
Enable investment impairment charge per share (B)		2.95
Ongoing earnings per average diluted share	\$	0.38
<b>Consolidated OGE (In millions)</b>		
GAAP net loss	\$	(163.5)
Enable investment impairment charge (B)		590.0
Ongoing earnings	\$	426.5
<b>Consolidated OGE</b>		
GAAP net loss per average diluted share	\$	(0.82)
Enable investment impairment charge per share (B)		2.95
Ongoing earnings per average diluted share	\$	2.13

(A) Based on the midpoint of earnings guidance for 2020.

(B) Represents the tax-effected impairment amount that the Company recorded on its equity investment in Enable in March 2020.

#### **OG&E**

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. For a reconciliation of gross margin to revenue, which is the most directly comparable financial measure calculated and presented in accordance with GAAP, for the three and six months ended June 30, 2020 and 2019, see "OG&E (Electric Utility) Results of Operations" below.

## Enable

Gross margin is defined by Enable as total revenues minus costs of natural gas and NGLs, excluding depreciation and amortization. Total revenues consist of the fees that Enable charges its customers and the sales price of natural gas and NGLs that Enable sells. The cost of natural gas and NGLs consists of the purchase price of natural gas and NGLs that Enable purchases. Enable deducts the cost of natural gas and NGLs from total revenues to arrive at a measure of the core profitability of their mix of fee-based and commodity-based customer arrangements. Gross margin allows for meaningful comparison of the operating results between Enable's fee-based revenues and Enable's commodity-based contracts which involve the purchase or sale of natural gas, NGLs and/or crude oil. In addition, the Company believes gross margin allows for a meaningful comparison of the results of Enable's commodity-based activities across different commodity price environments because it measures the spread between the product sales price and cost of products sold. Enable'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. For a reconciliation of gross margin to revenue, which is the most directly comparable financial measure calculated and presented in accordance with GAAP, for the three and six months ended June 30, 2020 and 2019, see "OGE Holdings (Natural Gas Midstream Operations) Results of Operations" below.

## Results of Operations

The following discussion and analysis presents factors that affected the Company's consolidated results of operations for the three and six months ended June 30, 2020 as compared to the same periods in 2019 and the Company's consolidated financial position at June 30, 2020. Due to seasonal fluctuations and other factors, the Company's operating results for the three and six months ended June 30, 2020 are not necessarily indicative of the results that may be expected for the year ending December 31, 2020 or for any future period. The following information should be read in conjunction with the Condensed Consolidated Financial Statements and Notes thereto. Known trends and contingencies of a material nature are discussed to the extent considered relevant.

<i>(In millions except per share data)</i>	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2020	2019	2020	2019
Net income (loss)	\$ 85.9	\$ 100.2	\$ (405.9)	\$ 147.3
Basic average common shares outstanding	200.2	200.2	200.2	200.1
Diluted average common shares outstanding	200.5	200.6	200.2	200.5
Basic earnings (loss) per average common share	\$ 0.43	\$ 0.50	\$ (2.03)	\$ 0.74
Diluted earnings (loss) per average common share	\$ 0.43	\$ 0.50	\$ (2.03)	\$ 0.73
Dividends declared per common share	\$ 0.38750	\$ 0.36500	\$ 0.77500	\$ 0.73000

## Results by Business Segment

<i>(In millions)</i>	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2020	2019	2020	2019
Net income (loss):				
OG&E (Electric Utility)	\$ 78.9	\$ 74.5	\$ 98.8	\$ 94.1
OGE Holdings (Natural Gas Midstream Operations) (A)	19.0	26.9	(549.0)	48.2
Other operations (A)(B)	(12.0)	(1.2)	44.3	5.0
Consolidated net income (loss)	\$ 85.9	\$ 100.2	\$ (405.9)	\$ 147.3

(A) In March 2020, the Company recorded a \$780.0 million impairment on its investment in Enable, as further discussed in Notes 4 and 5 in "Item 1. Financial Statements." Other operations includes a tax benefit impact due to a consolidating income tax adjustment related to the interim period that will continue to eliminate in the ordinary course of business over the remainder of the year.

(B) Other operations primarily includes the operations of the holding company and consolidating eliminations.

The following discussion of results of operations by business segment includes intercompany transactions that are eliminated in the Condensed Consolidated Financial Statements.

**OG&E (Electric Utility)**

<i>(Dollars in millions)</i>	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2020	2019	2020	2019
Operating revenues	\$ 503.5	\$ 513.7	\$ 934.8	\$ 1,003.7
Cost of sales	137.4	178.7	272.4	391.3
Other operation and maintenance	117.7	120.0	238.7	240.3
Depreciation and amortization	97.3	84.3	191.7	166.7
Taxes other than income	25.0	20.1	48.9	44.5
Operating income	126.1	110.6	183.1	160.9
Allowance for equity funds used during construction	1.3	1.2	2.6	2.7
Other net periodic benefit income (expense)	(1.0)	—	(1.5)	0.4
Other income	1.1	1.1	2.6	2.5
Other expense	0.9	0.8	1.4	1.5
Interest expense	39.3	33.3	76.2	65.7
Income tax expense	8.4	4.3	10.4	5.2
Net income	\$ 78.9	\$ 74.5	\$ 98.8	\$ 94.1
Operating revenues by classification:				
Residential	\$ 208.4	\$ 186.6	\$ 380.7	\$ 382.0
Commercial	116.1	119.8	210.2	220.1
Industrial	45.7	54.3	88.3	107.9
Oilfield	39.1	49.9	78.1	100.1
Public authorities and street light	41.6	45.8	77.2	87.3
Sales for resale	0.1	0.1	—	0.1
System sales revenues	451.0	456.5	834.5	897.5
Provision for rate refund	(1.0)	(0.5)	(1.6)	(0.6)
Integrated market	8.5	10.3	15.7	17.0
Transmission	39.8	39.8	74.0	75.9
Other	5.2	7.6	12.2	13.9
Total operating revenues	\$ 503.5	\$ 513.7	\$ 934.8	\$ 1,003.7
Reconciliation of gross margin to revenue:				
Operating revenues	\$ 503.5	\$ 513.7	\$ 934.8	\$ 1,003.7
Cost of sales	137.4	178.7	272.4	391.3
Gross margin	\$ 366.1	\$ 335.0	\$ 662.4	\$ 612.4
MWh sales by classification <i>(In millions)</i>				
Residential	2.2	2.0	4.4	4.4
Commercial	1.5	1.5	3.0	2.9
Industrial	0.9	1.2	2.0	2.3
Oilfield	1.0	1.2	2.1	2.4
Public authorities and street light	0.7	0.7	1.3	1.4
System sales	6.3	6.6	12.8	13.4
Integrated market	0.5	0.3	0.8	0.6
Total sales	6.8	6.9	13.6	14.0
Number of customers	863,234	853,500	863,234	853,500
Weighted-average cost of energy per kilowatt-hour <i>(In cents)</i>				
Natural gas	1.907	2.113	1.784	2.527
Coal	1.976	2.067	1.962	1.993
Total fuel	1.764	1.909	1.658	2.118
Total fuel and purchased power	1.921	2.471	1.904	2.672
Degree days (A)				
Heating - Actual	302	197	1,951	2,277
Heating - Normal	204	204	2,004	2,004
Cooling - Actual	559	481	582	481
Cooling - Normal	626	626	639	639



(A) Degree days are calculated as follows: The high and low degrees of a particular day are added together and then averaged. If the calculated average is above 65 degrees, then the difference between the calculated average and 65 is expressed as cooling degree days, with each degree of difference equaling one cooling degree day. If the calculated average is below 65 degrees, then the difference between the calculated average and 65 is expressed as heating degree days, with each degree of difference equaling one heating degree day. The daily calculations are then totaled for the particular reporting period.

OG&E's net income increased \$4.4 million, or 5.9 percent, and \$4.7 million, or 5.0 percent, during the three and six months ended June 30, 2020, respectively, as compared to the same periods in 2019. Primary drivers for these increases in net income are further discussed below.

Gross margin increased \$31.1 million, or 9.3 percent, and \$50.0 million, or 8.2 percent, during the three and six months ended June 30, 2020, respectively, as compared to the same periods in 2019. The below factors contributed to the changes in gross margin.

<i>(In millions)</i>	<b>\$ Change</b>	
	<b>Three Months Ended</b>	<b>Six Months Ended</b>
Price variance (A)	\$ 27.7	\$ 49.9
Quantity impacts (primarily weather) (B)	10.6	4.0
New customer growth	2.6	5.2
Industrial and oilfield sales	(4.6)	(4.7)
Non-residential demand and related revenues	(2.6)	(2.5)
Other	(2.6)	(1.9)
<b>Change in gross margin</b>	<b>\$ 31.1</b>	<b>\$ 50.0</b>

(A) Increased primarily due to the expiration of the cogeneration credit rider in the second half of 2019.

(B) Increased primarily due to a 16.2 percent increase in cooling degree days for the three months ended June 30, 2020. Increased primarily due to a 21.0 percent increase in cooling degree days, partially offset by a 14.3 decrease in heating degree days for the six months ended June 30, 2020.

Cost of sales for OG&E consists of fuel used in electric generation, purchased power and transmission related charges. The actual cost of fuel used in electric generation and certain purchased power costs are passed through to OG&E's customers through fuel adjustment clauses. The fuel adjustment clauses are subject to periodic review by the OCC and the APSC. OG&E's cost of sales decreased \$41.3 million, or 23.1 percent, and \$118.9 million, or 30.4 percent, during the three and six months ended June 30, 2020, respectively, as compared to the same periods in 2019. The below factors contributed to the changes in cost of sales.

<i>(In millions)</i>	<b>\$ Change</b>		<b>% Change</b>	
	<b>Three Months Ended</b>	<b>Six Months Ended</b>	<b>Three Months Ended</b>	<b>Six Months Ended</b>
Fuel expense (A)	\$ 5.4	\$ (33.5)	8.0 %	(21.2) %
Purchased power costs:				
Purchases from SPP (B)	(45.6)	(77.9)	(62.8) %	(50.3) %
Cogeneration (C)	(4.5)	(11.7)	(100.0) %	(100.0) %
Wind (D)	1.9	4.1	12.9 %	15.0 %
Transmission expense	1.5	0.1	9.1 %	0.3 %
<b>Change in cost of sales</b>	<b>\$ (41.3)</b>	<b>\$ (118.9)</b>		

(A) Increased primarily due to higher fuel usage related to the generating assets utilized and decreased primarily due to lower fuel costs related to the generating assets utilized during the three and six months ended June 30, 2020, respectively.

(B) Decreased primarily due to lower market prices as a result of decreased fuel costs for generators for the three and six months ended June 30, 2020.

(C) Decreased primarily due to the expiration of cogeneration contracts in 2019.

(D) Increased primarily due to increases of 18.2 percent and 17.4 percent in MWs purchased during the three and six months ended June 30, 2020, respectively.

Other operation and maintenance expense decreased \$2.3 million, or 1.9 percent, and \$1.6 million, or 0.7 percent, during the three and six months ended June 30, 2020, respectively, as compared to the same periods in 2019. The below factors contributed to the changes in other operation and maintenance expense.

<i>(In millions)</i>	<b>\$ Change</b>		<b>% Change</b>	
	<b>Three Months Ended</b>	<b>Six Months Ended</b>	<b>Three Months Ended</b>	<b>Six Months Ended</b>
Contract technical and construction services	\$ (3.9)	\$ (6.2)	(26.7)%	(24.0)%
Other	(1.6)	(2.8)	(1.6)%	(1.3)%
New expenses related to River Valley power plant (A)	3.2	7.4	*	*
Change in other operation and maintenance expense (B)	\$ (2.3)	\$ (1.6)		

\* Change is greater than 100 percent variance.

(A) Additional other operation and maintenance expenses related to the purchase of the River Valley plant are primarily recovered through a rider mechanism, as approved by the OCC in 2019.

(B) Certain incremental expenses incurred by OG&E related to its COVID-19 response have been deferred and are included in the regulatory assets and liabilities table in Note 1 within "Item 1. Financial Statements."

Depreciation and amortization expense increased \$13.0 million, or 15.4 percent, and \$25.0 million, or 15.0 percent, during the three and six months ended June 30, 2020, respectively, as compared to the same periods in 2019, primarily due to additional assets being placed into service and depreciation expense for the Sooner Dry Scrubbers no longer being deferred to a regulatory asset.

Taxes other than income increased \$4.9 million, or 24.4 percent, and \$4.4 million, or 9.9 percent, during the three and six months ended June 30, 2020, respectively, as compared to the same periods in 2019, primarily due to increased ad valorem taxes.

Interest on long-term debt increased \$7.0 million, or 22.0 percent, and \$11.0 million, or 17.1 percent, during the three and six months ended June 30, 2020, respectively, as compared to the same periods in 2019, primarily due to increased long-term debt outstanding and interest expense for the Sooner Dry Scrubbers no longer being deferred to a regulatory asset.

Income tax expense increased \$4.1 million, or 95.3 percent, and \$5.2 million, or 100.0 percent, during the three and six months ended June 30, 2020, respectively, as compared to the same periods in 2019, primarily due to higher pretax income and reduced tax credit generation.

#### ***OGE Holdings (Natural Gas Midstream Operations)***

<i>(In millions)</i>	<b>Three Months Ended June 30,</b>		<b>Six Months Ended June 30,</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Operating revenues	\$ —	\$ —	\$ —	\$ —
Cost of sales	—	—	—	—
Other operation and maintenance	<b>0.3</b>	0.3	<b>0.9</b>	0.7
Taxes other than income	<b>0.1</b>	0.1	<b>0.2</b>	0.3
Operating loss	<b>(0.4)</b>	(0.4)	<b>(1.1)</b>	(1.0)
Equity in earnings (losses) of unconsolidated affiliates (A)	<b>26.9</b>	35.8	<b>(719.6)</b>	66.5
Other expense	—	0.4	—	7.8
Income (loss) before taxes	<b>26.5</b>	35.0	<b>(720.7)</b>	57.7
Income tax expense (benefit)	<b>7.5</b>	8.1	<b>(171.7)</b>	9.5
Net income (loss) attributable to OGE Holdings	\$ <b>19.0</b>	\$ 26.9	\$ <b>(549.0)</b>	\$ 48.2

(A) In March 2020, the Company recorded a \$780.0 million impairment on its investment in Enable, as further discussed in Notes 4 and 5 in "Item 1. Financial Statements."

### Reconciliation of Equity in Earnings (Losses) of Unconsolidated Affiliates

See Note 4 within "Item 1. Financial Statements" for the reconciliation of Enable's net income to OGE Energy's equity in earnings (losses) of unconsolidated affiliates and the reconciliation of the difference between OGE Energy's investment in Enable and its underlying equity in the net assets of Enable (basis difference).

### Enable Results of Operations and Operating Data

The following tables present summarized financial information of Enable for the three and six months ended June 30, 2020 and 2019.

(In millions)	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2020	2019	2020	2019
Reconciliation of gross margin to revenue:				
Total revenues	\$ 515	\$ 735	\$ 1,163	\$ 1,530
Cost of natural gas and NGLs	177	317	403	695
Gross margin	\$ 338	\$ 418	\$ 760	\$ 835
Operating income	\$ 80	\$ 167	\$ 226	\$ 332
Net income	\$ 35	\$ 115	\$ 138	\$ 228

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2020	2019	2020	2019
Natural gas gathered volumes - TBtu/d	4.14	4.62	4.33	4.58
Natural gas processed volumes - TBtu/d (A)	2.04	2.54	2.24	2.54
NGLs sold - MBbl/d (B)(C)	122.99	136.34	122.15	138.20
Crude oil and condensate gathered volumes - MBbl/d	84.68	119.34	112.97	113.65
Transported volumes - TBtu/d	5.40	6.04	5.98	6.36

(A) Includes volumes under third-party processing arrangements.

(B) Excludes condensate.

(C) NGLs sold includes volumes of NGLs withdrawn from inventory or purchased for system balancing purposes.

OGE Holdings' net income decreased \$7.9 million, or 29.4 percent, for the three months ended June 30, 2020 as compared to the same period in 2019, primarily due to a decrease in equity in earnings of Enable of \$8.9 million, partially offset by decreases in other expense and income tax expense. OGE Holdings' net loss of \$549.0 million compared to net income of \$48.2 million during the six months ended June 30, 2020 and 2019, respectively, was primarily due to the impairment recorded in March 2020 on the Company's investment in Enable, which is discussed in more detail in Notes 4 and 5 in "Item 1. Financial Statements." The following table presents summarized information regarding Enable's income statement changes for the three and six months ended June 30, 2020, as compared to the same periods in 2019, and the corresponding impact those changes had on the Company's equity in earnings of Enable.

(In millions)	Three Months Ended		Six Months Ended	
	Income Statement Change at Enable	Impact to Company's Equity in Earnings	Income Statement Change at Enable	Impact to Company's Equity in Earnings
Gross margin	\$ (80.0)	\$ (20.4)	\$ (75.0)	\$ (19.1)
Impairments (A)	\$ —	\$ —	\$ 28.0	\$ (4.4)
Operation and maintenance, General and administrative (B)	\$ 12.0	\$ 1.0	\$ 9.0	\$ 1.8
Depreciation and amortization	\$ (5.0)	\$ 1.3	\$ (6.0)	\$ 1.5

(A) Included in the \$28.0 million of impairments recorded by Enable is a \$12.0 million goodwill impairment and a \$16.0 million impairment for certain long-lived assets in their gathering and processing business segment. These certain long-lived assets are jointly-owned by Enable, which reduces the impairment's impact by 50 percent on the Company's equity in

earnings. The Company recorded a \$4.4 million pre-tax charge for its share of Enable's goodwill and long-lived asset impairments, as adjusted for basis differences.

- (B) Included in Enable's operation and maintenance and general and administrative expenses for the three and six months ended June 30, 2020 is a \$20.0 million loss on retirement of an Ark-La-Tex gathering system in their gathering and processing business segment. The Company recorded a \$1.0 million pre-tax charge for its share of Enable's loss on retirement, as adjusted for basis differences.

Enable's gathering and processing business segment reported a decrease in operating income of \$89.0 million and \$118.0 million for the three and six months ended June 30, 2020, respectively, as compared to the same periods in 2019. The following table presents summarized information regarding Enable's gathering and processing business segment income statement changes for the three and six months ended June 30, 2020, as compared to the same periods in 2019, and the corresponding impact those changes had on the Company's equity in earnings of Enable.

The decreases in Enable's gathering and processing business segment operating income were primarily due to the following:

	Three Months Ended		Six Months Ended	
	Income Statement Change at Enable	Impact to Company's Equity in Earnings	Income Statement Change at Enable	Impact to Company's Equity in Earnings
<i>(In millions)</i>				
Gross margin	\$ (75.0)	\$ (19.1)	\$ (79.0)	\$ (20.1)
Operating and maintenance, General and administrative (A)	\$ 17.0	\$ (0.2)	\$ 14.0	\$ 0.5
Depreciation and amortization	\$ (4.0)	\$ 1.0	\$ (4.0)	\$ 1.0
Impairments (B)	\$ —	\$ —	\$ 28.0	\$ (4.4)

- (A) Included in Enable's operation and maintenance and general and administrative expenses for the three and six months ended June 30, 2020 is a \$20.0 million loss on retirement of an Ark-La-Tex gathering system in their gathering and processing business segment. The Company recorded a \$1.0 million pre-tax charge for its share of Enable's loss on retirement, as adjusted for basis differences.

- (B) Included in the \$28.0 million of impairments recorded by Enable is a \$12.0 million goodwill impairment and a \$16.0 million impairment for certain long-lived assets in their gathering and processing business segment. These certain long-lived assets are jointly-owned by Enable, which reduces the impairment's impact by 50 percent on the Company's equity in earnings. The Company recorded a \$4.4 million pre-tax charge for its share of Enable's goodwill and long-lived asset impairments, as adjusted for basis differences.

Gathering and processing gross margin decreased for the three months ended June 30, 2020 primarily due to:

- a decrease in revenues from natural gas sales less the cost of natural gas due to lower average sales prices and lower sales volumes;
- a decrease in changes in the fair value of natural gas, condensate and NGLs derivatives;
- a decrease in revenues from NGLs sales less the cost of NGLs due to lower average sales prices for NGLs products;
- a decrease in crude oil, condensate and produced water gathering revenues primarily due to a decrease in gathered volumes;
- a decrease in natural gas gathering fees due to lower gathered volumes in the Anadarko and Arkoma Basins and lower shortfall payments associated with the expiration of certain minimum volume commitments contracts in the Ark-La-Tex and Arkoma Basins, partially offset by higher revenue associated with the third quarter 2019 amendment of certain minimum volume commitment contracts in the Arkoma Basin; and
- a decrease in intercompany management fees; partially offset by
- an increase in realized gains on natural gas, condensate and NGLs derivatives.

Gathering and processing gross margin decreased for the six months ended June 30, 2020 primarily due to:

- a decrease in revenues from natural gas sales less the cost of natural gas due to lower average sales prices and lower sales volumes;
- a decrease in revenues from NGLs sales less the cost of NGLs due to lower volumes and lower average market prices for NGLs products;

- a decrease in processing service fees due to lower processed volumes under fee-based arrangements, partially offset by the recognition of certain annual minimum processing fee charges;
- a decrease in natural gas gathering fees due to lower gathered volumes in the Anadarko and Arkoma Basins and lower shortfall payments associated with the expiration of certain minimum volume commitment contracts in the Ark-La-Tex and Arkoma Basins, partially offset by higher revenue associated with the third quarter 2019 amendment of certain minimum volume commitment contracts in the Arkoma Basin;
- a decrease in intercompany management fees; and
- a decrease in changes in the fair value of natural gas, condensate and NGLs derivatives; partially offset by
- an increase in realized gains on natural gas, condensate and NGLs derivatives.

Enable's transportation and storage business segment reported an increase in operating income of \$2.0 million and \$12.0 million for the three and six months ended June 30, 2020, respectively, as compared to the same periods in 2019. The following table presents summarized information regarding Enable's transportation and storage business segment income statement changes for the three and six months ended June 30, 2020, as compared to the same periods in 2019, and the corresponding impact those changes had on the Company's equity in earnings of Enable.

The increases in Enable's transportation and storage business segment operating income was primarily due to the following:

<i>(In millions)</i>	Three Months Ended		Six Months Ended	
	Income Statement Change at Enable	Impact to Company's Equity in Earnings	Income Statement Change at Enable	Impact to Company's Equity in Earnings
Gross margin	\$ (5.0)	\$ (1.3)	\$ 4.0	\$ 1.0
Operation and maintenance, General and administrative	\$ (5.0)	\$ 1.3	\$ (5.0)	\$ 1.3
Depreciation and amortization	\$ (1.0)	\$ 0.3	\$ (2.0)	\$ 0.5
Taxes other than income tax	\$ (1.0)	\$ 0.3	\$ (1.0)	\$ 0.3

Transportation and storage gross margin decreased for the three months ended June 30, 2020 primarily due to:

- a decrease in firm transportation and storage services due to lower interstate contracted capacity and lower rates on certain contracts for intrastate service with power generators, partially offset by higher recognized rates subsequent to the settlement of the Mississippi River Transmission, LLC rate case;
- a decrease in volume-dependent transportation and storage revenues due to lower off-system intrastate transportation rates and lower transported volumes due to decreased production activity in the Anadarko Basin;
- an increase in realized losses on natural gas derivatives; and
- a decrease in revenues from NGLs sales less the cost of NGLs due to a decrease in average NGLs prices and lower volumes; partially offset by
- an increase in system management activities; and
- a decrease in lower of cost or net realizable value adjustments related to natural gas storage inventories.

Transportation and storage gross margin increased for the six months ended June 30, 2020 primarily due to:

- an increase in system management activities; and
- an increase in firm transportation and storage services due to an increase in recognized rates and the recognition of previously reserved revenue upon settlement of the Mississippi River Transmission, LLC rate case, partially offset by lower interstate contracted capacity and lower rates on certain contracts for intrastate service with power generators; partially offset by
- a decrease in volume-dependent transportation and storage revenues due to lower off-system intrastate transportation rates and lower transported volumes due to decreased production activity in the Anadarko Basin, partially offset by the recognition of revenue upon the settlement of the Mississippi River Transmission, LLC rate case;
- a decrease in revenues from NGLs sales less the cost of NGLs due to a decrease in average NGLs prices and lower volumes;
- an increase in realized losses on natural gas derivatives; and
- an increase in lower of cost or net realizable value adjustments related to natural gas storage inventories.

OGE Holdings' income tax benefit was \$171.7 million during the six months ended June 30, 2020, as compared to income tax expense of \$9.5 million during the same period in 2019. The change is primarily due to a tax benefit of \$190.4 million related to the impairment recorded in March 2020 on the Company's investment in Enable, partially offset by state deferred tax adjustments related to the Company's investment in Enable.

### Off-Balance Sheet Arrangements

There have been no significant changes in the Company's off-balance sheet arrangements from those discussed in the Company's [2019 Form 10-K](#). The Company has no off-balance sheet arrangements with equity method investments that would affect its liquidity.

### Liquidity and Capital Resources

#### Cash Flows

<i>(Dollars in millions)</i>	Six Months Ended			
	June 30,		2020 vs. 2019	
	2020	2019	\$ Change	% Change
Net cash provided from operating activities (A)	\$ 263.3	\$ 128.8	\$ 134.5	*
Net cash used in investing activities (B)	\$ (282.3)	\$ (317.7)	\$ 35.4	(11.1)%
Net cash provided from financing activities (C)	\$ 86.5	\$ 94.6	\$ (8.1)	(8.6)%

\* Change is greater than 100 percent variance.

(A) Increased primarily due to a decrease in vendor payments, including for fuel and purchased power.

(B) Decreased primarily due to environmental projects at OG&E being completed and placed into service as well as fewer OG&E plant outages in 2020.

(C) Decreased primarily due to a decrease in short-term debt year over year, partially offset by the payment of long-term debt by OG&E in January 2019.

#### Working Capital

Working capital is defined as the difference in current assets and current liabilities. The Company's working capital requirements are driven generally by changes in accounts receivable, accounts payable, commodity prices, credit extended to and the timing of collections from customers, the level and timing of spending for maintenance and expansion activity, inventory levels and fuel recoveries. The following discussion addresses changes in working capital balances at June 30, 2020 compared to December 31, 2019.

Cash and Cash Equivalents increased \$67.5 million, primarily due to normal business operations and holding of short-term borrowings. The Company expects to use the cash over time for general corporate purposes.

Accounts Receivable and Accrued Unbilled Revenues increased \$35.8 million, or 16.4 percent, primarily due to an increase in billings to OG&E's retail customers reflecting higher seasonal usage in June 2020 as compared to December 2019, as well as increased customer balances due to the disconnection moratorium related to COVID-19, as discussed in "Recent Developments - COVID-19 Pandemic."

Fuel Clause Under Recoveries decreased \$39.5 million, primarily due to increased collections from customers and lower fuel costs.

Other Current Assets increased \$10.8 million, or 44.3 percent, primarily due to an increase in under-recovered riders and prepayments associated with software expense.

Short-term Debt decreased \$37.0 million, or 33.0 percent, primarily due to operating needs. Short-term debt is held as a precautionary measure in order to preserve financial flexibility in light of current uncertainty resulting from the COVID-19 pandemic. The Company borrows on a short-term basis, as necessary, by the issuance of commercial paper and borrowings under its revolving credit agreements and term credit agreement.

Accounts Payable decreased \$50.7 million, or 26.0 percent, primarily due to the timing of vendor payments and lower fuel costs.

Accrued Taxes increased \$15.6 million, or 37.2 percent, primarily resulting from deferment of the employer portion of FICA payroll taxes as allowed by the CARES Act and the timing of ad valorem payments, partially offset by tax accruals.

Fuel Clause Over Recoveries increased \$32.4 million, primarily due to increased collections from customers and lower fuel costs.

Other Current Liabilities decreased \$23.8 million, or 36.5 percent, primarily due to changes in amounts owed to OG&E customers which includes an \$18.3 million reduction in SPP reserves related to the transmission formula rate.

### ***Future Capital Requirements***

The Company's primary needs for capital are related to acquiring or constructing new facilities and replacing or expanding existing facilities at OG&E. Other working capital requirements are expected to be primarily related to maturing debt, operating lease obligations, fuel clause under and over recoveries and other general corporate purposes. The Company generally meets its cash needs through a combination of cash generated from operations, short-term borrowings (through a combination of bank borrowings and commercial paper) and permanent financings.

### ***Capital Expenditures***

The Company's consolidated estimates of capital expenditures, which represent base maintenance capital expenditures plus capital expenditures for known and committed projects, for the years 2020 through 2024 are discussed in detail within "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" in the Company's [2019 Form 10-K](#). Additional capital expenditures beyond those identified in the Company's [2019 Form 10-K](#), including additional incremental growth opportunities in electric transmission assets, will be evaluated based upon their impact upon achieving the Company's financial objectives. The Company remains on track for its approximately \$575.0 million in capital investment planned for 2020 as disclosed in the Company's [2019 Form 10-K](#). However, the progression of, and global response to, the COVID-19 outbreak increases the risk of delays in construction activities and equipment deliveries related to the Company's capital projects, including potential delays in obtaining permits from government agencies, resulting in potential deferral of capital expenditures.

### ***Financing Activities and Future Sources of Financing***

Management expects that cash generated from operations, proceeds from the issuance of long- and short-term debt, proceeds from the sales of common stock to the public through the Company's Automatic Dividend Reinvestment and Stock Purchase Plan or other offerings and distributions from Enable will be adequate over the next three years to meet anticipated cash needs and to fund future growth opportunities. The Company utilizes short-term borrowings (through a combination of bank borrowings and commercial paper) to satisfy temporary working capital needs and as an interim source of financing capital expenditures until permanent financing is arranged. As indicated above, as a precautionary measure in order to increase the Company's cash position and preserve financial flexibility in light of current uncertainty resulting from the COVID-19 pandemic, the Company entered into a one-year \$75.0 million term loan agreement in April 2020. Further, OG&E issued \$300.0 million in senior notes in April 2020. The disruption in the capital markets and the commercial paper markets caused by the COVID-19 outbreak could make additional financing more challenging, and there can be no assurance that the Company will be able to obtain such financing on commercially reasonable terms or at all.

### Short-Term Debt and Credit Facilities

The Company borrows on a short-term basis, as necessary, by issuance of commercial paper and borrowings under its revolving credit agreements and term credit agreement.

The Company has unsecured five-year revolving credit facilities totaling \$900.0 million (\$450.0 million for the Company and \$450.0 million for OG&E) that mature on March 8, 2023. These bank facilities can also be used as letter of credit facilities. The following table provides information about the Company's revolving credit agreements at June 30, 2020.

<i>(Dollars in millions)</i>	<b>June 30, 2020</b>	
Balance of outstanding supporting letters of credit	\$	0.3
Weighted-average interest rate of outstanding supporting letters of credit		1.15 %
Net available liquidity under revolving credit agreements	\$	899.7
Balance of cash and cash equivalents	\$	67.5

In April 2020, the Company entered into a \$75.0 million floating rate unsecured one-year term credit agreement and borrowed the full \$75.0 million, in order to preserve financial flexibility in response to COVID-19. Advances under this agreement were used to refinance existing indebtedness and for working capital and general corporate purposes of the Company. The term credit agreement, under certain circumstances, may be increased to a maximum commitment limit of \$100.0 million and contains substantially the same covenants as the Company's existing \$450.0 million revolving credit agreement. The term credit agreement is scheduled to terminate on April 7, 2021. At June 30, 2020, the weighted-average interest rate for the amount drawn on the term loan was 1.25 percent.

The following table highlights the Company's total short-term debt activity for the three and six months ended June 30, 2020.

<i>(Dollars in millions)</i>	<b>Three Months Ended June 30, 2020</b>		<b>Six Months Ended June 30, 2020</b>	
Average balance of short-term debt	\$	75.0	\$	107.6
Weighted-average interest rate of average balance of short-term debt		1.54 %		1.70 %
Maximum month-end balance of short-term debt	\$	75.0	\$	247.3

OG&E has the necessary regulatory approvals to incur up to \$800.0 million in short-term borrowings at any one time for a two-year period beginning January 1, 2019 and ending December 31, 2020. See Note 10 within "Item 1. Financial Statements" for further discussion of the Company's short-term debt activity.

### Issuance of Long-Term Debt

In April 2020, OG&E issued \$300.0 million of 3.25 percent senior notes due April 1, 2030. The proceeds from the issuance were added to OG&E's general funds to be used for general corporate purposes, including to fund ongoing capital expenditures and working capital.

### Security Ratings

Access to reasonably priced capital is dependent in part on credit and security ratings. Generally, lower ratings lead to higher financing costs. Pricing grids associated with the Company's credit facilities could cause annual fees and borrowing rates to increase if an adverse rating impact occurs. The impact of any future downgrade could include an increase in the costs of the Company's short-term borrowings, but a reduction in the Company's credit ratings would not result in any defaults or accelerations. Any future downgrade could also lead to higher long-term borrowing costs and, if below investment grade, would require the Company to post collateral or letters of credit.

A security rating is not a recommendation to buy, sell or hold securities. Such rating may be subject to revision or withdrawal at any time by the credit rating agency, and each rating should be evaluated independently of any other rating.

On April 3, 2020, S&P's Global Ratings affirmed its issuer credit and commercial paper ratings, as listed in the Company's [2019 Form 10-K](#), for both the Company and OG&E. S&P's Global Ratings also affirmed both companies' stable outlooks. S&P's Global Ratings' affirmation follows the announcement that Enable will increase the level of cash it retains,



which effectively reduces dividend distributions for the Company by as much as half. However, S&P's Global Ratings indicated it does not expect the Company's credit quality to weaken materially, given the cushion in its current financial measures. Further, S&P's Global Ratings indicated they continue to view OG&E as insulated from the Company, reflecting the combination of OG&E's stronger stand-alone credit profile and sufficient separateness between OG&E and the Company.

On July 27, 2020, S&P's Global Ratings issued their annual update for OG&E, indicating their issuer credit rating, commercial paper rating and outlook for OG&E are unchanged from those affirmed on April 3, 2020.

On June 24, 2020, Moody's Investors Service issued an opinion to update its credit analysis for the Company and OG&E, in light of COVID-19 developments. Moody's Investors Service indicated it expects the Company and its subsidiaries, including OG&E, to be resilient to recessionary pressures related to COVID-19 because of the Company's and OG&E's primary rate regulated, essential service business model and cost recovery framework. Nevertheless, Moody's Investors Service indicated it is watching for electric usage declines, utility bill payment delinquency and the regulatory response to counter these effects on earnings and cash flow. Further, Moody's Investor Service indicated that the effects of the pandemic could result in financial metrics that are weaker than expected but see these issues as temporary and not reflective of the core operations or long-term financial or credit profile of the Company and OG&E. Moody's Investor Service indicated that it views OG&E's regulatory relationships in Oklahoma as generally supportive and is a key credit driver for both the Company and OG&E. Additionally, while Enable's quarterly distribution reduction is credit negative, Moody's Investor Service indicated the Company's financial metrics are expected to remain solid.

#### *Quarterly Distributions by Enable*

Pursuant to the Enable Limited Partnership Agreement, during the three and six months ended June 30, 2020, Enable made a distribution of \$18.3 million and \$55.0 million to the Company, respectively. On April 1, 2020, Enable announced a 50 percent reduction to its quarterly distribution in order to strengthen its balance sheet and increase its annualized retained cash flow. The Company does not expect any changes to its operations or foresee the need to access the equity markets as a result of Enable's action.

#### **Critical Accounting Policies and Estimates**

The Condensed Consolidated Financial Statements and Notes to Condensed Consolidated Financial Statements contain information that is pertinent to Management's Discussion and Analysis. In preparing the Condensed 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 contingent liabilities at the date of the Condensed Consolidated Financial Statements and the reported amounts of revenues and expenses during the reporting period. Changes to these assumptions and estimates could have a material effect on the Company's Condensed Consolidated Financial Statements. However, the Company believes it has taken reasonable positions where assumptions and estimates are used in order to minimize the negative financial impact to the Company that could result if actual results vary from the assumptions and estimates.

In management's opinion, the areas of the Company where the most significant judgment is exercised for all Company segments include the determination of Pension Plan assumptions, income taxes, contingency reserves, asset retirement obligations and depreciable lives of property, plant and equipment. For the electric utility segment, significant judgment is also exercised in the determination of regulatory assets and liabilities and unbilled revenues. For the natural gas midstream segment, significant judgment is also exercised in the determination of any impairment of equity method investments. The selection, application and disclosure of the Company's critical accounting estimates have been discussed with the Company's Audit Committee and are discussed in detail within "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" in the Company's [2019 Form 10-K](#).

#### ***Impairment of Equity Method Investments***

Investments in unconsolidated affiliates accounted for under the equity method are assessed for impairment when there are indicators of a loss in value, such as a lack of sustained earnings capacity or a current fair value less than the investment's carrying amount. When it is determined that an indicated impairment is other than temporary, an impairment charge is recognized for the difference between the investment's carrying value and its estimated fair value.

When determining whether a decline in value is other than temporary, management considers factors such as the duration and extent of the decline, the investee's financial condition and near-term prospects, and management's ability and intention to retain the investment for a period that allows for recovery. When estimating an investment's fair value, quoted market prices are utilized, as available, and other rights and privileges that are a feature or attribute of the investment security

are considered, as appropriate. Different assumptions could affect the timing and the amount of an impairment of an investment in any period.

In March 2020, the Company estimated the fair value of its investment in Enable was below the book value and concluded the decline in value was not temporary due to the severity of the decline and the recent rapid deterioration, as well as the near term future outlook, of the midstream oil and gas industry. Accordingly, the Company recorded a \$780.0 million impairment on its investment in Enable in March 2020. Further discussion can be found in Notes 4 and 5 in "Item 1. Financial Statements."

## **Commitments and Contingencies**

In the normal course of business, the Company is confronted with issues or events that may result in a contingent liability. These generally relate to lawsuits or claims made by third parties, including governmental agencies. When appropriate, management consults with legal counsel and other experts to assess the claim. If, in management's opinion, the Company has incurred a probable loss as set forth by GAAP, an estimate is made of the loss, and the appropriate accounting entries are reflected in the Company's Condensed Consolidated Financial Statements. At the present time, based on available information, the Company believes that any reasonably possible losses in excess of accrued amounts arising out of pending or threatened lawsuits or claims would not be quantitatively material to its financial statements and would not have a material adverse effect on the Company's consolidated financial position, results of operations or cash flows. See Notes 13 and 14 within "Item 1. Financial Statements" for a discussion of the Company's commitments and contingencies.

## **Environmental Laws and Regulations**

The activities of OG&E are subject to numerous, stringent and complex federal, state and local laws and regulations governing environmental protection. These laws and regulations can change, restrict or otherwise impact OG&E's business activities in many ways, including the handling or disposal of waste material, planning for future construction activities to avoid or mitigate harm to threatened or endangered species and requiring the installation and operation of emissions or pollution control equipment. Failure to comply with these laws and regulations could result in the assessment of administrative, civil and criminal penalties, the imposition of remedial requirements and the issuance of orders enjoining future operations. Management believes that all of its operations are in substantial compliance with current federal, state and local environmental standards. These environmental laws and regulations are also discussed in detail within "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" in the Company's [2019 Form 10-K](#).

Environmental regulation can increase the cost of planning, design, initial installation and operation of OG&E's facilities. Management continues to evaluate its compliance with existing and proposed environmental legislation and regulations and implement appropriate environmental programs in a competitive market.

## **Air**

### *Federal Clean Air Act Overview*

OG&E's operations are subject to the Federal Clean Air Act as amended and comparable state laws and regulations. These laws and regulations regulate emissions of air pollutants from various industrial sources, including electric generating units and also impose various monitoring and reporting requirements. Such laws and regulations may require that OG&E obtain pre-approval for the construction or modification of certain projects or facilities expected to produce air emissions or result in the increase of existing air emissions, obtain and strictly comply with air permits containing various emissions and operational limitations or install emission control equipment. OG&E likely will be required to incur certain capital expenditures in the future for air pollution control equipment and technology in connection with obtaining and maintaining operating permits and approvals for air emissions.

### *Cross-State Air Pollution Rule*

On September 7, 2016, the EPA finalized an update to the 2011 Cross-State Air Pollution Rule. The new rule applies to ozone-season NO<sub>x</sub> emissions from power plants in 22 eastern states (including Oklahoma). The rule utilizes a cap and trade program for NO<sub>x</sub> emissions and went into effect on May 1, 2017 in Oklahoma. The 2016 rule reduces the 2011 Cross-State Air Pollution Rule emissions cap for all of OG&E's coal and gas facilities (except the River Valley and Frontier facilities which were not owned by OG&E until 2019) by 47 percent combined. OG&E and numerous other parties filed petitions for judicial and administrative review of the 2016 rule. On September 13, 2019, the U.S. Court of Appeals for the District of Columbia Circuit issued an opinion that partially remanded the Cross-State Air Pollution Rule update and also deferred a decision on our

challenges to the rule pending an EPA review and decision on a separate administrative petition that we filed. Subsequently, all of OG&E's judicial challenges were voluntarily dismissed, but the administrative petitions for reconsideration remain pending at the EPA. The EPA has proposed to conduct a rulemaking which may include emission reduction requirements for electric generating units.

The Company continues to monitor these processes and their possible impact on its operations but, at this time, cannot determine with any certainty whether they will cause a material impact to the Company's financial results. OG&E is in compliance with the 2016 rule requirements which remain in effect. The Company does not anticipate, at this time, additional capital expenditures for compliance with the 2016 rule.

#### *Hazardous Air Pollutants Emission Standards*

On February 16, 2012, the EPA published the final MATS rule regulating the emissions of certain hazardous air pollutants from electric generating units. The Company complied with the MATS rule by the April 16, 2016 deadline that applied to OG&E's coal units. On April 16, 2020, the EPA released a final rule which reconsidered certain elements of the 2012 rule in response to litigation in the D.C. Circuit Court. In the final rule, the EPA concluded that it is not "appropriate and necessary" to regulate MATS-related emissions from coal-fired units. Nonetheless, the EPA retained the emissions limits that were established in the 2012 rule, which remains in effect today. Petitions for judicial review of the final May 2020 rule have been filed at the D.C. Circuit Court.

#### *National Ambient Air Quality Standards*

The EPA is required to set NAAQS for certain pollutants considered to be harmful to public health or the environment. The Clean Air Act requires the EPA to review each NAAQS every five years. As a result of these reviews, the EPA periodically has taken action to adopt more stringent NAAQS for those pollutants. If any areas of Oklahoma were to be designated as not attaining the NAAQS for a particular pollutant, the Company could be required to install additional emission controls on its facilities to help the state achieve attainment with the NAAQS. As of June 30, 2020, no areas of Oklahoma had been designated as non-attainment for pollutants that are likely to affect the Company's operations. Several processes are under way to designate areas in Oklahoma as attaining or not attaining revised NAAQS.

The EPA proposed to designate part of Muskogee County, in which OG&E's Muskogee Power Plant is located, as non-attainment for the 2010 SO<sub>2</sub> NAAQS on March 1, 2016, even though nearby monitors indicated compliance with the NAAQS. The proposed designation was based on modeling that did not reflect the conversion of two of the coal units at Muskogee to natural gas. The State of Oklahoma's monitoring preliminarily indicates that ambient SO<sub>2</sub> emissions in the area are well within the NAAQS. The EPA has indicated that it anticipates finalizing a designation at the end of 2020. At this time, the Company cannot determine with any certainty whether the proposed designation of Muskogee County will cause a material impact to the Company's financial results.

The Company continues to monitor these processes and their possible impact on its operations but, at this time, cannot determine with any certainty whether they will cause a material impact to the Company's financial results.

#### *Climate Change and Greenhouse Gas Emissions*

There is continuing discussion and evaluation of possible global climate change in certain regulatory and legislative arenas. The focus is generally on emissions of greenhouse gases, including CO<sub>2</sub>, sulfur hexafluoride and methane, and whether these emissions are contributing to the warming of the earth's atmosphere. On November 4, 2019, President Trump announced that the U.S. has officially notified the United Nations that the U.S. will withdraw from the "Paris Agreement" on climate change after having announced in 2017 that the U.S. would begin negotiations to re-enter the agreement with different terms. A new agreement may result in future additional emissions reductions in the U.S.; however, it is not possible to determine what the international legal standards for greenhouse gas emissions will be in the future and the extent to which these commitments will be implemented through the Clean Air Act or any other existing statutes and new legislation.

If legislation or regulations are passed at the federal or state levels in the future requiring mandatory reductions of CO<sub>2</sub> and other greenhouse gases on the Company's facilities, this could result in significant additional compliance costs that would affect the Company's future consolidated financial position, results of operations and cash flows if such costs are not recovered through regulated rates. Several states outside the area where the Company operates have passed laws, adopted regulations or undertaken regulatory initiatives to reduce the emission of greenhouse gases, primarily through the planned development of greenhouse gas emission inventories and/or regional greenhouse gas cap and trade programs.

OG&E's current business strategy has resulted in reduced carbon dioxide emissions by over 40 percent compared to 2005 levels, and during the same period, emissions of ozone-forming NO<sub>x</sub> have been reduced by approximately 75 percent and emissions of SO<sub>2</sub> have been reduced by approximately 90 percent. OG&E expects to further reduce carbon dioxide emissions to 50 percent of 2005 levels by 2030. To comply with the EPA's MATS rule and Regional Haze Rule FIP, OG&E converted two coal-fired generating units at the Muskogee Station to natural gas, among other measures. OG&E's deployment of Smart Grid technology helps to reduce the peak load demand. OG&E is also deploying more renewable energy sources that do not emit greenhouse gases. OG&E's service territory borders one of the nation's best wind resource areas, and OG&E has leveraged its geographic position to develop renewable energy resources and completed transmission investments to deliver the renewable energy. The SPP has authorized the construction of transmission lines capable of bringing renewable energy out of the wind resource areas in western Oklahoma, the Texas Panhandle and western Kansas to load centers by planning for more transmission to be built in the area. In addition to increasing overall system reliability, these new transmission resources should provide greater access to additional wind resources that are currently constrained due to existing transmission delivery limitations.

On July 8, 2019, the EPA published the Affordable Clean Energy rule. Numerous parties, not including OG&E, have filed petitions for judicial review of the Affordable Clean Energy rule in the U.S. Court of Appeals for the District of Columbia Circuit. The Affordable Clean Energy rule requires states, including Oklahoma, to develop emission limitations for carbon dioxide for each existing coal-fired utility boiler within the state, including all of OG&E's coal units, and submit a compliance and implementation plan to the EPA by July 2022. The EPA will approve or disapprove the proposed state plan within 18 months of submittal and develop a federal implementation plan if the proposed state plan is disapproved. At this time, the Company cannot determine with any certainty whether the implementation plan will cause a material impact to its financial results.

#### *EPA Startup, Shutdown and Malfunction Policy*

On May 22, 2015, the EPA issued a final rule to address the provisions in the SIPs of 36 states (including Oklahoma) regarding the treatment of emissions that occur during startup, shutdown and malfunction operations. The final rule clarifies the EPA's Startup, Shutdown and Malfunction Policy. Although judicial challenges to the rule are ongoing, the Oklahoma Department of Environmental Quality submitted a SIP revision for the EPA's approval on November 7, 2016 to comply with this rule. This rule has resulted in permit modifications for certain OG&E units and applications remain pending for other units. The Company does not anticipate capital expenditures, or a material impact to its consolidated financial position, results of operations or cash flows, as a result of adoption of this rule.

#### *Regional Haze Regulation - Second Planning Period*

In January 2017, the EPA finalized a rule that would revise certain provisions of the Regional Haze Rule. Notably, the EPA extended the due date for the second Regional Haze implementation period by three years to 2021 and made changes to the provisions for impacts to national parks and other protected wilderness areas. Petitions for Reconsideration to the EPA were filed by industry groups. While not acting on the petitions, the EPA announced on January 17, 2018 that it intends to commence a notice-and-comment rulemaking revisiting certain aspects of the rule. During 2019, the EPA released technical resources to assist states in developing SIPs, including a significant non-binding guidance document and updated atmospheric modeling which will allow states to better account for international emissions affecting regional haze in the U.S. On July 1, 2020, the Oklahoma Department of Environmental Quality notified OG&E that the Horseshoe Lake generating units are to be included in the state's evaluation of visibility impairment impacts to the Wichita Mountains. OG&E will have to conduct an analysis of all potential control measures for NO<sub>x</sub> on these units. The Oklahoma Department of Environmental Quality will identify any cost-effective control measures in a Regional Haze SIP, to be submitted to the EPA for approval by July 31, 2021. It is unknown at this time what the outcome, or any potential material impacts, will be from the evaluations by OG&E, the Oklahoma Department of Environmental Quality and the EPA.

#### *Endangered Species*

Certain federal laws, including the Bald and Golden Eagle Protection Act, the Migratory Bird Treaty Act and the Endangered Species Act, provide special protection to certain designated species. These laws and any state equivalents provide for significant civil and criminal penalties for unpermitted activities that result in harm to or harassment of certain protected animals and plants, including damage to their habitats. If such species are located in an area in which the Company conducts operations, or if additional species in those areas become subject to protection, the Company's operations and development projects, particularly transmission, wind or pipeline projects, could be restricted or delayed, or the Company could be required to implement expensive mitigation measures.

## ***Vegetation Management***

On July 10, 2020, the U.S. Department of Agriculture – Forest Service published a final rule which updates procedures for creating operating plans and agreements for powerline facility maintenance and vegetation management within and abutting the linear boundary of a special use authorization for a powerline facility within Forest Service lands. This rule codifies the memorandum of understanding between utilities such as OG&E and the Forest Service regarding vegetation management best practices. All companies will be required to have an approved operating plan or agreement with the Forest Service. OG&E will be required to submit a draft operating plan to the Forest Service by August 10, 2023 for ongoing maintenance and vegetation management activities located within the Ozark National Forest in Arkansas.

## ***Waste***

OG&E's operations generate wastes that are subject to the Federal Resource Conservation and Recovery Act of 1976 as well as comparable state laws which impose detailed requirements for the handling, storage, treatment and disposal of waste.

In 2015, the EPA finalized a rule under the Federal Resource Conservation and Recovery Act for the handling and disposal of coal combustion residuals or coal ash. The rule regulates coal ash as a solid waste rather than a hazardous waste, which would have made the management of coal ash more costly. In August 2019, the EPA proposed revisions to the 2015 coal ash rule in response to the D.C. Circuit Court of Appeals issuing a decision regarding the ongoing Coal Combustion Residuals litigation. The proposed changes do not appear to be material to OG&E at this time. OG&E completed the clean closure of one regulated inactive coal ash impoundment in August 2019.

On June 28, 2018, the EPA approved the State of Oklahoma's application for a state coal ash permitting program that will operate in lieu of the federal coal ash program promulgated under the Federal Resource Conservation and Recovery Act. On September 26, 2018, a citizen suit was filed against the EPA in the U.S. District Court in the District of Columbia concerning the final approval. OG&E and others have moved to intervene on behalf of the EPA. The Company is monitoring regulatory developments relating to this rule, none of which appear to be material to OG&E at this time. OG&E is in compliance with this rule at this time.

The Company currently recycles and provides approximately 89 percent of its ash to the concrete and cement industries for use as a component within their products. Using fly ash in this way enables aggregate manufacturers to minimize their impact on the environment by avoiding the need to extract and process other natural resources.

The Company has sought and will continue to seek pollution prevention opportunities and to evaluate the effectiveness of its waste reduction, reuse and recycling efforts. The Company obtains refunds from the recycling of scrap metal, salvaged transformers and used transformer oil. Additional savings are expected to be gained through the reduction and/or avoidance of disposal costs and the reduction in material purchases due to the reuse of existing materials. Similar savings are anticipated in future years.

## ***Water***

OG&E's operations are subject to the Federal Clean Water Act and comparable state laws and regulations. These laws and regulations impose detailed requirements and strict controls regarding the discharge of pollutants into state and federal waters.

The EPA issued a final rule on May 19, 2014 to implement Section 316(b) of the Federal Clean Water Act, which requires that power plant cooling water intake structure location, design, construction and capacity reflect the best available technology for minimizing their adverse environmental impact via the impingement and entrainment of aquatic organisms. The Oklahoma Department of Environmental Quality issued final permits on December 22, 2017 and August 22, 2018 for Muskogee Power Plant and Seminole Power Plant, respectively, in compliance with the final 316(b) rule, and OG&E did not incur any material costs associated with the rule's implementation at either location. OG&E expects to be able to provide a reasonable estimate of any material costs associated with the rule's implementation at other facilities following the future issuance of permits from the State of Oklahoma.

In 2015, the EPA issued a final rule addressing the effluent limitation guidelines for power plants under the Federal Clean Water Act. The final rule establishes technology- and performance-based standards that may apply to discharges of six waste streams including bottom ash transport water. Compliance with this rule will occur by 2023; however, on April 12, 2017, the EPA granted a Petition for Reconsideration of the 2015 Rule. On November 22, 2019, the EPA published a proposed rule to revise the technology-based effluent limitations for flue gas desulfurization waste water and bottom ash transport water. OG&E

is evaluating what, if any, compliance actions are needed but is not able to quantify with any certainty what costs may be incurred. OG&E expects to be able to provide a reasonable estimate of any material costs associated with the rule's implementation following issuance of the permits from the State of Oklahoma.

On April 21, 2020, the EPA and U.S. Army Corps of Engineers published in the Federal Register "The Navigable Waters Protection Rule: Definition of Waters of the United States." This final rule replaces the repealed definition of waters of the U.S. from 2015. The effective date of this final rule will be June 22, 2020. The Company does not expect any material impacts as a result of this rule.

Since the purchase of the Redbud facility in 2008, OG&E's average use of treated municipal effluent for all of the needed cooling water at Redbud and McClain is approximately 2.6 billion gallons per year. This use of treated municipal effluent offsets the need for fresh water as cooling water, making fresh water available for other beneficial uses like drinking water, irrigation and recreation.

### ***Site Remediation***

The Comprehensive Environmental Response, Compensation and Liability Act of 1980 and comparable state laws impose liability, without regard to the legality of the original conduct, on certain classes of persons responsible for the release of hazardous substances into the environment. Because OG&E utilizes various products and generates wastes that are considered hazardous substances for purposes of the Comprehensive Environmental Response, Compensation and Liability Act of 1980, OG&E could be subject to liability for the costs of cleaning up and restoring sites where those substances have been released to the environment. At this time, it is not anticipated that any associated liability will cause a significant impact to OG&E.

For further discussion regarding contingencies relating to environmental laws and regulations, see Note 13 within "Item 1. Financial Statements."

**Item 3. Quantitative and Qualitative Disclosures About Market Risk.**

There have been no significant changes in the market risks affecting the Company from those discussed in the Company's [2019 Form 10-K](#).

**Item 4. Controls and Procedures.**

The Company maintains a set of disclosure controls and procedures designed to ensure that information required to be disclosed by the Company in reports that it files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission rules and forms. In addition, the disclosure controls and procedures ensure that information required to be disclosed is accumulated and communicated to management, including the chief executive officer and chief financial officer, allowing timely decisions regarding required disclosure. As of the end of the period covered by this report, based on an evaluation carried out under the supervision and with the participation of the Company's management, including the chief executive officer and chief financial officer, of the effectiveness of the Company's disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15(d)-15(e) under the Securities Exchange Act of 1934), the chief executive officer and chief financial officer have concluded that the Company's disclosure controls and procedures are effective.

No change in the Company's internal control over financial reporting has occurred during the Company's most recently completed fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934).

While remote work arrangements were implemented in response to the COVID-19 pandemic, the Company believes there have been no material changes to the processes and procedures that impact financial reporting. The Company continues to monitor potential internal control impacts of COVID-19 and plan accordingly to ensure the effectiveness of the Company's internal controls over financial reporting and disclosures.

## **PART II. OTHER INFORMATION**

### **Item 1. Legal Proceedings.**

Reference is made to Item 3 of Part I of the Company's [2019 Form 10-K](#) for a description of certain legal proceedings presently pending. Except as described under "Environmental Laws and Regulations" within "Part I - Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations," there are no new significant cases to report against the Company or its subsidiaries, and there have been no material changes in the previously reported proceedings.

### **Item 1A. Risk Factors.**

Except as detailed below, there have been no significant changes in the Company's risk factors from those discussed in the Company's [2019 Form 10-K](#), which are incorporated herein by reference.

#### ***We face risks related to health epidemics and other outbreaks.***

The outbreak of COVID-19 is a rapidly developing situation around the globe that has adversely impacted economic activity and conditions worldwide. In particular, efforts to control the spread of COVID-19 have led to shutdowns of various facilities as well as disrupted supply chains around the world. Efforts to control the spread of COVID-19 have also resulted in remote work arrangements, increased unemployment, customer slow payment or non-payment and decreased commercial and industrial load. We expect these particular COVID-19 impacts will likely continue in the near future. We are continuing to monitor developments involving our workforce, customers and suppliers and cannot predict whether COVID-19 will have a material impact on our results of operations, financial condition and prospects. However, an extended slowdown of the United States' economic growth, demand for commodities and/or material changes in governmental policy could result in lower economic growth and lower demand for electricity in our key markets as well as the ability of various customers, contractors, suppliers and other business partners to fulfill their obligations, which could have a material adverse effect on our results of operations, financial condition and prospects.

The effects of COVID-19 and concerns regarding its global spread have negatively impacted domestic and international demand for natural gas, NGLs and crude oil, which has and could continue to contribute to price volatility and materially and adversely affect Enable's customers' operations and future production, resulting in less demand for Enable's services and/or the reduction of commercial opportunities that might otherwise be available to Enable. In response to sharp declines in demand for oil and gas as well as commodity prices resulting from the economic impact of COVID-19, many producers have significantly reduced previously anticipated drilling and production and may make additional reductions in the future. Decreased demand for commodities as a result of COVID-19 impacted the valuation of our investment in Enable, resulting in an impairment charge in March 2020 that had a material adverse impact on our results of operations for the six months ended June 30, 2020. Further, our operating cash flow is derived partially from cash distributions we receive from Enable. In response to current industry conditions, Enable reduced its dividend distribution by half, effective April 1, 2020. Prolonged decreased demand for commodities and/or further reductions in distributions from Enable could materially adversely affect our results of operations, financial condition and cash flows.

In addition, we cannot predict the impact that COVID-19 will have on our customers, suppliers, vendors and other business partners and each of their financial conditions; however, any material effect on these parties could adversely impact us. The impact of COVID-19 may also exacerbate other risks discussed in "Item 1A. Risk Factors" in the Company's [2019 Form 10-K](#), any of which could have a material effect on us. This situation is changing rapidly and additional impacts may arise that we are not aware of currently.

### **Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.**

None.

### **Item 5. Other Information.**

On August 3, 2020, Mr. Stephen E. Merrill, Chief Financial Officer, notified the Company that he intends to retire at year-end 2020.

On August 5, 2020, the Company's Board of Directors elected a new director, Luther C. Kissam, IV, to a term beginning on September 1, 2020 and expiring at the Company's Annual Meeting of Shareholders scheduled for May 2021, at which time he is expected to be nominated for approval by the Company's shareholders. Mr. Kissam will serve on the Nominating and Corporate Governance Committee and the Compensation Committee of the Board of Directors. Mr. Kissam



will receive compensation for his Board service consistent with compensation received by the Company's other non-employee directors (which is described in Exhibit 10.12 to the Company's [Form 10-K](#) for the year ended December 31, 2019).

Mr. Kissam, 55, is the former Chairman, Chief Executive Officer and President of Albemarle Corporation, a global specialty chemicals company with leading positions in lithium, bromine and refining catalysts. He served as President and Chief Executive Officer from 2011 to 2020 and before that had served in various leadership positions at Albemarle since joining the company in 2003. Mr. Kissam also currently serves on the board of directors of DuPont de Nemours and Albemarle Corporation and has served on a number of community and charitable boards and associations.

#### Item 6. Exhibits.

Exhibit No.	Description
4.01	<a href="#">Supplemental Indenture No. 21 dated as of April 1, 2020 between OG&amp;E and BOKE, NA, as trustee (Filed as Exhibit 4.01 to the Company's Form 8-K filed April 1, 2020 (File No. 1-12579) and incorporated by reference herein).</a>
31.01	<a href="#">Certifications Pursuant to Rule 13a-14(a)/15d-14(a) As Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>
32.01	<a href="#">Certification Pursuant to 18 U.S.C. Section 1350 As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>
99.01	<a href="#">Credit Agreement dated as of April 7, 2020 by and between OGE Energy Corp. and BOKF, NA DBA BANK OF OKLAHOMA.</a>
101.INS	Inline XBRL Instance Document - the instance document does not appear in the interactive data file because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	Inline XBRL Taxonomy Schema Document.
101.PRE	Inline XBRL Taxonomy Presentation Linkbase Document.
101.LAB	Inline XBRL Taxonomy Label Linkbase Document.
101.CAL	Inline XBRL Taxonomy Calculation Linkbase Document.
101.DEF	Inline XBRL Definition Linkbase Document.
104	Cover Page Interactive Data File - the cover page XBRL tags are embedded within the Inline XBRL document (included in Exhibit 101).



**CERTIFICATIONS**

I, Sean Trauschke, certify that:

1. I have reviewed this quarterly report on Form 10-Q of OGE Energy Corp.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 5, 2020

/s/ Sean Trauschke

---

Sean Trauschke

President and Chief Executive Officer

**CERTIFICATIONS**

I, Stephen E. Merrill, certify that:

1. I have reviewed this quarterly report on Form 10-Q of OGE Energy Corp.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 5, 2020

/s/ Stephen E. Merrill

---

Stephen E. Merrill

Chief Financial Officer

**Certification Pursuant to 18 U.S.C. Section 1350  
As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Quarterly Report of OGE Energy Corp. (the "Company") on Form 10-Q for the period ended June 30, 2020, as filed with the Securities and Exchange Commission (the "Report"), each of the undersigned does hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- 1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- 2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

August 5, 2020

/s/ Sean Trauschke

---

Sean Trauschke  
President and Chief Executive Officer

/s/ Stephen E. Merrill

---

Stephen E. Merrill  
Chief Financial Officer

**CREDIT AGREEMENT**  
**DATED AS OF APRIL 7, 2020**  
**BY AND BETWEEN**  
**OGE ENERGY CORP.**  
**AND**  
**BOKE, NA DBA BANK OF OKLAHOMA**

	Page
<b>ARTICLE I DEFINITIONS</b>	<b>1</b>
1.1 Certain Defined Terms	1
1.2 Other Definitions and Provisions	16
1.3 Rounding	17
1.4 References to Agreement and Laws	17
1.5 Times of Day	17
<b>ARTICLE II THE CREDITS</b>	<b>17</b>
2.1 Commitment	17
2.2 Interest	17
2.3 Optional Principal Prepayments	17
2.4 Rate Elections	18
2.5 Changes in Interest Rate, etc	18
2.6 Rates Applicable After Default	19
2.7 Method of Payment	19
2.8 Telephonic Notices	19
2.9 Interest Payment Dates; Interest and Fee Basis	19
2.10 Increase of Aggregate Commitment	20
2.11 Facility Fee	20
<b>ARTICLE III YIELD PROTECTION; TAXES</b>	<b>20</b>
3.1 Yield Protection	20
3.2 Interest Rate; Eurodollar Base Rate Notifications	21
3.3 Reserved	22
3.4 Funding Indemnification	22
3.5 Taxes	22
<b>ARTICLE IV CONDITIONS PRECEDENT</b>	<b>24</b>
4.1 Initial Advance	24
4.2 Subsequent Advances	25
<b>ARTICLE V REPRESENTATIONS AND WARRANTIES</b>	<b>25</b>
5.1 Existence and Standing	25
5.2 Authorization and Validity	26
5.3 No Conflict; Government Consent	26
5.4 Financial Statements	26
5.5 Material Adverse Change	26
5.6 Anti-Corruption Laws and Sanctions	27
5.7 Litigation	27
5.8 Subsidiaries	27
5.9 Margin Stock	27

**Table of Contents**  
(continued)

	<b>Page</b>
5.10 Investment Company Act	27
<b>ARTICLE VI COVENANTS</b>	<b>27</b>
6.1 Financial Reporting	27
6.2 Use of Proceeds	29
6.3 Notice of Default	29
6.4 Maintenance of Existence	29
6.5 Taxes	29
6.6 Insurance	30
6.7 Compliance with Laws	30
6.8 Maintenance of Properties	30
6.9 Inspection; Keeping of Books and Records	30
6.10 Fundamental Changes	30
6.12 Liens	32
6.13 Affiliates	35
6.14 Leverage Ratio	35
6.15 Most Favored Lender	35
<b>ARTICLE VII DEFAULTS</b>	<b>35</b>
<b>ARTICLE VIII ACCELERATION, WAIVERS, AMENDMENTS AND REMEDIES</b>	<b>37</b>
8.1 Acceleration/Remedies	37
8.2 Preservation of Rights	38
<b>ARTICLE IX GENERAL PROVISIONS</b>	<b>38</b>
9.1 Survival of Representations	39
9.2 Governmental Regulation	39
9.3 Headings	39
9.4 Entire Agreement	39
9.5 Benefits of this Agreement	39
9.6 Expenses; Indemnification	39
9.7 Accounting	40
9.8 Severability of Provisions	40
9.9 Nonliability; Waiver of Consequential Damages	40
9.10 Confidentiality	41
9.11 Nonreliance	42
9.12 Disclosure	42
9.13 USA Patriot Act	42
<b>ARTICLE X SETOFF</b>	<b>42</b>
10.1 Setoff	42
<b>ARTICLE XI BENEFIT OF AGREEMENT; ASSIGNMENTS; PARTICIPATIONS</b>	<b>42</b>



**Table of Contents**  
(continued)

	<b>Page</b>
11.1 Successors and Assigns	42
11.2 Participations	43
11.3 Assignments	44
<b>ARTICLE XII NOTICES</b>	<b>45</b>
12.1 Notices	45
12.2 Change of Address	46
<b>ARTICLE XIII COUNTERPARTS</b>	<b>46</b>
<b>ARTICLE XIV CHOICE OF LAW; CONSENT TO JURISDICTION; WAIVER OF JURY TRIAL</b>	<b>46</b>
14.1 Choice of Law	46
14.2 Consent to Jurisdiction	46
14.3 Waiver of Jury Trial	47

## SCHEDULES

Pricing Schedule

Schedule 1 - Subsidiaries

Schedule 2 - Liens

Schedule 3 - Material Adverse Change

Schedule 4 - Litigation

## EXHIBITS

Exhibit A - Form of Compliance Certificate

Exhibit B - Form of Promissory Note

## CREDIT AGREEMENT

This CREDIT AGREEMENT, dated as of April 7, 2020, is by and among OGE ENERGY CORP., an Oklahoma corporation (the “Borrower”), and BOKF, NA DBA BANK OF OKLAHOMA (the “Lender”).

### PRELIMINARY STATEMENTS

WHEREAS, the Borrower has requested, and, subject to the terms and conditions hereof, the Lender has agreed, to extend certain credit facilities to the Borrower on the terms and conditions of this Agreement.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by the parties hereto, such parties hereby agree as follows:

### ARTICLE I

#### DEFINITIONS

##### **1.1 Certain Defined Terms.** As used in this Agreement:

“Accounting Changes” is defined in the term “GAAP”.

“Act” means the USA Patriot Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)), as amended.

“Advance” means a borrowing hereunder (i) made by the Lender on or after the Closing Date under Section 2.1, (ii) made by the Lender pursuant to Section 2.10 hereof, or (iii) converted or continued by the Lender on the same date of conversion or continuation, consisting, in either case, of the aggregate amount of the Loans of the same Type and, in the case of Loans designated as the Eurodollar Rate Portion, for the same Interest Period.

“Affiliate” of any Person means any other Person directly or indirectly controlling, controlled by or under common control with such Person. A Person shall be deemed to control another Person if the controlling Person possesses, directly or indirectly, the power to direct or cause the direction of the management or policies of the controlled Person, whether through ownership of stock, by contract or otherwise; provided that no Person shall be deemed to be an Affiliate of the Borrower or any of its Subsidiaries solely as a result of such Person being an Affiliate of ArcLight Capital Partners, LLC or any of its Affiliates.

“Aggregate Commitment” means the commitment of the Lender, as it may be increased or reduced from time to time pursuant to the terms hereof. The initial Aggregate Commitment as of the Closing Date is Seventy-Five Million and 00/100 Dollars (\$75,000,000).

“Agreement” means this Credit Agreement, as it may be amended, modified or supplemented from time to time.

“Agreement Accounting Principles” means GAAP applied in a manner consistent with that used in preparing the financial statements referred to in Section 5.4, as may be modified in connection with any Accounting Changes. Notwithstanding the foregoing, (i) all leases (or any other agreement deemed to be a lease, in accordance with GAAP), of any Person (including leases or any other such agreements entered into after the date hereof) that are or would be treated as operating leases or otherwise be accounted for “off the balance sheet,” in accordance with GAAP as in effect on December 31, 2019, shall continue to be accounted for as operating leases or off-balance sheet (and none of the obligations of the lessee thereunder shall constitute Capitalized Leases, Capitalized Lease Obligations, Indebtedness or Consolidated Indebtedness) for purposes of this Agreement regardless of any change in GAAP (or the effectiveness of any change in GAAP), including without limitation, ASC Topic 840 or 842 (and any successor or replacement provisions or any pronouncements in connection therewith) after such date that would otherwise require any of the obligations of the lessee thereunder to be treated as Capitalized Leases, Capitalized Lease Obligations, Indebtedness or Consolidated Indebtedness, and (ii) for purposes of determining compliance with any covenant (including the computation of any financial covenant) contained herein, Indebtedness of the Borrower and its Subsidiaries shall be deemed to be carried at 100% of the outstanding principal amount thereof, and the effects of FASB ASC 825 and FASB ASC 470-20 on financial liabilities shall be disregarded.

“Alternate Base Rate” means, for any day, a fluctuating rate of interest per annum equal to the highest of (i) the Prime Rate for such day, (ii) the sum of the Federal Funds Effective Rate for such day plus one half of one percent (0.5%) per annum and (iii) except during any period of time during which a notice delivered to the Borrower under Section 3.2 shall remain in effect, the LIBOR Rate for an Interest Period of one month, plus 1%; each change in the Alternate Base Rate shall take effect simultaneously with the corresponding change or changes in the Prime Rate, the Federal Funds Rate or the LIBOR Rate. Notwithstanding the foregoing, if the Alternate Base Rate shall be less than zero, such rate shall be deemed to be zero for purposes of this Agreement.

“Anti-Corruption Laws” means all laws, rules, and regulations of any jurisdiction applicable to the Borrower or its Subsidiaries from time to time concerning or relating to bribery, corruption, or money-laundering, including without limitation, the United States Foreign Corrupt Practices Act of 1977, as amended, and the rules and regulations thereunder.

“Applicable Fee Rate” means, with respect to the Facility Fee at any time, the percentage rate per annum which is applicable at such time with respect to such fee as set forth in the Pricing Schedule.

“Applicable Law” means all applicable provisions of constitutions, laws, statutes, ordinances, rules, treaties, regulations, permits, licenses, approvals, interpretations and orders of Governmental Authorities.

“Applicable Margin” means, with respect to the Eurodollar Rate Portion or the Floating Rate Portion at any time, the percentage rate per annum which is applicable at such time with respect thereto as set forth in the Pricing Schedule.

“Approved Cost Recovery Bonds” means securities, however denominated, that are issued by the Borrower or any Consolidated Subsidiary of the Borrower (or any instrumentality statutorily authorized for such purpose (whether or not a Subsidiary of the Borrower)), which securities are (i) issued under and in accordance with applicable state public utility law (and expressly approved by the applicable State public utility commission) with respect to the recovery of designated costs or expenditures (including through applicable state public utility commission order for financing) with respect to regulated assets or regulatory assets authorized by the applicable state public utility commission, (ii) under which recourse is limited to assets that are rights to collect designated charges authorized by applicable law to be invoiced to customers of the Borrower or such Subsidiary (together with ancillary related assets customarily included therewith, collectively, “Designated Charges”) and that are, in any event non-recourse to the Borrower and its Subsidiaries (other than for failure to collect and pay over such Designated Charges and other customary indemnities for such type of financings) and (iii) payable solely from Designated Charges.

“Authorized Officer” means any of the president, chief financial officer, treasurer, an assistant treasurer or the controller of the Borrower or such other representative of the Borrower as may be designated by any one of the foregoing.

“Bail-In Action” means the exercise of any Write-Down and Conversion Powers by the applicable EEA Resolution Authority in respect of any liability of an EEA Financial Institution.

“Bail-In Legislation” means, with respect to any EEA Member Country implementing Article 55 of Directive 2014/59/EU of the European Parliament and of the Council of the European Union, the implementing law for such EEA Member Country from time to time which is described in the EU Bail-In Legislation Schedule.

“Borrower” has the meaning assigned thereto in the introductory paragraph hereto.

“Business Day” means (a) for all purposes other than as set forth in clause (b) below, any day other than a Saturday, Sunday or legal holiday on which banks in Oklahoma City, Oklahoma are open for the conduct of their commercial banking business, and (b) with respect to all notices and determinations in connection with, and payments of principal and interest on, the Eurodollar Rate Portion, or for purposes of determining the interest rate for the Floating Rate Portion as to which the interest rate is determined by reference to the Eurodollar Base Rate, any day that is a Business Day described in clause (a) and that is also a day for trading by and between banks in Dollar deposits in the London interbank market.

“Capitalized Lease” of a Person means any lease of Property by such Person as lessee which would be capitalized on a balance sheet of such Person prepared in accordance with Agreement Accounting Principles.

“Capitalized Lease Obligations” of a Person means the amount of the obligations of such Person under Capitalized Leases which would be shown as a liability on a balance sheet of such Person prepared in accordance with Agreement Accounting Principles.

“Change in Control” means (i) the acquisition by any Person, or two or more Persons acting in concert, of beneficial ownership (within the meaning of Rule 13d<sup>3</sup> of the Securities and Exchange Commission under the Securities Exchange Act of 1934) of 50% or more of the outstanding shares of voting stock of the Borrower or (ii) the majority of the board of directors of the Borrower fails to consist of Continuing Directors.

“Change in Law” means the occurrence, after the date of this Agreement, of any of the following: (a) the adoption or taking effect of any law, rule, regulation or treaty, (b) any change in any law, rule, regulation or treaty or in the administration, interpretation, implementation or application thereof by any Governmental Authority or (c) the making or issuance of any request, rule, guideline or directive (whether or not having the force of law) by any Governmental Authority; provided that notwithstanding anything herein to the contrary, (x) the Dodd-Frank Wall Street Reform and Consumer Protection Act and all requests, rules, guidelines or directives thereunder or issued in connection therewith and (y) all requests, rules, guidelines or directives promulgated by the Bank for International Settlements, the Basel Committee on Banking Supervision (or any successor or similar authority) or the United States or any applicable foreign regulatory authority, in each case pursuant to Basel III, shall in each case be deemed to be a “Change in Law,” regardless of the date enacted, adopted or issued and shall be referred to herein as a “Specified Change”.

“Closing Date” means April 7, 2020.

“Code” means the Internal Revenue Code of 1986, as amended, reformed or otherwise modified from time to time, and any rule or regulation issued thereunder.

“Commitment Fee” means \$37,500.

“Consolidated Capitalization” means the sum of (i) Consolidated Indebtedness, (ii) consolidated common stockholders’ equity as would appear on a consolidated balance sheet of the Borrower and its Consolidated Subsidiaries prepared in accordance with Agreement Accounting Principles, (iii) the aggregate liquidation preference of preferred stocks (other than preferred stocks subject to mandatory redemption or repurchase) of the Borrower and its Consolidated Subsidiaries upon involuntary liquidation, (iv) the aggregate outstanding amount of all Equity Preferred Securities, Mandatorily Convertible Securities, Trust Preferred Securities and Hybrid Equity Securities and (v) minority interests as would appear on a consolidated balance sheet of the Borrower and its Consolidated Subsidiaries prepared in accordance with Agreement Accounting Principles; provided that Consolidated Capitalization shall exclude the non-cash effects resulting from the application of Financial Accounting Standards Board Statement No. 158: Employers’ Accounting for Defined Benefit Pension and Other Postretirement Plans (an amendment of FASB Statements No. 87, 88, 106 and 132(R)).

“Consolidated Indebtedness” means, at any date, all Indebtedness of the Borrower and its Consolidated Subsidiaries determined on a consolidated basis in accordance with generally accepted accounting principles; provided that Consolidated Indebtedness shall exclude (i) all Non-Recourse Indebtedness, (ii) Indebtedness in respect of Receivables Purchase Facilities, (iii) Approved Cost Recovery Bonds, (iv) any Indebtedness arising from the application of ASC

Topic 460, 810, 840 or 842, and (v) subject to the following proviso, the aggregate outstanding amount of all Mandatorily Convertible Securities, Trust Preferred Securities and Hybrid Equity Securities; and provided further that Consolidated Indebtedness shall include the Applicable Percentage of the aggregate principal amount of Mandatorily Convertible Securities, Trust Preferred Securities and Hybrid Equity Securities. As used herein, “Applicable Percentage” means (x) 0% of the aggregate principal amount of such securities up to 15% of Consolidated Capitalization; (y) 50% of the amount by which the aggregate principal amount of such securities exceeds 15% of Consolidated Capitalization; provided that any such aggregate principal amount in excess of 25% of Consolidated Capitalization shall be excluded from this clause (y) and shall instead be calculated in accordance with the following clause (z); and (z) 100% of the incremental amount by which the aggregate principal amount of such securities exceeds 25% of Consolidated Capitalization.

“Consolidated Subsidiary” means, for any Person, at any date any Subsidiary or other entity the accounts of which would be consolidated with those of such Person in its consolidated financial statements if such statements were prepared as of such date; unless otherwise specified “Consolidated Subsidiary” means a Consolidated Subsidiary of the Borrower.

“Continuing Director” means, with respect to any Person as of any date of determination, any member of the board of directors of such Person who (a) was a member of such board of directors on the Closing Date, or (b) was nominated for election or elected to such board of directors with the approval of a majority of the directors who were members of such board at the time of such nomination or election.

“Controlled Group” means all members of a controlled group of corporations or other business entities and all trades or businesses (whether or not incorporated) under common control which, together with the Borrower or any of its Subsidiaries, are treated as a single employer under Section 414 of the Code.

“Debtor Relief Laws” means the Bankruptcy Code of the United States of America, and all other liquidation, conservatorship, bankruptcy, assignment for the benefit of creditors, moratorium, rearrangement, receivership, insolvency, reorganization, or similar debtor relief laws of the United States or other applicable jurisdictions from time to time in effect.

“Default” means an event described in Article VII.

“Designated Charges” is defined in the definition of “Approved Cost Recovery Bonds.”

“Dollar” and “\$” means dollars in the lawful currency of the United States of America.

“Enable Entity” means Enable Midstream Partners, LP, together with (i) any of its successors and Subsidiaries and (ii) any other Subsidiary of the Borrower whose assets consist solely of direct or indirect equity interests in or other assets relating to the ownership, operation or administration of, Enable Midstream Partners, LP or any such other company described in clause (i) or (ii) above (including, without limitation, OGE Energy Holdings, Inc., Enogex and Enable GP, LLC as of the Closing Date).

“Energy-Related Assets” means or includes (i) assets used for the generation, transmission or distribution of electric energy or used for the distribution of natural or manufactured gas which provide services (directly or indirectly) to a state-regulated public utility, in each case owned, directly or indirectly, by the Borrower; (ii) intangible personal property, including investment property, accounts and general intangibles (each as defined in the Uniform Commercial Code), insurance premiums, Rabbi trusts or similar savings plans and memberships, to the extent they relate to assets or persons which are involved in the operations of, or provide services to, a state regulated public utility; (iii) assets constituting general plant (e.g., office furniture and equipment, communications equipment, computer software and hardware) used in the operations of or used to provide services to a state regulated public utility; and (iv) property, plant and equipment that was once in service, but is no longer used, or property, plant and equipment that was purchased for use (whether or not such assets have at such time yet been placed in service) by or to provide services to, a state regulated public utility.

“Enogex” means OGE Enogex Holdings LLC, a Delaware limited liability company.

“Environmental Laws” means any and all Applicable Laws relating to (i) the protection of the environment, (ii) the effect of the environment on human health, (iii) emissions, discharges or releases of pollutants, contaminants, hazardous substances or wastes into surface water, ground water or land, or (iv) the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of pollutants, contaminants, hazardous substances or wastes or the clean-up or other remediation thereof.

“Equity Preferred Securities” means any securities, however denominated, (i) issued by the Borrower or any Consolidated Subsidiary of the Borrower, (ii) that are not, or the underlying securities, if any, of which are not, subject to mandatory redemption or maturity prior to 91 days after the Termination Date, and (iii) the terms of which permit the deferral of interest or distributions thereon to a date occurring after the 91<sup>st</sup> day after the Termination Date.

“ERISA” means the Employee Retirement Income Security Act of 1974, as amended from time to time, and any rules or regulations issued thereunder.

“Eurodollar Advance” means an Advance (other than a Floating Rate Advance as to which the interest rate is determined by reference to the Eurodollar Base Rate) which bears interest at a rate determined by reference to the applicable Eurodollar Rate.

“EU Bail-In Legislation Schedule” means the EU Bail-In Legislation Schedule published by the Loan Market Association (or any successor person), as in effect from time to time.

“Eurodollar Base Rate” means:

(a) for any interest rate calculation with respect to the Eurodollar Rate Portion, a rate (expressed to the fifth decimal place) equal to the rate of interest per annum which is identified and normally published by the ICE Benchmark Administration (or any other Person that takes over the administration of such rate for Dollars) for loans in Dollars for the applicable Interest Period (“LIBOR”) which appears on Reuters Screen LIBOR01 Page (or any successor page or



by such other commercially available source providing such quotation as may be designated by Lender from time to time) at approximately 11:00 a.m. (London time) two (2) Business Days prior to the first day of the applicable Interest Period (unless such date is not a Business Day, in which event the next succeeding Business Day will be used); and

(b) for any interest rate calculation with respect to the Floating Rate Portion, a rate (expressed to the fifth decimal place) equal to LIBOR as published by the ICE Benchmark Administration (or any other Person that takes over the administration of such rate for Dollars) on the basis of the rate for deposits in Dollars in minimum amounts of at least \$5,000,000 for a period equal to one month (commencing on the date of determination of such interest rate) which appears on the Reuters Screen LIBOR01 Page (or any successor page or by such other commercially available source providing such quotation as may be designated by the Lender from time to time) at approximately 11:00 a.m. (London time) on the date of such determination (unless such date is not a Business Day, in which event the immediately preceding Business Day will be used).

Notwithstanding the foregoing, if at any time the Lender determines in good faith that (i) the ICE Benchmark Administration no longer reports LIBOR, (ii) LIBOR is no longer a widely recognized benchmark rate for newly originated loans in the U.S. commercial or syndicated loan market, (iii) the applicable supervisor or administrator (if any) of any applicable interest rate specified herein or any Governmental Authority having or purporting to have jurisdiction over the Lender has made a public statement identifying a specific date after which LIBOR shall no longer be used for determining interest rates for loans in the U.S. commercial or syndicated loan market, or (iv) the rate so reported no longer accurately reflects the rate available to Lender in the London Interbank Market or if such index no longer exists or accurately reflects the rate available to the Lender in the London Interbank Market, then the Lender may establish a replacement interest rate, including any necessary adjustments to any applicable margin (the "Replacement Rate"), in which case, the Replacement Rate shall replace LIBOR and such applicable interest rate for all purposes under this Agreement and the other Loan Documents unless and until (A) an event described in Section 3.1 or clauses (i) through (iv) occurs with respect to the Replacement Rate or (B) Lender notifies the Borrower that the Replacement Rate does not adequately and fairly reflect the cost to the Lender of funding the Loans bearing interest at the Replacement Rate. In connection with the establishment and application of the Replacement Rate, and notwithstanding anything to the contrary as may be set forth in Section 8.2, this Agreement and the other Loan Documents shall be amended as may be necessary or appropriate, in the opinion of the Lender, to effect the above provisions and the implementation of the Replacement Rate, and the Borrower consents to any such necessary or appropriate amendments

"Eurodollar Rate" means, with respect to a Eurodollar Advance for the relevant Interest Period, the sum of (i) the LIBOR Rate plus (ii) the Applicable Margin.

"Eurodollar Rate Portion" means the portion of the unpaid principal balance of the Loan which Borrower designates as such in a Rate Election.

“Eurodollar Reserve Percentage” means, for any day, the percentage (expressed as a decimal) which is in effect for such day as prescribed by the Board of Governors of the Federal Reserve System (or any successor) for determining the maximum reserve requirement (including any basic, supplemental or emergency reserves) in respect of eurocurrency liabilities or any similar category of liabilities for a member bank of the Federal Reserve System in New York City.

“Excluded Taxes” means any of the following Taxes imposed on or with respect to the Lender or required to be withheld or deducted from a payment to the Lender, (a) Taxes imposed on or measured by net income (however denominated), franchise Taxes, Taxes measured by the overall capital or net worth of the Lender, and branch profits Taxes, in each case, (i) imposed as a result of the Lender being organized under the laws of, or having its principal office in, the jurisdiction imposing such Tax (or any political subdivision thereof) or (ii) that are Other Connection Taxes, (b) in the case of the Lender, U.S. federal withholding Taxes imposed on amounts payable to or for the account of the Lender with respect to an applicable interest in a Loan or Aggregate Commitment pursuant to a law in effect on the date on which the Lender changes its lending office, except in each case to the extent that, pursuant to Section 3.5, amounts with respect to such Taxes were payable either to the Lender’s assignor immediately before the Lender became a party hereto or to the Lender immediately before it changed its lending office, , and (c) any U.S. federal withholding Taxes imposed under FATCA.

“Facility Fee” is defined in Section 2.11.

“FATCA” means Sections 1471 through 1474 of the Code, as of the date of this Agreement (or any amended or successor version that is substantively comparable and not materially more onerous to comply with), any current or future regulations or official interpretations thereof and any agreement entered into pursuant to Section 1471(b)(1) of the Code.

“Federal Funds Effective Rate” means, for any day, the rate per annum equal to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System on such day (or, if such day is not a Business Day, for the immediately preceding Business Day), as published by the Federal Reserve Bank of New York on the Business Day next succeeding such day; provided that if such rate is not so published for any day which is a Business Day, the average of the quotations for such day on such transactions received by the Lender from three Federal Funds brokers of recognized standing selected by the Lender. Notwithstanding the foregoing, if the Federal Funds Effective Rate shall be less than zero, such rate shall be deemed to be zero for purposes of this Agreement.

“Fitch” means Fitch Ratings and any successor thereto.

“Floating Rate” means, for any day, a rate per annum equal to (i) the Alternate Base Rate for such day plus (ii) the Applicable Margin.

“Floating Rate Portion” means that portion of the unpaid principal balance of the Loans which is not made up of the Eurodollar Rate Portion.

“GAAP” means generally accepted accounting principles in effect from time to time; provided that in the event that any “Accounting Change” (as defined below) shall occur and such change would otherwise result in a change in the method of calculation of financial covenants, standards or terms in this Agreement, then unless and until the Borrower and the Lender mutually agree to adjustments to the terms hereof to reflect any such Accounting Change, all financial covenants (including such covenant contained in Section 6.14), standards and terms in this Agreement shall continue to be calculated or construed as if such Accounting Changes had not occurred. “Accounting Changes” refers to changes in accounting principles required or permitted by the promulgation of any rule, regulation, pronouncement or opinion by the Financial Accounting Standards Board of the American Institute of Certified Public Accountants or, if applicable, the SEC and shall include the adoption or implementation of International Financial Reporting Standards or changes in lease accounting.

“Governmental Authority” means the government of the United States or, solely to the extent relevant to the Borrower and/or its Subsidiaries, any other nation, or, in each case, of any political subdivision thereof, whether state or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government (including, solely to the extent relevant to the Borrower and/or its Subsidiaries, any supra-national bodies such as the European Union or the European Central Bank).

“Hybrid Equity Securities” means any securities issued by the Borrower, any Subsidiary or a financing vehicle of the Borrower or any Subsidiary that (i) are classified as possessing a minimum of “intermediate equity content” by S&P, Basket C equity credit by Moody’s or 50% equity credit by Fitch at the time of issuance thereof and (ii) require no repayments or prepayments and no mandatory redemptions or repurchases, in each case, prior to the date that is 91 days after the Termination Date.

“Incremental Loan” means any additional Advance made pursuant to Section 2.10 of this Agreement.

“Indebtedness” of any Person means at any date, without duplication, (i) all obligations of such Person for borrowed money, (ii) all indebtedness of such Person for the deferred purchase price of property or services purchased (excluding current accounts payable incurred in the ordinary course of business), (iii) all indebtedness created or arising under any conditional sale or other title retention agreement with respect to property acquired, (iv) all Capitalized Lease Obligations in accordance with Agreement Accounting Principles, (v) all non-contingent reimbursement obligations outstanding of such Person with respect to surety bonds, Letters of Credit and bankers’ acceptances, (vi) indebtedness of the type described in clauses (i) through (v) above secured by any Lien on property or assets of such Person, whether or not assumed (but in any event not exceeding the fair market value of the property or asset), (vii) all direct guarantees of Indebtedness referred to in clauses (i) through (v) above of another Person and (viii) all amounts payable in connection with mandatory redemptions or repurchases of preferred stock (other than Equity Preferred Securities); provided that Indebtedness shall exclude any indebtedness arising from the application of ASC Topic 460, 810, 840 or 842, or which is

otherwise excluded in accordance with the Agreement Accounting Principles. For the purpose of determining “Indebtedness,” any particular Indebtedness will be excluded if and to the extent that the necessary funds for the payment, redemption or satisfaction of that Indebtedness (including, to the extent applicable, any associated prepayment penalties, fees or payments and such other amounts required in connection therewith) have been deposited with the proper depository in trust.

“Indemnified Taxes” means (a) Taxes, other than Excluded Taxes, imposed on or with respect to any payment made by or on account of any obligation of the Borrower under any Loan Document and (b) to the extent not otherwise described in clause (a), Other Taxes.

“Indemnitee” is defined in Section 9.6.1.

“Interest Period” means, with respect to a Eurodollar Advance, a period of one week, one, two, three or six months (subject to availability), commencing on a Business Day selected by the Borrower pursuant to this Agreement. Such Interest Period shall end on but exclude the day which corresponds numerically to such date one, two, three or six months or such other agreed upon period thereafter; provided that (i) if there is no such numerically corresponding day in such next, second, third or sixth succeeding month or such other succeeding period, such Interest Period shall end on the last Business Day of such next, second, third or sixth succeeding month or such other succeeding period and (ii) no Interest Period shall extend beyond the Termination Date described in clause (a) of such definition. If an Interest Period would otherwise end on a day which is not a Business Day, such Interest Period shall end on the next succeeding Business Day; provided, that if said next succeeding Business Day falls in a new calendar month, such Interest Period shall end on the immediately preceding Business Day.

“Investment Grade Status” exists at any date if, on such date, the Borrower has or is deemed to have pursuant to the last paragraph of the Pricing Schedule (as in effect on the Closing Date) at least two of the following ratings: a Moody’s Rating (as defined in the Pricing Schedule as in effect on the Closing Date) of Baa3 or better, a S&P Rating (as defined in the Pricing Schedule as in effect on the Closing Date) of BBB- or better or a Fitch Rating (as defined in the Pricing Schedule as in effect on the Closing Date) of BBB- or better.

“Lender” has the meaning assigned thereto in the introductory paragraph hereto.

“LIBOR” is defined in paragraph (a) of the definition of “Eurodollar Base Rate”.

“LIBOR Rate” means a rate per annum determined by the Lender pursuant to the following formula:

$$\text{LIBOR Rate} = \frac{\text{Eurodollar Base Rate}}{1.00 - \text{Eurodollar Reserve Percentage}}$$

Notwithstanding the foregoing, if the LIBOR Rate shall be less than one-half percent (0.50%), such rate shall be deemed to be one-half percent (0.50%) for purposes of this Agreement.

“Lien” means any lien (statutory or other), mortgage, pledge, hypothecation, assignment, deposit arrangement, encumbrance or preference, priority or other security agreement or preferential arrangement of any kind or nature whatsoever (including the interest of a vendor or lessor under any conditional sale, Capitalized Lease or other title retention agreement).

“Loan” means any Advance made under this Agreement, and “Loans” means all Advances in the aggregate.

“Loan Documents” means this Agreement, the Note and all other documents, instruments, and agreements executed and delivered by the Borrower and designated therein as being a Loan Document.

“Mandatorily Convertible Securities” means mandatorily convertible equity-linked securities issued by the Borrower or any Subsidiary, so long as the terms of such securities require no repayments or prepayments of principal and no mandatory redemptions or repurchases, in each case, prior to at least 91 days after the Termination Date.

“Material Adverse Effect” means a material adverse effect on (i) the business, Property, financial condition, operations or results of operations of the Borrower and its Subsidiaries taken as a whole, (ii) the ability of the Borrower to perform its obligations under the Loan Documents, or (iii) the validity or enforceability of any of the Loan Documents or the rights or remedies of the Lender thereunder.

“Material Indebtedness” means Indebtedness of the Borrower and/or any Material Subsidiary (other than (i) Indebtedness among the Borrower and/or its Subsidiaries, (ii) Indebtedness in respect of Approved Cost Recovery Bonds and Receivables Purchase Facilities, and (iii) Non-Recourse Indebtedness) in an outstanding principal amount of \$100,000,000 or more in the aggregate (or the equivalent thereof in any currency other than U.S. dollars).

“Material Subsidiary” means any Subsidiary that would be a “significant subsidiary” as defined in Article 1, Rule 1-02 of Regulation S-X, as promulgated under the Securities Act of 1933, as amended, as such regulation is in effect on the date of this Agreement; provided that each Enable Entity shall (unless otherwise elected by the Borrower) not be deemed a Material Subsidiary, other than for purposes of Section 6.10 (to the extent otherwise meeting the requirements of a Material Subsidiary) and inclusion of its attributable value to the extent provided by subsection (v) in the definition of Consolidated Capitalization; provided further, that notwithstanding the foregoing, such Enable Entity shall be deemed a Material Subsidiary (to the extent otherwise meeting the requirements of a Material Subsidiary) for all purposes hereunder if the Borrower’s ownership level (percentage or control) of such Enable Entity increases above (and only for so long as it remains above) that existing on the Closing Date and, as a result, the Borrower is (but for only so long as it shall be) required to consolidate the assets of such Enable Entity on its financial statements in accordance with GAAP.

“Moody’s” means Moody’s Investors Service, Inc. and any successor thereto.

“Multiemployer Plan” means a multiemployer plan, as defined in Section 3(37) or Section 4001(a)(3) of ERISA, which is covered by Title IV of ERISA and to which the Borrower or any member of the Controlled Group is obligated to make contributions or has been obligated to make contributions during the last six years.

“Non-Recourse Indebtedness” means Indebtedness of any Subsidiary (other than a Material Subsidiary) as to which (A) neither the Borrower nor any Material Subsidiary provides credit support of any kind (including any undertaking, agreement or instrument that would constitute Indebtedness), (B) neither the Borrower nor any Material Subsidiary is directly or indirectly liable as a guarantor or otherwise, (C) neither the Borrower nor any Material Subsidiary is the lender or other type of creditor, or (D) the relevant legal documents do not provide that the lenders or other type of creditors with respect thereto will have any recourse to the stock or assets of the Borrower or any Material Subsidiary.

“Note” means that certain Term Note made by the Borrower payable to the order of the Lender in the original principal amount of \$75,000,000, dated as of the Closing Date, in substantially in the form of Exhibit B attached hereto, together with any renewals, extensions, modifications, substitutions or changes in its form.

“Obligations” means all Loans, fees, advances, debts, liabilities and obligations owing by the Borrower to the Lender or any affiliate of the Lender, in each case of any kind or nature, arising under this Agreement or any other Loan Document, whether or not evidenced by any note, guaranty or other instrument, whether or not for the payment of money, whether arising by reason of an extension of credit, loan, indemnification, or in any other manner, whether direct or indirect (including those acquired by assignment), absolute or contingent, due or to become due, now existing or hereafter arising and however acquired. The term includes all principal, interest (including interest accruing after the filing of any bankruptcy or similar petition), charges, expenses, fees, attorneys’ fees and disbursements, and any other sum chargeable to the Borrower under this Agreement or any other Loan Document.

“OFAC” means the U.S. Department of the Treasury’s Office of Foreign Assets Control.

“OG&E” means Oklahoma Gas and Electric Company, an Oklahoma corporation.

“Other Connection Taxes” means, with respect to the Lender, Taxes imposed as a result of a present or former connection between the Lender and the jurisdiction imposing such Tax (other than connections arising from the Lender having executed, delivered, become a party to, performed its obligations under, received payments under, received or perfected a security interest under, engaged in any other transaction pursuant to or enforced any Loan Document, or sold or assigned an interest in any Loan or Loan Document).

“Other Taxes” means all present or future stamp, court or documentary, intangible, recording, filing or similar Taxes that arise from any payment made under, from the execution, delivery, performance, enforcement or registration of, from the receipt or perfection of a security interest under, or otherwise with respect to, any Loan Document, except any such Taxes that are Other Connection Taxes imposed with respect to an assignment.

“Participant” is defined in Section 11.2.1.

“Participant Register” is defined in Section.

“Payment Date” means the last day of June, September, December and March and the Termination Date.

“PBGC” means the Pension Benefit Guaranty Corporation, or any successor thereto.

“Person” means any natural person, corporation, firm, joint venture, partnership, limited liability company, association, enterprise, trust or other entity or organization, or any government or political subdivision or any agency, department or instrumentality thereof.

“Plan” means an employee pension benefit plan, excluding any Multiemployer Plan, which is covered by Title IV of ERISA or subject to the minimum funding standards under Section 412 of the Code as to which the Borrower or any member of the Controlled Group may have any liability.

“Pricing Schedule” means the Schedule identifying the Applicable Margin and Applicable Fee Rate attached hereto and identified as such.

“Prime Rate” means, at any time, the rate of interest per annum most recently published by the Wall Street Journal and designated as the "National Prime Rate." If for any reason this rate of interest is no longer published or available, Lender shall select a comparable rate in its reasonable discretion after notifying Borrower, and such comparable rate will be the “Prime Rate”. Each change in the Prime Rate shall be effective as of the opening of business on the day such change in such prime rate occurs. The parties hereto acknowledge that the rate announced publicly by the Lender as its prime rate is an index or base rate and shall not necessarily be its lowest or best rate charged to its customers or other banks.

“Property” of a Person means any and all right, title and interest of such Person in or to property, whether real, personal, tangible, intangible, or mixed.

“Rate Election” has the meaning given it in Section 2.4.

“Receivables Purchase Documents” means any series of receivables purchase or sale agreements generally consistent with terms contained in comparable structured finance transactions pursuant to which the Borrower or any of its Subsidiaries, in their respective capacities as sellers or transferors of any accounts, payment intangibles, or other rights to receive future payments or credits, sell or transfer to SPVs all of their respective rights, title and interest in and to certain account receivables, payment entitlements or other receivables for further sale or transfer to other purchasers of or investors in such assets (and the other documents, instruments and agreements executed in connection therewith), or any replacement or substitution therefor.

“Receivables Purchase Facility” means any securitization facility made available to the Borrower or any of its Subsidiaries, pursuant to which accounts, payment intangibles or rights to

receive future payments or credits of the Borrower or any of its Subsidiaries are transferred to one or more SPVs, and thereafter to certain investors, pursuant to the terms and conditions of the Receivables Purchase Documents.

“Regulation U” means Regulation U of the Board of Governors of the Federal Reserve System as from time to time in effect and any successor or other regulation or official interpretation of said Board of Governors relating to the extension of credit by banks for the purpose of purchasing or carrying margin stocks applicable to member banks of the Federal Reserve System.

“Related Parties” means, with respect to any Person, such Person’s Affiliates and the partners, directors, officers, employees, agents and advisors of such Person and of such Person’s Affiliates.

“Replacement Rate” is defined in the third paragraph of the definition of “Eurodollar Base Rate”.

“Reportable Event” means a reportable event as defined in Section 4043 of ERISA and the regulations issued under such section, with respect to a Plan subject to Title IV of ERISA, excluding, however, such events as to which the PBGC has by regulation waived the requirement of Section 4043(a) of ERISA that it be notified within thirty (30) days of the occurrence of such event; provided that a failure to meet the minimum funding standard of Section 412 or 430 of the Code and of Section 302 of ERISA shall be a Reportable Event regardless of the issuance of any such waiver of the notice requirement in accordance with either Section 4043(a) of ERISA or Section 412(c) of the Code.

“S&P” means Standard & Poor’s Financial Services LLC, a subsidiary of McGraw-Hill Financial, Inc., and any successor thereto.

“Sanctioned Country” means at any time, a country or territory which is itself the subject or target of any Sanctions.

“Sanctioned Person” means, at any time, (a) any Person listed in any Sanctions-related list of designated Persons maintained by OFAC, the U.S. Department of State, the United Nations Security Council, the European Union, Her Majesty’s Treasury, or other relevant sanctions authority, (b) any Person operating, organized or resident in a Sanctioned Country, including any agency of such Sanctioned Country, or (c) any Person owned or controlled by any such Person or Persons described in clauses (a) and (b).

“Sanctions” means economic or financial sanctions or trade embargoes imposed, administered or enforced from time to time by the U.S. government (including those administered by OFAC), the European Union, Her Majesty’s Treasury, or other relevant sanctions authority.



“SEC Reports” means (i) the Annual Reports on Form 10-K of the Borrower and OG&E for the fiscal year ended December 31, 2019, and (ii) the Current Reports on Form 8-K filed by the Borrower or OG&E after such date but prior to the Closing Date.

“Single Employer Plan” means a Plan maintained by the Borrower or any member of the Controlled Group for employees of the Borrower or any member of the Controlled Group.

“Specified Change” is defined in the term “Change in Law”.

“SPV” means (a) a special purpose, bankruptcy-remote Person formed for the sole and exclusive purpose of engaging in activities in connection with the purchase, sale and financing of accounts and receivables in connection with and pursuant to Receivables Purchase Facility, (b) a special purpose, bankruptcy-remote Person formed for the sole and exclusive purpose of engaging in any project finance project, (c) a special purpose subsidiary of, or a trust formed by, the Borrower or a Subsidiary for the sole purpose of issuing Hybrid Securities and which conducts no business other than the issuance of Hybrid Securities and activities incidental thereto and (d) any special purpose entity formed to effect any issuance of Approved Cost Recovery Bonds.

“Subsidiary” means, as to any Person, any corporation or other entity of which securities or other ownership interests having ordinary voting power to elect a majority of the board of directors or other Persons performing similar functions are at the time directly or indirectly owned by such Person; provided that each Enable Entity shall (unless otherwise elected by the Borrower) not be deemed a Subsidiary, other than for purposes of Section 6.10 (to the extent otherwise meeting the requirements of a Subsidiary) and inclusion of its attributable value to the extent provided by subsection (v) in the definition of Consolidated Capitalization; provided further, that notwithstanding the foregoing, any Enable Entity shall be deemed a Subsidiary (to the extent otherwise meeting the requirements of a Subsidiary) for all purposes hereunder if the Borrower’s ownership level (percentage or control) of such Enable Entity increases above (and only for so long as it remains above) that existing on the Closing Date and, as a result, the Borrower is (but for only so long as it shall be) required to consolidate the assets of such Enable Entity on its financial statements in accordance with GAAP.

“Substantial Portion” means, with respect to the Property of the Borrower and its Subsidiaries, Property which represents more than 25% of the consolidated assets of the Borrower and its Subsidiaries or property which is responsible for more than 25% of the consolidated net income of the Borrower and its Subsidiaries, in each case, as would be shown in the consolidated financial statements of the Borrower and its Subsidiaries as at the end of the four fiscal quarter period ending with the fiscal quarter immediately prior to the fiscal quarter in which such determination is made (or if financial statements have not been delivered hereunder for that fiscal quarter which ends such four fiscal quarter period, then the financial statements delivered hereunder for the quarter ending immediately prior to that quarter).

“Taxes” means all present or future taxes, levies, imposts, duties, deductions, withholdings (including backup withholding), assessments, fees or other charges imposed by any Governmental Authority, including any interest, additions to tax or penalties applicable thereto.

“Termination Date” means April 7, 2021.

“Trust Preferred Securities” means trust preferred securities issued by a trust established by the Borrower or any Subsidiary, along with any junior subordinated debt obligations of the Borrower or any such Subsidiary to such capital trust, so long as (i) the terms thereof require no repayments or prepayments and no mandatory redemptions or repurchases, in each case, prior to at least 91 days after the Termination Date, (ii) the obligations of the Borrower or such Subsidiary in respect thereof are subordinated and junior in right of payment to all unsecured and unsubordinated obligations of the Borrower for or in respect of borrowed money and (iii) the obligors in respect of such preferred securities and subordinated debt have the right to defer interest and dividend payments.

“Type” means, with respect to the unpaid principal balance of any Loan or Advance, its nature as the Floating Rate Portion or the Eurodollar Rate Portion.

“Unfunded Liabilities” means the amount (if any) by which the present value of all vested and unvested accrued benefits under each Single Employer Plan subject to Title IV of ERISA exceeds the fair market value of all such Plan’s assets allocable to such benefits, all determined as of the then most recent valuation date for such Plan for which a valuation report is available, using actuarial assumptions for funding purposes as set forth in such report.

“Unmatured Default” means an event which but for the lapse of time or the giving of notice, or both, would constitute a Default.

“U.S. Person” means any Person that is a “United States Person” as defined in Section 7701(a)(30) of the Code.

“Withholding Agent” means the Borrower and the Lender.

“Write-Down and Conversion Powers” means, with respect to any EEA Resolution Authority, the write-down and conversion powers of such EEA Resolution Authority from time to time under the Bail-In Legislation for the applicable EEA Member Country, which write-down and conversion powers are described in the EU Bail-In Legislation Schedule.

**1.2 Other Definitions and Provisions.** With reference to this Agreement and each other Loan Document, unless otherwise specified herein or in such other Loan Document: (a) the definitions of terms herein shall apply equally to the singular and plural forms of the terms defined, (b) whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms, (c) the words “include,” “includes” and “including” shall be deemed to be followed by the phrase “without limitation,” (d) the word “will” shall be construed to have the same meaning and effect as the word “shall,” (e) any reference herein to any Person shall be construed to include such Person’s successors and assigns, (f) the words “herein,” “hereof” and “hereunder,” and words of similar import, shall be construed to refer to this Agreement in its entirety and not to any particular provision hereof, (g) all references herein to Articles, Sections, Exhibits and Schedules shall be construed to refer to Articles and Sections of, and Exhibits and Schedules to, this Agreement, (h) the words “asset”

and “property” shall be construed to have the same meaning and effect and to refer to any and all tangible and intangible assets and properties, including cash, securities, accounts and contract rights, and (i) in the computation of periods of time from a specified date to a later specified date, the word “from” means “from and including;” the words “to” and “until” each mean “to but excluding;” and the word “through” means “to and including”.

**1.3 Rounding.** Any financial ratios required to be maintained by the Borrower pursuant to this Agreement shall be calculated by dividing the appropriate component by the other component, carrying the result to two places more than the number of places by which such ratio or percentage is expressed herein and rounding the result up or down to the nearest number (with a rounding-up if there is no nearest number).

**1.4 References to Agreement and Laws.** Unless otherwise expressly provided herein, (a) references to formation documents, governing documents, agreements (including the Loan Documents) and other contractual instruments shall be deemed to include all subsequent amendments, restatements, extensions, supplements and other modifications thereto, but only to the extent that such amendments, restatements, extensions, supplements and other modifications are not prohibited by any Loan Document; and (b) references to any Applicable Law shall include all statutory and regulatory provisions consolidating, amending, replacing, supplementing or interpreting such Applicable Law.

**1.5 Times of Day.** Unless otherwise specified, all references herein to times of day shall be references to Central time (daylight or standard, as applicable).

## ARTICLE II

### THE CREDITS

**2.1 Commitment.** Subject to the terms and conditions hereof, the Lender agrees to make a single Advance to the Borrower on or after the Closing Date in the full amount of the Aggregate Commitment. The obligation of Borrower to repay such Advance under this section, together with interest accruing in connection therewith, shall be evidenced by the Note made by Borrower payable to the order of Lender. Borrower may not re-borrow money repaid under the Note.

**2.2 Interest.** The principal balance of the Loans (exclusive of any past due principal or interest) from time to time outstanding shall bear interest on each day outstanding, at a rate per annum, selected at the option of the Borrower, equal to (A) the Eurodollar Rate or (B) the Floating Rate.

**2.3 Optional Principal Prepayments.** The Borrower may from time to time prepay, without penalty or premium, the then outstanding amount of the Loan, or, any portion thereof in a minimum aggregate amount of \$1,000,000 or any integral multiple of \$1,000,000 in excess thereof (or, if less, the then remaining outstanding principal balance thereof), on any Business Day upon at least three (3) Business Days’ prior notice to the Lender.

**2.4 Rate Elections.** Borrower may from time to time designate, within the dollar limits set forth below, a portion of the Loans as Eurodollar Loans. Each election (a “Rate Election”) by Borrower shall:

- (i) Be made by email notice to Lender and confirmed by telephonic notice from Lender.
- (ii) Specify the aggregate amount of the Loans which Borrower desires to designate as a Eurodollar Rate Portion and the applicable Interest Period which is to apply thereto; and
- (iii) Be received by the Lender not later than 11:00 a.m., Oklahoma City, Oklahoma time, on the first Business Day preceding the first day of the applicable Interest Period.
- (iv) Each Rate Election shall be irrevocable. Borrower may make no Rate Election which does not specify an Interest Period complying with the definition of “Interest Period” in Section 1.1, and the aggregate amount of the election must be at least \$1,000,000 or a higher integral multiple of \$500,000. Upon the termination of each Interest Period, the portion of the Loans theretofore constituting the related Eurodollar Rate Portion shall, unless the subject of a new Rate Election then taking effect, automatically be continued as a Eurodollar Rate Portion with an Interest Period equal to one month. Notwithstanding the foregoing, if any automatic continuation of any Eurodollar Rate Portion pursuant to the preceding sentence results in an Interest Period not complying with the definition of “Interest Period” in Section 1.1, such Eurodollar Rate Portion shall automatically be continued with an Interest Period of one week, unless such reduced Interest Period will also not comply with such definition, in which event such Eurodollar Rate Portion will become a part of the Floating Rate Portion of the Loans and become subject to all provisions of the Loan Documents governing such Floating Rate Portion. Borrower shall have no more than three Eurodollar Rate Portions for the Loans in effect at any time.

**2.5 Changes in Interest Rate, etc.** Each Floating Rate Advance shall bear interest on the outstanding principal amount thereof, for each day from and including the date such Advance is made or is automatically converted from a Eurodollar Advance into a Floating Rate Advance to but excluding the date it is paid or is converted into a Eurodollar Advance, at a rate per annum equal to the Floating Rate for such day. Changes in the rate of interest on that portion of any Advance maintained as a Floating Rate Advance will take effect simultaneously with each change in the Alternate Base Rate. Each Eurodollar Advance shall bear interest on the outstanding principal amount thereof from and including the first day of the Interest Period applicable thereto to (but not including) the last day of such Interest Period at the interest rate determined by the Lender as applicable to such Eurodollar Advance based upon the Borrower’s selections under this Agreement and otherwise in accordance with the terms hereof. No Interest Period may end after the scheduled Termination Date. The Borrower shall select Interest Periods so that it is not necessary to repay any portion of a Eurodollar Advance prior to the last day of

the applicable Interest Period in order to make a mandatory prepayment required pursuant to the last sentence of Section 2.2.

**2.6 Rates Applicable After Default.** Notwithstanding anything to the contrary contained in Section 2.6 or 2.7, upon the occurrence and during the continuance of a Default or Unmatured Default, the Lender may, at its option, by notice to the Borrower, declare that no portion of the Loan may be converted into or continued as a Eurodollar Advance. If all or a portion of (a) the principal amount of any Loan, (b) any interest payable thereon, or (c) any fee or other amount payable hereunder shall not be paid when due (whether at the stated maturity, by acceleration or otherwise), such overdue amount shall, after giving effect to any applicable grace period therefor, bear interest, payable from time to time on demand, at a rate per annum equal to the rate otherwise applicable to such overdue amount plus 2% per annum, in each case from the date such overdue amount was first due until such amount is paid in full. Interest shall continue to accrue as provided in this Section 2.6 on the overdue Obligations after the filing by or against the Borrower of any petition seeking any relief in bankruptcy or under any Debtor Relief Law.

**2.7 Method of Payment.** All payments of the Obligations hereunder shall be made, without setoff, deduction, or counterclaim, in immediately available funds to the Lender at the Lender's address specified pursuant to Article XII.

**2.8 Telephonic Notices.** The Borrower hereby authorizes the Lender to convert or continue Advances, effect selections of Types of Advances and to transfer funds based on telephonic notices made by any person or persons the Lender in good faith believes to be acting on behalf of the Borrower, it being understood that the foregoing authorization is specifically intended to allow Conversion/Continuation Notices to be given telephonically. The Borrower agrees to deliver promptly to the Lender a written confirmation, if such confirmation is requested by the Lender, of each telephonic notice, signed by an Authorized Officer. If the written confirmation differs in any material respect from the action taken by the Lender, the records of the Lender shall govern absent manifest error.

**2.9 Interest Payment Dates; Interest and Fee Basis.** Interest accrued on each Floating Rate Advance shall be payable in arrears on each Payment Date, commencing with the first such date to occur after the date hereof, on any date on which the Floating Rate Advance is prepaid, whether due to acceleration or otherwise, and at maturity. Interest accrued on that portion of the outstanding principal amount of any Floating Rate Advance converted into a Eurodollar Advance on a day other than a Payment Date shall be payable on the date of conversion. Interest accrued on each Eurodollar Advance shall be payable on the last day of its applicable Interest Period, on any date on which the Eurodollar Advance is prepaid, whether by acceleration or otherwise, and at maturity. Interest on Floating Rate Advances when the Alternate Base Rate is determined by the Prime Rate shall be calculated for actual days elapsed on the basis of a 365, or when appropriate 366, day year. All other computations of interest and all other fees shall be calculated for actual days elapsed on the basis of a 360-day year. Interest shall be payable for the day an Advance is made but not for the day of any payment on the amount paid if payment is received prior to noon at the place of payment. Except as set forth in the second proviso to the definition of "Interest Period," if any payment of principal of or interest

on an Advance, any fees or any other amounts payable to the Lender hereunder shall become due on a day which is not a Business Day, such payment shall be made on the next succeeding Business Day and, in the case of a principal payment, such extension of time shall be included in computing interest and fees in connection with such payment.

**2.10 Increase of Aggregate Commitment.** At any time subsequent to the Closing Date and prior to the Termination Date, the Borrower shall have the right to request, in consultation with the Lender, and effectuate increases in the Aggregate Commitment (each such increase, an “Incremental Loan”); provided that (A) each such Incremental Loan shall be in a minimum principal amount of \$5,000,000 and in increments of \$500,000 if greater than \$5,000,000, (B) in no event shall the aggregate amount of all such Incremental Loans result in the Aggregate Commitment exceeding \$100,000,000, (C) as of the date of such proposed Incremental Loan, no Default or Unmatured Default shall have occurred and be continuing or would result from the proposed Incremental Loan, (D) the Borrower shall have obtained all necessary corporate authorizations and governmental approvals in order to effect such Incremental Loan, and (E) the Lender shall have received a commitment fee equal to 0.05% of each Incremental Loan. Notwithstanding the foregoing, the Lender shall not be obligated to commit to any Incremental Loan.

**2.11 Facility Fee.** The Borrower agrees to pay to the Lender a Facility Fee (the “Facility Fee”) at a per annum rate equal to the Applicable Fee Rate on the Aggregate Commitment (whether used or unused) from the date hereof to the Termination Date, payable on each Payment Date and the Termination Date; provided that, if the Lender continues to have Loans outstanding hereunder after the Termination Date, then the Facility Fee shall continue to accrue on the aggregate principal amount of the Loans owed to the Lender until the date on which such Loans are repaid in full.

### ARTICLE III

#### YIELD PROTECTION; TAXES

##### 3.1 Yield Protection.

3.1.1 Increased Costs Generally. If any Change in Law shall:

- (i) impose, modify or deem applicable any reserve, special deposit, compulsory loan, insurance charge or similar requirement against assets of, deposits with or for the account of, or credit extended by the Lender (except any reserve requirement reflected in the LIBOR Rate);
- (ii) subject the Lender to any Taxes (other than (A) Indemnified Taxes, (B) Excluded Taxes (other than Taxes measured by the overall capital or net worth of the Lender) and (C) Other Connection Taxes) on its loans, loan principal, letters of credit, commitments, or other obligations, or its deposits, reserves, other liabilities or capital attributable thereto; or

(iii) impose on the Lender or the London interbank market any other condition, cost or expense (other than Taxes or any reserve requirement then reflected in the LIBOR Rate) affecting this Agreement;

and the result of any of the foregoing shall be to increase the cost to the Lender of making, converting into, continuing or maintaining any Loan (or of maintaining its obligation to make any such Loan), or to reduce the amount of any sum received or receivable by the Lender (whether of principal, interest or any other amount) then, upon written request of the Lender, the Borrower shall promptly pay to the Lender such additional amount or amounts as will compensate the Lender for such additional costs incurred or reduction suffered; provided that the Borrower shall not be required to pay any such amounts to the Lender under and pursuant to this Section which are owing as a result of any Specified Change if and to the extent the Lender is not at such time generally assessing such costs in a similar manner to other similarly situated borrowers with similar credit facilities.

3.1.2 Capital Requirements. If the Lender determines that any Change in Law affecting the Lender regarding capital or liquidity requirements has or would have the effect of reducing the rate of return on the Lender's capital as a consequence of this Agreement or the Aggregate Commitment of the Lender or the Loans made by the Lender, to a level below that which the Lender could have achieved but for such Change in Law (taking into consideration the Lender's policies with respect to capital adequacy), then from time to time the Borrower will pay to the Lender such additional amount or amounts as will compensate the Lender for any such reduction suffered; provided that the Borrower shall not be required to pay any such amounts to the Lender under and pursuant to this Section which are owing as a result of any Specified Change if and to the extent the Lender is not at such time generally assessing such costs in a similar manner to other similarly situated borrowers with similar credit facilities.

3.1.3 Delay in Requests. Failure or delay on the part of the Lender to demand compensation pursuant to this Section shall not constitute a waiver of the Lender's right to demand such compensation; provided that the Borrower shall not be required to compensate the Lender pursuant to this Section for any increased costs incurred or reductions suffered more than ninety (90) days prior to the date that the Lender notifies the Borrower of the Change in Law giving rise to such increased costs or reductions, and of the Lender's intention to claim compensation therefor (except that, if the Change in Law giving rise to such increased costs or reductions is retroactive, then the ninety-day period referred to above shall be extended to include the period of retroactive effect thereof).

**3.2 Interest Rate; Eurodollar Base Rate Notifications.** The Eurodollar Base Rate is determined by reference to LIBOR, which is derived from the London interbank offered rate. The London interbank offered rate is intended to represent the rate at which contributing banks may obtain short-term borrowings from each other in the London interbank market. In July 2017, the U.K. Financial Conduct Authority announced that, after the end of 2021, it would no

longer persuade or compel contributing banks to make rate submissions to the ICE Benchmark Administration for purposes of the ICE Benchmark Administration setting the London interbank offered rate. As a result, it is possible that commencing in 2022, the London interbank offered rate may no longer be available or may no longer be deemed an appropriate reference rate upon which to determine the One Month LIBOR Rate. In light of this eventuality, public and private sector industry initiatives are currently underway to identify new or alternative reference rates to be used in place of the London interbank offered rate. In the event that the London interbank offered rate is no longer available or in certain other circumstances as set forth in clauses (i) through (iv) of the third paragraph in the definition of "Eurodollar Base Rate", the Lender will notify the Borrower in advance of any change to the reference rate upon which the Eurodollar Base Rate is based inclusive of any corresponding change to the Applicable Margin. However, the Lender does not warrant or accept any responsibility for, and shall not have any liability with respect to, the administration, submission or any other matter related to the London interbank offered rate or other rates in the definition of "Eurodollar Base Rate" or with respect to any Replacement Rate, including without limitation, whether the composition or characteristics of any such Replacement Rate, as it may or may not be adjusted, will be similar to, or produce the same value or economic equivalence of, the Eurodollar Base Rate or have the same volume or liquidity as did the London interbank offered rate prior to its discontinuance or unavailability.

### **3.3 Reserved.**

**3.4 Funding Indemnification.** If (i) any payment of a Eurodollar Advance occurs on a date which is not the last day of the applicable Interest Period, whether because of acceleration, prepayment or otherwise, (ii) a Eurodollar Advance is not made on the date specified by the Borrower in a Borrowing Notice or a Conversion/Continuation Notice for any reason other than default by the Lender, or (iii) a Eurodollar Advance is not prepaid on the date specified by the Borrower pursuant to Section 2.3 for any reason, then, except as otherwise provided in this Agreement for any such amounts that would be owing to the Lender, the Borrower will indemnify the Lender for any loss or cost incurred by it resulting therefrom, including any loss or cost in liquidating or employing deposits acquired to fund or maintain such Eurodollar Advance but excluding the Applicable Margin expected to be received by the Lender during the remainder of such Interest Period.

### **3.5 Taxes.**

**3.5.1 Payments Free of Taxes.** Any and all payments by or on account of any obligation of the Borrower under any Loan Document shall be made without deduction or withholding for any Taxes, except as required by Applicable Law. If any Applicable Law (as determined in the good faith discretion of an applicable Withholding Agent) requires the deduction or withholding of any Tax from any such payment by a Withholding Agent, then the applicable Withholding Agent shall be entitled to make such deduction or withholding and shall timely pay the full amount deducted or withheld to the relevant Governmental Authority in accordance with Applicable Law and, if such Tax is an Indemnified Tax, then the sum payable by the Borrower shall be increased as necessary so that after such deduction or withholding has been made (including such



deductions and withholdings applicable to additional sums payable under this Section) the Lender receives an amount equal to the sum it would have received had no such deduction or withholding been made.

3.5.2 Payment of Other Taxes by the Borrower. The Borrower shall timely pay to the relevant Governmental Authority in accordance with Applicable Law, or at the option of the Lender timely reimburse it for the payment of, any Other Taxes.

3.5.3 Indemnification by the Borrower. The Borrower shall indemnify the Lender, within 30 days after demand therefor, for the full amount of any Indemnified Taxes (including Indemnified Taxes imposed or asserted on or attributable to amounts payable under this Section) payable or paid by the Lender or required to be withheld or deducted from a payment to the Lender and any reasonable expenses arising therefrom or with respect thereto, whether or not such Indemnified Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability delivered to the Borrower by the Lender shall be conclusive absent manifest error.

3.5.4 Evidence of Payments. As soon as practicable after any payment of Taxes by the Borrower to a Governmental Authority pursuant to this Section 3.5, the Borrower shall deliver to the Lender the original or a certified copy of a receipt issued by such Governmental Authority evidencing such payment, a copy of the return reporting such payment or other evidence of such payment reasonably satisfactory to the Lender.

3.5.5 Treatment of Certain Refunds. If any party determines, in its sole discretion exercised in good faith, that it has received a refund of any Taxes as to which it has been indemnified pursuant to this Section 3.5 (including by the payment of additional amounts pursuant to this Section 3.5), it shall pay to the indemnifying party an amount equal to such refund (but only to the extent of indemnity payments made under this Section with respect to the Taxes giving rise to such refund), net of all out-of-pocket expenses (including Taxes) of such indemnified party and without interest (other than any interest paid by the relevant Governmental Authority with respect to such refund). Such indemnifying party, upon the request of such indemnified party, shall repay to such indemnified party the amount paid over pursuant to this Section 3.5.5 (plus any penalties, interest or other charges imposed by the relevant Governmental Authority) in the event that such indemnified party is required to repay such refund to such Governmental Authority. Notwithstanding anything to the contrary in this Section 3.5.5, in no event will the indemnified party be required to pay any amount to an indemnifying party pursuant to this Section 3.5.5 the payment of which would place the indemnified party in a less favorable net after-Tax position than the indemnified party would have been in if the indemnification payments or additional amounts giving rise to such refund had never been paid. This paragraph shall not be construed to require any indemnified party to make available its Tax returns (or any other information relating to its Taxes that it deems confidential) to the indemnifying party or any other Person.

3.5.6 **Survival.** Each party's obligations under this Section 3.5 shall survive the termination of the Aggregate Commitment and the repayment, satisfaction or discharge of all obligations under any Loan Document.

## ARTICLE IV

### CONDITIONS PRECEDENT

**4.1 Initial Advance.** The effectiveness of this Agreement and the obligation of the Lender to make the initial Advance hereunder shall be subject to the satisfaction of the following conditions precedent and, if applicable, the delivery by the Borrower to the Lender of:

4.1.1 Copies of the articles of incorporation of the Borrower, together with all amendments, and a certificate of good standing, each certified by the appropriate governmental officer in its jurisdiction of incorporation.

4.1.2 Copies, certified by the secretary or assistant secretary of the Borrower, of its by-laws and of its board of directors' resolutions and of resolutions or actions of any other body authorizing the execution of the Loan Documents to which the Borrower is a party.

4.1.3 An incumbency certificate, executed by the secretary or assistant secretary of the Borrower, which shall identify by name and title and bear the signatures of the officers of the Borrower authorized to sign the Loan Documents to which the Borrower is a party, upon which certificate the Lender shall be entitled to rely until informed of any change in writing by the Borrower.

4.1.4 A certificate, signed by the chief financial officer or treasurer of the Borrower, stating that immediately after giving effect to this Agreement, the other Loan Documents and all the transactions contemplated herein and therein to occur on the Closing Date, (a) no Default or Unmatured Default has occurred and is continuing and (b) all representations and warranties contained herein and in the other Loan Documents are true and correct in all material respects (or, if qualified as to materiality, in all respects) on and as of the date made (except to the extent such representations and warranties expressly speak to an earlier date, in which case such representation or warranty shall have been true and correct in all material respects (or, if qualified as to materiality, in all respects) on and as of such earlier date).

4.1.5 A counterpart of this Agreement duly executed by the Borrower, together with duly executed Note payable to the order of the Lender.

4.1.6 The Borrower shall have provided to the Lender, at least 5 Business Days prior to the Closing Date or such later date reasonably acceptable to the Lender, all documentation and other information required by Governmental Authorities under applicable "know your customer" and anti-money laundering rules and regulations, including the Act.

4.1.7 The Borrower shall have paid to the Lender the Commitment Fee and all other fees of the Lender on or the Closing Date.

4.1.8 The Lender shall have received copies of all other documents, certificates and instruments reasonably requested thereby, with respect to the transactions contemplated by this Agreement.

**4.2 Subsequent Advances.** The Lender shall not be required to make any Incremental Loan unless on the applicable credit extension date:

4.2.1 There exists no Default or Unmatured Default.

4.2.2 The representations and warranties contained in Article V (other than representations and warranties set forth in Sections 5.5 and 5.7, which shall only be made and need only be true and correct on the Closing Date) are true and correct in all material respects (or, if qualified as to materiality, in all respects) as of such date except to the extent any such representation or warranty is stated to relate solely to an earlier date, in which case such representation or warranty shall have been true and correct in all material respects (or, if qualified as to materiality, in all respects) on and as of such earlier date.

4.2.3 The Borrower shall have executed such additional promissory note or replacement of the Note in connection with the Incremental Loan as Lender may require.

4.2.4 The Borrower shall have paid to the Lender a commitment fee equal to 0.50% of the amount of each Incremental Loan as of the date each such Incremental Loan is made.

Each request for an Incremental Loan shall constitute a representation and warranty by the Borrower that the conditions contained in Sections 4.2.1 and 4.2.2 have been satisfied.

## ARTICLE V

### REPRESENTATIONS AND WARRANTIES

The Borrower represents and warrants to the Lender that:

**5.1 Existence and Standing.** Each of the Borrower and its Material Subsidiaries is a corporation, partnership (in the case of Subsidiaries only) or limited liability company duly and properly incorporated or organized, as the case may be, validly existing and (to the extent such concept applies to such entity) in good standing under the laws of its jurisdiction of incorporation or organization and has all requisite authority to conduct its business in each jurisdiction where the conduct of its business would require such qualification, except where the failure to be in good standing or have such authority could not reasonably be expected to have a Material Adverse Effect.

**5.2 Authorization and Validity.** The Borrower has the corporate power and authority and legal right to execute and deliver the Loan Documents (as in effect on the date that this representation is made or deemed made) and to perform its obligations thereunder. The execution and delivery by the Borrower of the Loan Documents (as in effect on the date that this representation is made or deemed made) and the performance of its obligations thereunder have been duly authorized by proper corporate proceedings, and the Loan Documents to which the Borrower is a party constitute legal, valid and binding obligations of the Borrower enforceable against the Borrower in accordance with their terms, except as enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally and by general principles of equity (whether enforcement is sought at equity or in law).

**5.3 No Conflict; Government Consent.** Neither the execution and delivery by the Borrower of the Loan Documents, nor the consummation of the transactions therein contemplated, nor compliance with the provisions thereof will (i) violate or conflict with the Borrower's or any Material Subsidiary's articles or certificate of incorporation, partnership agreement, certificate of partnership, articles or certificate of organization, bylaws, or operating or other management agreement, as the case may be, or (ii)(a) violate any law, rule, regulation, order, writ, judgment, injunction, decree or award binding on the Borrower or any of its Material Subsidiaries or (b) contravene or conflict with the provisions of any indenture, instrument or agreement to which the Borrower or any of its Material Subsidiaries is a party or is subject, or by which it, or its Property, is bound, or conflict with or constitute a default thereunder, or result in, or require, the creation or imposition of any Lien in, of or on the Property of the Borrower or a Material Subsidiary pursuant to the terms of any such indenture, instrument or agreement, except for any such violations, contraventions, conflicts or defaults which, individually and in the aggregate, could not reasonably be expected to have a Material Adverse Effect, or, in the case of any such Lien, except for any such Lien which is not prohibited hereby. No material order, consent, adjudication, approval, license, authorization, or validation of, or filing, recording or registration with, or exemption by, or other action in respect of any governmental or public body or authority, or any subdivision thereof, which has not been obtained by the Borrower or any of its Material Subsidiaries, is required to be obtained by the Borrower or any of its Material Subsidiaries in connection with the execution and delivery of the Loan Documents, the borrowings under this Agreement, the payment and performance by the Borrower of the Obligations thereunder or the legality, validity, binding effect or enforceability of any of the Loan Documents.

**5.4 Financial Statements.** The annual consolidated financial statements of the Borrower and its Subsidiaries delivered pursuant to Section 6.1.1 were prepared in accordance with GAAP and fairly present in all material respects the consolidated financial condition and operations of the Borrower and its Subsidiaries at such date and the consolidated results of their operations for the year then ended.

**5.5 Material Adverse Change.** On and as of the Closing Date, since December 31, 2019, except as (i) disclosed in the SEC Reports or (ii) disclosed to the Lender prior to the Closing Date and set forth on Schedule 3, there has been no change in the business, Property,

financial condition, or results of operations of the Borrower and its Subsidiaries, on a consolidated basis, which could reasonably be expected to have a Material Adverse Effect.

**5.6 Anti-Corruption Laws and Sanctions.** None of the Borrower, any Subsidiary of the Borrower or any Affiliate of the Borrower, or to the knowledge of the Borrower, any agent or representative of the Borrower or any Subsidiary that will act in any capacity in connection with or benefit from the credit facility established hereby, (a) is a Sanctioned Person or is currently the subject or target of any Sanctions or (b) has taken any action that would result in a violation by such Persons of any Anti-Corruption Laws.

**5.7 Litigation.** On and as of the Closing Date, except as (i) disclosed in the SEC Reports or (ii) disclosed to the Lender prior to the Closing Date and set forth on Schedule 4, there is no litigation, arbitration, governmental investigation, proceeding or inquiry pending or, to the knowledge of any of their officers, threatened against or affecting the Borrower or any of its Subsidiaries which could reasonably be expected to have a Material Adverse Effect or which seeks to prevent, enjoin or delay the making of the initial Advance.

**5.8 Subsidiaries.** Schedule 1 contains an accurate list of all Material Subsidiaries of the Borrower as of the date of this Agreement, setting forth their respective jurisdictions of organization and the percentage of their respective capital stock or other ownership interests owned by the Borrower or other Subsidiaries.

**5.9 Margin Stock.** The Borrower is not engaged principally or as one of its activities in the business of extending credit for the purpose of “purchasing” or “carrying” any “margin stock” (as each such term is defined or used, directly or indirectly, in Regulation U). No part of the proceeds of any of the Loans will be used for purchasing or carrying margin stock or for any purpose which violates the provisions of Regulation U.

**5.10 Investment Company Act.** The Borrower is not an “investment company” or a company “controlled” by an “investment company,” within the meaning of the Investment Company Act of 1940, as amended.

## ARTICLE VI

### COVENANTS

During the term of this Agreement, unless the Lender shall otherwise consent in writing:

**6.1 Financial Reporting.** The Borrower will maintain, for itself and each Subsidiary, a system of accounting established and administered in accordance with Agreement Accounting Principles, and furnish to the Lender:

6.1.1 Within ninety (90) days after the close of each of its fiscal years, financial statements prepared in accordance with GAAP on a consolidated basis for itself and its Subsidiaries, including balance sheets as of the end of such period, statements of income

and statements of cash flows, accompanied by an audit report, consistent with the requirements of the Securities and Exchange Commission, of a nationally recognized firm of independent public accountants or other independent public accountants reasonably acceptable to the Lender.

6.1.2 Within forty-five (45) days after the close of the first three quarterly periods of each of its fiscal years, for itself and its Subsidiaries, consolidated unaudited balance sheets as at the close of each such period and consolidated statements of income and a statement of cash flows for the period from the beginning of such fiscal year to the end of such quarter, prepared in accordance with GAAP and certified by the chief financial officer or treasurer of the Borrower to present fairly in all material respects the financial condition of the Borrower and its Subsidiaries on a consolidated basis as of their respective dates, subject to normal year-end adjustments and the absence of footnotes.

6.1.3 Together with the financial statements required under Sections 6.1.1 and 6.1.2, a compliance certificate in substantially the form of Exhibit A signed by an Authorized Officer showing the calculations necessary to determine compliance with Sections 6.10(v) (if applicable) and 6.14 and stating that no Default or Unmatured Default exists, or if any Default or Unmatured Default exists, stating the nature and status thereof.

6.1.4 [Reserved.]

6.1.5 As soon as possible and in any event within ten (10) days after an Authorized Officer knows that any Reportable Event has occurred with respect to any Plan that could reasonably be expected to have a Material Adverse Effect, a statement, signed by an Authorized Officer, describing said Reportable Event and the action which the Borrower proposes to take with respect thereto.

6.1.6 From time to time such additional information regarding the financial position or business of the Borrower and its Subsidiaries as the Lender may reasonably request.

6.1.7 Promptly upon the filing thereof, copies of all registration statements (other than any registration statement on Form S-8 and any registration statement in connection with a dividend reinvestment plan, shareholder purchase plan or employee benefit plan) and reports on form 10-K, 10-Q or 8-K (or their equivalents) which the Borrower or any of its Subsidiaries files with the Securities and Exchange Commission.

6.1.8 Promptly upon the request thereof, such other information and documentation required by bank regulatory authorities under applicable “know your customer” and Anti-Money Laundering rules and regulations (including the Act), as from time to time reasonably requested by the Lender.

Information required to be delivered pursuant to these Sections 6.1.1, 6.1.2, 6.1.5 and 6.1.7 shall be deemed to have been delivered on the date on which the Borrower

provides notice to the Lender that such information has been posted on the Securities and Exchange Commission website on the Internet at sec.gov, on the Borrower's SyndTrak Online site or at another website identified in such notice and accessible by the Lender without charge; provided that (i) such notice may be included in a certificate delivered pursuant to Section 6.1.3 and such notice or certificate shall also be deemed to have been delivered upon being posted to the Borrower's SyndTrak Online site or such other website and (ii) the Borrower shall deliver paper copies of the information referred to in Sections 6.1.1, 6.1.2, 6.1.5 and 6.1.7 upon request by the Lender.

**6.2 Use of Proceeds.** The Borrower will use the proceeds of the Advances to refinance existing indebtedness and for working capital and general corporate purposes of the Borrower and its Subsidiaries, including commercial paper liquidity support, acquisitions and distributions. The Borrower will not request any Advance hereunder, and the Borrower shall not use, and shall ensure that its Subsidiaries and its or their respective directors, officers, employees and agents shall not use, the proceeds of any Advance hereunder (i) in furtherance of an offer, payment, promise to pay, or authorization of the payment or giving of money, or anything else of value, to any Person in violation of any Anti-Corruption Laws, (ii) for the purpose of funding, financing or facilitating any activities, business or transaction of or with any Sanctioned Person, or in any Sanctioned Country, or (iii) in any manner that would result in the violation of any Sanctions applicable to any party hereto.

**6.3 Notice of Default.** The Borrower will deliver to the Lender within five (5) days after any Authorized Officer with responsibility relating thereto obtains knowledge of any Default or Unmatured Default and, if such Default or Unmatured Default is then continuing, a certificate of an Authorized Officer of the Borrower setting forth the details thereof and the action which the Borrower is taking or proposes to take with respect thereto.

**6.4 Maintenance of Existence.** The Borrower will preserve, renew and keep in full force and effect, and will cause each Material Subsidiary to preserve, renew and keep in full force and effect their respective corporate or other legal existence and their respective rights, privileges and franchises material to the normal conduct of their respective businesses; provided that nothing in this Section 6.4 shall prohibit (i) any transaction permitted pursuant to Section 6.10 or (ii) the termination of any right, privilege or franchise of the Borrower or any Material Subsidiary or of the corporate or other legal existence of any Material Subsidiary or the change in form of organization of the Borrower or any Material Subsidiary which could not reasonably be expected to result in a Material Adverse Effect.

**6.5 Taxes.** The Borrower will, and will cause each Material Subsidiary to file all United States federal tax returns and all other material tax returns which are required to be filed, except where the failure to file such tax returns could not reasonably be expected to result in a Material Adverse Effect. The Borrower will, and will cause each Material Subsidiary to, pay when due all taxes, assessments and governmental charges and levies upon it or its income, profits or Property, except (i) where the failure to pay could not reasonably be expected to result in a Material Adverse Effect or (ii) those which are being contested in good faith by appropriate

proceedings and with respect to which adequate reserves are maintained in accordance with GAAP.

**6.6 Insurance.** The Borrower will, and will cause each Material Subsidiary to, maintain with financially sound and reputable insurance companies insurance on their Property in such amounts, subject to such deductibles and self-insurance retentions, and covering such risks as is consistent with sound business practice, and the Borrower will furnish to the Lender upon request full information as to the insurance carried.

**6.7 Compliance with Laws.** The Borrower will, and will cause each Material Subsidiary to, comply in all material respects with all laws, statutes, rules, regulations, orders, writs, judgments, injunctions, restrictions, decrees or awards of any domestic or foreign government or any instrumentality or agency thereof having jurisdiction over the conduct of their respective businesses or the ownership of their respective Property to which it may be subject including all Environmental Laws and all Applicable Laws involving transactions with, investments in or payments to Sanctioned Persons or Sanctioned Entities, except (i) where failure to so comply could not reasonably be expected to result in a material adverse effect on the ability of the Borrower to perform its obligations under this Agreement or (ii) the necessity of compliance therewith is being contested in good faith by appropriate proceedings.

**6.8 Maintenance of Properties.** Subject to Section 6.10, the Borrower will, and will cause each Material Subsidiary to keep its Property necessary and material to the operation of its business in good repair, working order and condition, ordinary wear and tear excepted, except where the failure to do so could not reasonably be expected to result in a Material Adverse Effect.

**6.9 Inspection; Keeping of Books and Records.** The Borrower will, and will cause each Material Subsidiary to, permit the Lender, by their respective representatives and agents, to inspect any of the Property (subject to such physical security requirements as the Borrower or the applicable Subsidiary may reasonably require), to examine and make copies of the books of accounts and other financial records of the Borrower and each Material Subsidiary (except to the extent that such access is restricted by law or by a bona fide non-disclosure agreement not entered into for the purpose of evading the requirements of this Section), and to discuss the affairs, finances and accounts of the Borrower and each Material Subsidiary with, and to be advised as to the same by, their respective officers upon reasonable notice and at such reasonable times and intervals as the Lender may designate; provided that with the exception of any such visit or inspection conducted during the continuance of a Default, such visits and inspections may be conducted no more frequently (in the aggregate among the Lender) than once in any twelve month period. The Borrower shall keep and maintain, and cause each of its Material Subsidiaries to keep and maintain, in all material respects, proper books of record and account in which entries shall be made of all dealings and transactions in relation to their respective businesses and activities in sufficient detail as may be required or as may be necessary to permit the preparation of financial statements in accordance with GAAP.

**6.10 Fundamental Changes.** The Borrower will not, nor will it permit any Material Subsidiary to, merge or consolidate with or into any other Person or sell, lease, transfer or



otherwise dispose of all or substantially all of its assets (as used herein, including capital stock and/or other ownership interest) (collectively, “Disposition”), except, that a Material Subsidiary may merge into the Borrower or another Material Subsidiary or any other Person (other than the Borrower) if after giving effect thereto such Person becomes a Material Subsidiary, the Borrower may merge with another Person if (A) the Borrower is the corporation surviving such merger and (B) after giving effect thereto, no Default shall have occurred and be continuing, Dispositions may be made to the Borrower or a Material Subsidiary (or a party that concurrently therewith will become a Material Subsidiary), Dispositions may be made by a Material Subsidiary to another Person that concurrently therewith will become a Material Subsidiary, Dispositions may be made of all or any portion of the assets or capital stock of (or other ownership interest in) any Enable Entity, or any Enable Entity may merge or consolidate with any Person, so long as during the period from the Closing Date to the date of such transaction the aggregate amount of Energy-Related Assets transferred by OG&E, either directly or indirectly, to any of the Enable Entities (i.e., calculated in the aggregate) and subsequently sold, transferred or otherwise disposed of to an unaffiliated third party shall not exceed 25% of the total assets of the Borrower and its Subsidiaries on a consolidated basis as determined in accordance with GAAP, as shown on the consolidated balance sheet of the Borrower and its Subsidiaries most recently delivered to the Lender pursuant to Section 6.1.1 or 6.1.2, as applicable, prior to the date of determination, Dispositions of accounts and receivables (and other related assets) pursuant to a Receivables Purchase Facility, Dispositions of Designated Charges and other related assets in connection with the issuance of any Approved Cost Recovery Bonds and Dispositions by the Borrower and its Subsidiaries not otherwise permitted under this Section 6.10; provided that (x) at the time of such Disposition, no Default shall exist or would result from such Disposition (after giving effect to this clause (viii)) and (y) the aggregate book value of all property disposed of in reliance on this clause (viii) from and after the Closing Date shall not exceed 15% of the greater of the total assets of the Borrower and its Subsidiaries on a consolidated basis as determined in accordance with GAAP, (x) as shown on the consolidated balance sheet of the Borrower and its Subsidiaries as of December 31, 2019 and (y) as shown on the annual consolidated balance sheet of the Borrower and its Subsidiaries as of December 31 of the year ending (after December 31, 2019) immediately prior to such disposition; provided, however, that any Disposition pursuant to Section 6.10(viii) shall be for fair market value as determined in good faith by the applicable board of directors or other governing body. No such Dispositions of the types described in clauses (i)-(viii) of the previous sentence shall in any event be prohibited under this Section 6.10, nor shall any Disposition permitted pursuant to clauses (i) through (vii) above be considered in any determination as to whether any other single or series of Dispositions constituted a sale by the Borrower or any Material Subsidiary of all or substantially all of its assets; provided that when evaluating whether a Disposition (other than a Disposition permitted pursuant to clauses (i)-(vii) above) constitutes a Disposition of all or substantially all of the assets of such Person, such determination shall be made on the basis of the relevant assets of such Person and its subsidiaries making such Disposition, excluding for such purpose, such Person’s interests, if any, in the equity or assets of the Enable Entities (as if such interests in such equity or assets had never been owned by such Person).

#### **6.11 [Reserved].**

**6.12 Liens.** The Borrower will not, nor will it permit any Material Subsidiary to, create, incur, or suffer to exist any Lien in, of or on the Property of the Borrower or any of its Material Subsidiaries, except:

6.12.1 Liens for taxes, assessments or governmental charges or levies on its Property (i) not yet due or delinquent (after giving effect to any applicable grace period) or (ii) which are being contested in good faith and by appropriate proceedings if adequate reserves are maintained to the extent required by GAAP.

6.12.2 Liens imposed by law, such as landlords', carriers', warehousemen's, materialmen's, interest owner's of oil and gas production and mechanics' liens and other similar Liens arising in the ordinary course of business which secure payment of obligations not more than sixty (60) days past due or which are being contested in good faith by appropriate proceedings and for which adequate reserves are maintained in accordance with GAAP.

6.12.3 Liens, including Liens imposed by Environmental Laws, which (i) do not secure Indebtedness, (ii) do not secure any obligation in an amount exceeding (x) collectively, with respect to the Borrower and OG&E and their Material Subsidiaries (other than the Enable Entities), \$100,000,000 and (y) \$50,000,000 with respect to the Enable Entities, in each case at any time at which Investment Grade Status does not exist and (iii) do not in the aggregate materially detract from the value of its assets (other than to the extent of such Lien) or materially impair the use thereof in the operation of its business.

6.12.4 Liens arising out of pledges or deposits, surety bonds or performance bonds, in each case relating to or under worker's compensation laws, unemployment insurance, old age pensions, or other social security or retirement benefits, or similar legislation.

6.12.5 Liens existing on the date hereof and described in Schedule 2.

6.12.6 Deposits securing liability to insurance carriers under insurance or self-insurance arrangements.

6.12.7 Deposits to secure the performance of bids, trade contracts (other than for borrowed money), leases, statutory obligations, surety and appeal bonds, performance bonds and other obligations of a like nature or arising as a result of progress payments under government contracts, in each case incurred in the ordinary course of business.

6.12.8 Easements (including reciprocal easement agreements and utility agreements), reservations, rights-of-way, covenants, consents, reservations, encroachments, variations, charges, restrictions, survey exceptions and other similar encumbrances as to real property of the Borrower and its Subsidiaries which do not materially interfere with the conduct of the business of the Borrower or such Subsidiary conducted at the property subject thereto.

6.12.9 Liens existing on property or assets at the time of acquisition thereof by the Borrower or a Subsidiary; provided that (i) such Liens existed at the time of such acquisition and were not created in anticipation thereof, and (ii) any such Lien does not encumber any other property or assets (other than additions thereto, proceeds thereof and property in replacement or substitution thereof).

6.12.10 Liens existing on property or assets of a Person which is merged or consolidated with or into the Borrower or any Subsidiary, or otherwise becomes a Subsidiary; provided that (i) such Liens existed at the time such Person became a Subsidiary and were not created in anticipation thereof, and (ii) any such Lien does not encumber any other property or assets of the Borrower or any of its Subsidiary (other than additions thereto, proceeds thereof and property in replacement or substitution thereof).

6.12.11 Liens arising by reason of any judgment, decree or order of any court or other governmental authority which do not result in a Default.

6.12.12 Leases and subleases of real property owned or leased by the Borrower or any Subsidiary not materially interfering with the ordinary conduct of the business of the Borrower and the Subsidiaries.

6.12.13 Liens securing Indebtedness (including Capitalized Lease Obligations) of the Borrower and its Subsidiaries incurred to finance the acquisition, repair, construction, development or improvement of fixed or capital assets; provided that such Liens shall be created substantially simultaneously with or within 12 months of the acquisition or completion of repair, construction, development or improvement of such fixed or capital assets.

6.12.14 Liens in favor of the United States of America or any state thereof, or any department, agency or instrumentality or political subdivision of the United States of America or any state thereof, or for the benefit of holders of securities issued by any such entity, to secure any Indebtedness incurred for the purpose of financing all or any part of the purchase price of the cost of the repair, construction, development or improvement of any fixed or capital assets; provided that such Liens shall be created substantially simultaneously with or within 12 months of the acquisition or completion of repair, construction, development or improvement of such fixed or capital assets.

6.12.15 Liens securing Indebtedness of the Borrower to a Subsidiary or of a Subsidiary to the Borrower or another Subsidiary.

6.12.16 Liens arising in connection with a Receivables Purchase Facility.

6.12.17 Liens created or assumed by the Borrower or a Subsidiary on any contract for the sale of any product or service or any proceeds therefrom (including accounts and other receivables) or related to the operation or use of any acquired property

and created not later than 18 months after the later of the date such acquisition or the commencement of full operation of such property.

6.12.18 Liens created by a Subsidiary on advance payment obligations by such Subsidiary to secure indebtedness incurred to finance advances for oil, gas hydrocarbon and other mineral exploration and development.

6.12.19 Cash collateral and other Liens securing obligations of any Subsidiary incurred in the ordinary course of its energy marketing business.

6.12.20 Liens securing obligations, neither assumed by the Borrower or any Subsidiary nor on account of which the Borrower or any Subsidiary customarily pays interest, upon real estate or under which the Borrower or any Subsidiary has a right-of-way, easement, franchise or other servitude or of which the Borrower or any Subsidiary is the lessee of the whole thereof or any interest therein for the purpose of locating pipe lines, substations, measuring stations, tanks, pumping or delivery equipment or similar equipment.

6.12.21 Liens arising by virtue of any statutory or common law provision relating to banker's liens, rights of setoff or similar rights as to deposit accounts or other funds maintained with a depository institution and Liens of a collecting bank arising in the ordinary course of business under Section 4-210 of the Uniform Commercial Code in effect in the relevant jurisdiction.

6.12.22 Renewals, extensions and replacements of the Liens permitted under Sections 6.12.5, 6.12.9, 6.12.10, 6.12.13, 6.12.14, 6.12.17 and 6.12.18; provided that no such Lien shall as a result thereof cover any additional assets (other than additions thereto and property in replacement or substitution thereof).

6.12.23 Liens granted to the Lender in respect of any cash collateral.

6.12.24 Liens on deposits required by any Person with whom the Borrower or any of its Subsidiaries enter into any swap, forward, future or derivative transaction or option or similar agreement or any credit support therefor, in each case, for the purpose of directly mitigating risks associated with liabilities, commitments, investments, assets or property held or reasonably anticipated.

6.12.25 Liens on applicable Designated Charges securing Approved Cost Recovery Bonds.

6.12.26 Liens not described in or otherwise permitted by Sections 6.12.1 through 6.12.25, inclusive, securing Indebtedness or other obligations of the Borrower (other than Indebtedness or other obligations of the Borrower owed to any Subsidiary) and/or securing Indebtedness or other obligations of the Borrower's Subsidiaries (other than Indebtedness or other obligations of any Subsidiary owed to the Borrower or any other Subsidiary), in an aggregate outstanding amount not to exceed ten percent (10%) of

the consolidated assets of the Borrower and its Subsidiaries at the time of such incurrence.

**6.13 Affiliates.** The Borrower will not, and will not permit any Material Subsidiary to, enter into any transaction (including the purchase or sale of any Property or service) with, or make any payment or transfer to, any Affiliate (other than the Borrower and its Subsidiaries) except upon fair and reasonable terms no less favorable to the Borrower or such Material Subsidiary than the Borrower or such Material Subsidiary would obtain in a comparable arms-length transaction; provided that this Section 6.13 shall not prohibit (i) dividends on or other distributions on account of any class of stock of the Borrower or any Subsidiary, (ii) any transaction subject to the jurisdiction, approval, consent or oversight of any regulatory body or compliance with any applicable regulation, rule or guideline of any such regulatory body, (iii) arrangements among Affiliates relating to employment, administrative, IT or management services authorized by the Borrower's or such Material Subsidiary's organizational documents or board of directors or other governing body (or committee thereof) or (iv) transactions with Enable pursuant to contractual arrangements in effect as of the Closing Date and disclosed (including on the Schedules hereto) or otherwise publicly available to the Lender, including pursuant to filings by the Borrower and/or Enable Midstream Partners, LP with the SEC (or no less favorable to the Borrower and its Material Subsidiaries, taken as a whole, than such existing arrangements).

**6.14 Leverage Ratio.** The Borrower will not permit the ratio, determined as of the end of each of its fiscal quarters, of (i) Consolidated Indebtedness to (ii) Consolidated Capitalization to be greater than 0.65 to 1.0.

**6.15 Most Favored Lender.** The Borrower covenants that if, on any date, it enters into, assumes or otherwise becomes bound or obligated under any agreement evidencing, securing, guaranteeing or otherwise relating to any Material Indebtedness (other than the Indebtedness evidenced by this Agreement) that contains, or amends any such agreement to contain, one or more additional covenants or additional defaults, then on such date the terms of this Agreement shall, without any further action on the part of the Borrower or the Lender, be deemed to be amended automatically to include each additional covenant and each additional default contained in such agreement. The Borrower further covenants to promptly execute and deliver at its expense (including the reasonable fees and expenses of counsel for the Lender) an amendment to this Agreement in form and substance satisfactory to the Lender evidencing the amendment of this Agreement to include such additional covenants and additional defaults, provided that the execution and delivery of such amendment shall not be a precondition to the effectiveness of such amendment as provided for in this Section 6.15, but shall merely be for the convenience of the parties hereto.

## ARTICLE VII

### DEFAULTS

The occurrence of any one or more of the following events shall constitute a Default:

7.1 Any representation or warranty made or deemed made by or on behalf of the Borrower under or in connection with this Agreement, any Advance, or any certificate or information delivered in connection with this Agreement or any other Loan Document shall be incorrect or untrue in any material respect when made or deemed made.

7.2 Nonpayment of (i) principal of any Loan when due, (ii) any Reimbursement Obligation within five (5) Business Days after the same becomes due, (iii) interest upon any Loan or of any fee under any of the Loan Documents within five (5) Business Days after the same becomes due or (iv) any other obligation or liability under this Agreement or any other Loan Document within thirty (30) days after the same becomes due.

7.3 The breach by the Borrower of any of the terms or provisions of Section 6.2, 6.3 (provided that such Default shall be deemed automatically cured or waived upon the delivery of such notice or the cure or waiver of the related Unmatured Default or Default, as applicable), 6.4 (with respect to the Borrower's or any Material Subsidiary's existence), 6.9, 6.12, 6.13 or 6.14.

7.4 The breach by the Borrower (other than a breach which constitutes a Default under another Section of this Article VII) of any of the terms or provisions of this Agreement which is not remedied within thirty (30) days after written notice is given to the Borrower by the Lender.

7.5 (i) Failure of the Borrower or any of its Material Subsidiaries to pay when due (after any applicable grace period) any Material Indebtedness; (ii) the Borrower or any Material Subsidiary shall default (after the expiration of any applicable grace period) in the observance or performance of any covenant or agreement relating to any Material Indebtedness and as a result thereof such Material Indebtedness shall be declared to be due and payable or required to be prepaid or repurchased (other than by a regularly scheduled payment) prior to the stated maturity thereof; provided that the foregoing shall not apply to any mandatory prepayment or optional redemption of any Indebtedness which would be required to be repaid in connection with the consummation of a transaction by the Borrower or any such Material Subsidiary not prohibited pursuant to this Agreement; or (iii) the Borrower or any of its Material Subsidiaries shall not pay, or admit in writing its inability to pay, its debts generally as they become due.

7.6 The Borrower or any of its Material Subsidiaries shall have an order for relief entered with respect to it under the Federal bankruptcy laws as now or hereafter in effect, make an assignment for the benefit of creditors, apply for, seek, consent to, or acquiesce in, the appointment of a receiver, custodian, trustee, examiner, liquidator or similar official for it or any Substantial Portion of its Property, institute any proceeding seeking an order for relief under the Federal bankruptcy laws as now or hereafter in effect or seeking to adjudicate it a bankrupt or insolvent, or seeking dissolution, winding up, liquidation, reorganization, arrangement, adjustment or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors, or fail to contest within the applicable time period any appointment or proceeding described in Section 7.7.

7.7 Without the application, approval or consent of the Borrower or any of its Material Subsidiaries, a receiver, trustee, examiner, liquidator or similar official shall be

appointed for the Borrower or any of its Material Subsidiaries or any Substantial Portion of its Property, or a proceeding described in Section 7.6(ix) shall be instituted against the Borrower or any of its Material Subsidiaries and such appointment continues undischarged or such proceeding continues undismissed or unstayed for a period of ninety (90) consecutive days.

7.8 A judgment or other court order for the payment of money in excess of \$100,000,000 (net of any amounts paid or covered by independent third party insurance as to which the relevant insurance company does not dispute coverage) shall be rendered against the Borrower or any Material Subsidiary and such judgment or order shall continue without being vacated, discharged, satisfied or stayed or bonded pending appeal for a period of forty-five (45) days.

7.9 The Unfunded Liabilities of all Single Employer Plans could in the aggregate reasonably be expected to result in a Material Adverse Effect or any Reportable Event shall occur in connection with any Plan that could reasonably be expected to have a Material Adverse Effect.

7.10 Any Change in Control shall occur.

7.11 The Borrower or any other member of the Controlled Group shall have been notified by the sponsor of a Multiemployer Plan that it has incurred, pursuant to Section 4201 of ERISA, withdrawal liability to such Multiemployer Plan in an amount which, when aggregated with all other amounts required to be paid to Multiemployer Plans by the Borrower or any other member of the Controlled Group as withdrawal liability (determined as of the date of such notification), could reasonably be expected to result in a Material Adverse Effect.

7.12 The Borrower or any other member of the Controlled Group shall have been notified by the sponsor of a Multiemployer Plan that such Multiemployer Plan is being terminated, within the meaning of Title IV of ERISA, if such termination could reasonably be expected to result in a Material Adverse Effect.

7.13 Any material portion of this Agreement or any Note shall fail to remain in full force or effect or any action shall be taken by the Borrower to assert the invalidity or unenforceability of any such Loan Document.

## ARTICLE VIII

### ACCELERATION, WAIVERS, AMENDMENTS AND REMEDIES

#### **8.1 Acceleration/Remedies.**

8.1.1 If any Default occurs, the Lender may terminate or suspend the obligations of the Lender to make further Advances hereunder, or declare the Obligations to be due and payable, or both, whereupon the Obligations shall become immediately due and payable, without presentment, demand, protest or notice of any kind, all of which the Borrower hereby expressly waives.

8.1.2 In the event that the Obligations have been accelerated pursuant to Section 8.1.1, all payments received by the Lender upon the Obligations and all net proceeds from the enforcement of the Obligations shall be applied:

FIRST, to the payment of all fees, reasonable out of pocket costs and expenses (including reasonable attorneys' fees) of the Lender described in this clause "FIRST" owing to them;

SECOND, to the payment of all accrued interest on the Loans described in this clause "SECOND" owing to them;

THIRD, to the payment of the outstanding principal amount of the Loans then outstanding, described in this clause "THIRD" payable to them;

FOURTH, to all other obligations which shall have become due and payable under the Loan Documents and not repaid pursuant to clauses "FIRST" through "THIRD" above; and

FIFTH, to the payment of the surplus, if any, to whomever may be lawfully entitled to receive such surplus.

In carrying out the foregoing, amounts received shall be applied in the numerical order provided until exhausted prior to application to the next succeeding category.

**8.2 Preservation of Rights.** The enumeration of the rights and remedies of the Lender set forth in this Agreement is not intended to be exhaustive and the exercise by the Lender of any right or remedy shall not preclude the exercise of any other rights or remedies, all of which shall be cumulative, and shall be in addition to any other right or remedy given hereunder or under the other Loan Documents or that may now or hereafter exist at law or in equity or by suit or otherwise. No delay or failure to take action on the part of the Lender in exercising any right, power or privilege shall operate as a waiver thereof, nor shall any single or partial exercise of any such right, power or privilege preclude any other or further exercise thereof or the exercise of any other right, power or privilege or shall be construed to be a waiver of any Default. No course of dealing between the Borrower, the Lender or their respective agents or employees shall be effective to change, modify or discharge any provision of this Agreement or any of the other Loan Documents or to constitute a waiver of any Default. No waiver, amendment or other variation of the terms, conditions or provisions of the Loan Documents whatsoever shall be valid unless in writing signed by the Lender required pursuant to the terms of this Agreement, and then only to the extent in such writing specifically set forth. All remedies contained in the Loan Documents or by law afforded shall be cumulative and all shall be available to the Lender until the Obligations (other than contingent indemnification obligations) have been paid in full.

## ARTICLE IX

### GENERAL PROVISIONS



**9.1 Survival of Representations.** All representations and warranties of the Borrower contained in this Agreement shall survive the making of the Advances herein contemplated.

**9.2 Governmental Regulation.** Anything contained in this Agreement to the contrary notwithstanding, the Lender shall not be obligated to extend credit to the Borrower in violation of any limitation or prohibition provided by any applicable statute or regulation.

**9.3 Headings.** Section headings in the Loan Documents are for convenience of reference only, and shall not govern the interpretation of any of the provisions of the Loan Documents.

**9.4 Entire Agreement.** The Loan Documents embody the entire agreement and understanding among the Borrower and the Lender and supersede all prior agreements and understandings among the Borrower and the Lender.

**9.5 Benefits of this Agreement.** This Agreement shall not be construed so as to confer any right or benefit upon any Person other than the parties to this Agreement and their respective successors and assigns.

**9.6 Expenses; Indemnification.**

9.6.1 The Borrower shall reimburse the Lender for any reasonable costs, internal charges and out-of-pocket expenses (including reasonable fees and time charges of attorneys and paralegals for the Lender) paid or incurred by the Lender in connection with the investigation, preparation, negotiation, documentation, execution, delivery, syndication, distribution review, amendment, modification and administration of the Loan Documents. The Borrower also agrees to reimburse the Lender for any costs, internal charges and out-of-pocket expenses (including attorneys' and paralegals' fees and expenses) paid or incurred by the Lender in connection with the collection and enforcement of the Loan Documents.

9.6.2 The Borrower hereby further agrees to indemnify the Lender and each of its directors, officers and employees (each such Person being called an "Indemnitee") against all losses, claims, damages, penalties, judgments, liabilities and expenses (including all expenses of litigation or preparation therefor whether or not such Indemnitee is a party thereto, and all reasonable attorneys' and paralegals' fees) which any of them may pay or incur arising out of or relating to this Agreement, the other Loan Documents, the transactions contemplated hereby or the direct or indirect application or proposed application of the proceeds of any Advance hereunder except to the extent such losses, claims, damages, penalties, judgments, liabilities or expenses (1) are determined by a court of competent jurisdiction by final and nonappealable judgment to have resulted from the gross negligence, willful misconduct or material breach of this Agreement by such Indemnitee or (2) result from a claim not involving an act or omission by the Borrower or any of its Affiliates or its Affiliates' officers, directors, employees or equityholders (other than subject to clause (1) of this proviso) that is brought by an Indemnitee against any other Indemnitee (other than any action, suit or claim against the

Lender). The obligations of the Borrower under this Section 9.6 shall survive the termination of this Agreement. In no event shall this clause (ii) operate to expand the obligations of the Borrower under the first sentence of clause (i) above to require the Borrower to reimburse or indemnify the Lender for any amount of the type described herein.

**9.7 Accounting.** Except as provided to the contrary herein, all accounting terms used in the calculation of any financial covenant or test shall be interpreted and all accounting determinations hereunder in the calculation of any financial covenant or test shall be made in accordance with Agreement Accounting Principles.

**9.8 Severability of Provisions.** Any provision in any Loan Document that is held to be inoperative, unenforceable, or invalid in any jurisdiction shall, as to that jurisdiction, be inoperative, unenforceable, or invalid without affecting the remaining provisions in that jurisdiction or the operation, enforceability, or validity of that provision in any other jurisdiction, and to this end the provisions of all Loan Documents are declared to be severable.

**9.9 Nonliability; Waiver of Consequential Damages.** In connection with all aspects of each transaction contemplated hereby (including in connection with any amendment, waiver or other modification hereof or of any other Loan Document), the Borrower acknowledges and agrees that (i) the relationship between the Borrower on the one hand and the Lender on the other hand shall be solely that of borrower and lender, (ii) the Lender shall not have any advisory, agency, or fiduciary responsibilities to the Borrower, (iii) the facilities provided for hereunder and any related arranging or other services in connection therewith are an arm's-length commercial transaction between the Borrower and its Affiliates, on the one hand, and the Lender, on the other hand, and the Borrower is capable of evaluating and understanding and understands and accepts the terms, risks and conditions of the transactions contemplated hereby and by the other Loan Documents, (iv) in connection with the process leading to such transaction, the Lender is and has been acting solely as a principal and is not the financial advisor, agent or fiduciary, for the Borrower or any of its Affiliates, stockholders, creditors or employees or any other Person, and (v) the Lender has not provided and will not provide any legal, accounting, regulatory or tax advice with respect to any of the transactions contemplated hereby and the Borrower has consulted their own legal, accounting, regulatory and tax advisors to the extent they have deemed appropriate. The Lender does not take any responsibility to the Borrower to review or inform the Borrower of any matter in connection with any phase of the Borrower's business or operations. The Borrower agrees that the Lender shall not have liability to the Borrower (whether sounding in tort, contract or otherwise) for losses suffered by the Borrower in connection with, arising out of, or in any way related to, the transactions contemplated and the relationship established by the Loan Documents, or any act, omission or event occurring in connection therewith, unless such losses resulted from the gross negligence, willful misconduct or material breach of this Agreement by the party from which recovery is sought. Each party hereto agrees that no other party hereto shall have any liability with respect to, and each party hereto hereby waives, releases and agrees not to sue for, any special, indirect, consequential or punitive damages suffered by such Person in connection with, arising out of, or in any way related to the Loan Documents or the transactions contemplated thereby; provided

that this waiver shall in no way limit the Borrower's indemnification obligations in Section 9.6.2 to the extent of any third-party claim for any of the foregoing.

**9.10 Confidentiality.** The Lender agrees that any Information (as defined below) delivered or made available to it shall (i) be kept confidential, (ii) be used solely in connection with evaluating, approving, structuring, administering or enforcing the credit facility contemplated hereby and (iii) not be provided to any other Person; provided that nothing in clauses (i) and (iii) above shall prevent the Lender from disclosing such information (a) to its Affiliates and to its and its Affiliates' respective partners, directors, officers, employees, agents, advisors and other representatives in connection herewith (it being understood that the Persons to whom such disclosure is made will be informed of the confidential nature of such Information and instructed to keep such Information confidential), (b) to the extent requested by, or required to be disclosed to, any rating agency, or regulatory or similar authority purporting to have jurisdiction over it (including any self-regulatory authority, such as the National Association of Insurance Commissioners), (c) to the extent required by Applicable Laws or regulations or by any subpoena or similar legal process, (d) to any other party hereto, (e) in connection with the exercise of any remedies under this Agreement or under any other Loan Document or any action or proceeding relating to this Agreement or any other Loan Document or the enforcement of rights hereunder or thereunder, (f) subject to an agreement containing provisions substantially the same as those of this Section, to (i) any assignee of or Participant in, or any prospective assignee of or Participant in, any of its rights or obligations under this Agreement, Participant or proposed Participant or (ii) any actual or prospective counterparty (or its advisors) to any swap or derivative transaction relating to the Borrower and its obligations, (g) with the consent of the Borrower, (h) to Gold Sheets and other similar bank trade publications, such information to consist of deal terms and other information customarily found in such publications, or (i) to the extent such Information (x) becomes publicly available other than as a result of a breach of this Section or (y) becomes available to the Lender or any of its Affiliates on a nonconfidential basis from a source other than the Borrower, its Affiliates or any of the foregoing's, employees, officers, equityholders, directors, attorneys, partners or agents and which is not known to be subject to a duty of confidentiality to the Borrower or its Affiliates (unless and until such Person is made aware of the confidential nature of such information, if any) or (j) to governmental regulatory authorities in connection with any regulatory examination of the Lender or in accordance with the Lender's regulatory compliance policy if the Lender deems necessary for the mitigation of claims by those authorities against the Lender or any of its subsidiaries or affiliates; provided that in the case of any disclosure made pursuant to clause (b), (c) or (j), the disclosing party shall (to the extent practicable and to the extent legally permitted to do so) notify the Borrower thereof sufficiently in advance thereof to permit the Borrower to contest the need for or to limit the scope of such disclosure. For purposes of this Section, "Information" means all information received from the Borrower (including, for all purposes of this definition, any of its Affiliates or any of their respective officers, directors, employees, equityholders, partners or agents) relating to the Borrower or any Affiliate thereof or any of their respective businesses, assets, properties, operations, products, results or condition (financial or otherwise) other than (i) any such information that is received by the Lender from a source other than the Borrower and which is not known to be subject to a duty of confidentiality to the Borrower or its Affiliates (unless and until such Person is made aware of the confidential nature of such information, if

any), (ii) information that is publicly available other than as a result of the breach of a duty of confidentiality by such Person or its Related Parties or by another Person known by any of the foregoing to be subject to such a duty of confidentiality, (iii) information already known to or, other than information described in clause (i) above, in the possession of the Lender prior to its disclosure by the Borrower, or (iv) information that is independently developed, discovered or arrived at by the Lender. Any Person required to maintain the confidentiality of Information as provided in this Section shall be considered to have complied with its obligation to do so if such Person has exercised the same degree of care to maintain the confidentiality of such Information as such Person would accord to its own confidential information.

**9.11 Nonreliance.** The Lender hereby represents that it is not relying on or looking to any margin stock (as defined in Regulation U) for the repayment of any Advance provided for herein.

**9.12 Disclosure.** The Borrower and the Lender hereby acknowledge and agree that the Lender may from time to time may hold investments in, make other loans to or have other relationships with the Borrower and its Affiliates.

**9.13 USA Patriot Act.** The Lender hereby notifies the Borrower that pursuant to the requirements of the Act, it is required to obtain, verify and record information that identifies the Borrower, which information includes the name and address of the Borrower and other information that will allow the Lender to identify the Borrower in accordance with the Act.

## ARTICLE X

### SETOFF

**10.1 Setoff.** In addition to, and without limitation of, any rights of the Lender under Applicable Law, from and after the date that the Obligations have been accelerated pursuant to Section 8.1, any and all deposits (including all account balances, whether provisional or final and whether or not collected or available) and any other Indebtedness at any time held or owing by the Lender to or for the credit or account of the Borrower may be offset and applied toward the payment of the Obligations owing to the Lender. The Lender agrees to notify the Borrower promptly after any such setoff and application; provided that the failure to give such notice shall not affect the validity of such setoff and application.

## ARTICLE XI

### BENEFIT OF AGREEMENT; ASSIGNMENTS; PARTICIPATIONS

**11.1 Successors and Assigns.** The terms and provisions of the Loan Documents shall be binding upon and inure to the benefit of the Borrower, the Lender and their respective successors and assigns permitted hereby, except that (a) the Borrower shall not have the right to assign its rights or obligations under the Loan Documents without the prior written consent of Lender, (b) any assignment by the Lender must be made in compliance with Section 11.3, and (c) any transfer by participation must be made in compliance with Section 11.2. Any attempted

assignment or transfer by any party not made in compliance with this Section 11.1 shall be null and void, unless such attempted assignment or transfer is treated as a participation in accordance with Section 11.3.3. The parties to this Agreement acknowledge that Section 11.1(b) relates only to absolute assignments and this Section 11.1 does not prohibit assignments creating security interests, including any pledge or assignment by Lender of all or any portion of its rights under this Agreement and the Note to a Federal Reserve Bank or other central bank having jurisdiction over Lender; provided that no such pledge or assignment creating a security interest shall release the Lender from its obligations hereunder unless and until the parties thereto have complied with the provisions of Section 11.3. Any assignee of the rights to any Advance or any Note agrees by acceptance of such assignment to be bound by all the terms and provisions of the Loan Documents. Any request, authority or consent of Lender or any holder or assignee of the rights of Lender shall be conclusive and binding on any subsequent holder or assignee of the rights of Lender.

## **11.2 Participations.**

11.2.1 Permitted Participants; Effect. Lender may at any time, without the consent of, or notice to, the Borrower, sell participations to any Person (other than a natural Person, or, unless a Default has occurred and is continuing, (x) any competitor of the Borrower or any of its Subsidiaries or (y) any other company engaged in the business of selling or distributing energy products) (each, a "Participant") in all or a portion of Lender's rights and/or obligations under this Agreement (including all or a portion of the Aggregate Commitment and/or the Loans owing to it); provided that (i) Lender's obligations under this Agreement and the other Loan Documents, if any, shall remain unchanged, (ii) Lender shall remain solely responsible to the other parties hereto for the performance of such obligations, (iii) Lender shall remain the owner of and the holder of any Note issued to it in evidence thereof for all purposes under the Loan Documents and all amounts payable by the Borrower under this Agreement shall be determined as if Lender had not sold such participating interest and (iv) the Borrower shall continue to deal solely and directly with Lender in connection with this Agreement.

11.2.2 Voting Rights. Any agreement or instrument pursuant to which Lender sells such a participation shall provide that Lender shall retain the sole right to enforce this Agreement and to approve, without the consent of any Participant, any amendment, modification or waiver of any provision of this Agreement.

11.2.3 Benefit of Certain Provisions. The Borrower further agrees that each Participant shall be entitled to the benefits of Sections 3.1, 3.2, 3.4 and 3.5 (subject to the requirements and limitations therein) to the same extent as if it were Lender and had acquired its interest by assignment pursuant to Section 11.3; provided that such Participant shall not be entitled to receive any greater payment under Section 3.1 or 3.5, with respect to any participation, than its participating Lender would have been entitled to receive. To the extent permitted by law, each Participant also shall be entitled to the benefits of Section 11.2 as though it were Lender; provided that such Participant agrees to be subject to Section 11.2 as though it were Lender

11.2.4 Participant Register. If Lender sells a participation, Lender shall, acting solely for this purpose as a non-fiduciary agent of the Borrower, maintain a register on which it enters the name and address of each Participant and the principal amounts (and stated interest) of each Participant's interest in the Loans or other obligations under the Loan Documents (the "Participant Register"); provided that Lender has no obligation to disclose all or any portion of the Participant Register (including the identity of any Participant or any information relating to a Participant's interest in any commitments, loans, letters of credit or its other obligations under any Loan Document) to any Person except to the extent that such disclosure is necessary to establish that such commitment, loan, letter of credit or other obligation is in registered form under Section 5f.103-1(c) of the United States Treasury Regulations. The entries in the Participant Register shall be conclusive absent manifest error, and Lender shall treat each Person whose name is recorded in the Participant Register as the owner of such participation for all purposes of this Agreement notwithstanding any notice to the contrary.

### **11.3 Assignments.**

11.3.1 Permitted Assignments. Lender may at any time assign to one or more Eligible Assignees all or any part of its rights and obligations under the Loan Documents. Such assignment shall be in such form as may be agreed to by the parties thereto. Each such assignment with respect to an Eligible Assignee which is not an Affiliate of Lender or an Approved Fund shall either be in an amount equal to the entire Aggregate Commitment or Loans (unless Borrower otherwise consents) or be in an aggregate amount not less than \$5,000,000. The amount of the assignment shall be based on the Aggregate Commitment or subject to the assignment, determined as of the date of such assignment or as of the "Trade Date," if the "Trade Date" is specified in the assignment. Each partial assignment made by Lender shall be made as an assignment of a proportionate part of all of Lender's rights and obligations under this Agreement with respect to the Loans and Aggregate Commitment assigned.

11.3.2 Consents. The consent of the Borrower shall be required prior to an assignment becoming effective unless (i) such assignment is to an Affiliate of Lender or an Approved Fund or (ii) a Default has occurred and is continuing; provided that the Borrower shall be deemed to have consented to any such assignment unless it shall object thereto by written notice to the Lender within fifteen (15) days after having received notice thereof. Any consent required under this Section 11.3.2 shall not be unreasonably withheld or delayed.

11.3.3 Effect; Effective Date. Upon obtaining any consents required by Section 11.3.2, an assignment shall become effective on the effective date specified in such assignment. In the case of an assignment covering all of the assigning Lender's rights, benefits and obligations under this Agreement, Lender shall cease to be the Lender hereunder but shall continue to be entitled to the benefits of, and subject to, those provisions of this Agreement and the other Loan Documents which survive payment of the Obligations and termination of the Loan Documents with respect to facts and

circumstances occurring prior to the effective date of such assignment. Any assignment or transfer by Lender of rights or obligations under this Agreement that does not comply with this Section 11.3 shall be treated for purposes of this Agreement as a sale by the Lender of a participation in such rights and obligations in accordance with Section 11.2. Upon the consummation of any assignment pursuant to this Section 11.3.3, Borrower shall, if the transferor Lender or the assignee desires that its Loans be evidenced by a replacement Note, make appropriate arrangements so that, upon cancellation and surrender to the Borrower of the Note (if any) held by the transferor Lender, a new Note or, as appropriate, replacement Note is issued to Lender, if applicable, and new Note or, as appropriate, replacement Note, are issued to such assignee, in each case in principal amounts reflecting their respective part of the Aggregate Commitments (or if the Aggregate Commitment has been terminated or fully advanced, their respective portions of the Loans), as adjusted pursuant to such assignment.

11.3.4 Register. Lender, acting solely for this purpose as a non-fiduciary agent of the Borrower (and the Borrower hereby designates Lender to act in such capacity), shall maintain at one of its offices a copy of each assignment of the Aggregate Commitments or Loans and a register for the recordation of the names and addresses of any assignees of Lender, and their portion of the Aggregate Commitments of, and principal amounts of the Loans owing to, each such assignee pursuant to the terms hereof from time to time (the "Register"). The entries in the Register shall be conclusive, absent manifest error, and the Borrower may treat each Person whose name is recorded in the Register pursuant to the terms hereof as an assignee of Lender hereunder for all purposes of this Agreement, notwithstanding notice to the contrary. The Register shall be available for inspection by the Borrower, at any reasonable time and from time to time upon reasonable prior notice.

11.3.5 No Assignment to Certain Persons. No such assignment shall be made to, unless a Default has occurred and is continuing, (x) any competitor of the Borrower or any of its Subsidiaries or (y) any other company engaged in the business of selling or distributing energy products; provided that this clause (y) shall not apply to any financial institution solely as a result of such Person trading in commodity products.

11.3.6 No Assignment to Natural Persons. No such assignment shall be made to a natural Person (or a holding company, investment vehicle or trust for, or owned and operated for the primary benefit of, a natural Person).

## ARTICLE XII

### NOTICES

**12.1 Notices.** Except as otherwise permitted by Section 2.8, all notices, requests and other communications to any party hereunder shall be in writing (including electronic transmission, facsimile transmission or similar writing) and shall be given to such party: (x) in the case of the Borrower or the Lender, at its address or facsimile number set forth on the signature pages hereof or, (y) in the case of any party, at such other address or facsimile number as such party may hereafter specify for the purpose by notice to the Lender and the Borrower in

accordance with the provisions of this Section 12.1. Each such notice, request or other communication shall be effective (i) if given by facsimile transmission, when transmitted to the facsimile number specified in this Section and confirmation of receipt is received, (ii) if given by mail, three (3) Business Days after such communication is deposited in the mails with first class postage prepaid, addressed as aforesaid, or (iii) if given by any other means, when delivered (or, in the case of electronic transmission, received) at the address specified in this Section; provided that, subject to Section 2.8, notices to the Lender under Article II shall not be effective until received.

**12.2 Change of Address.** The Borrower and the Lender may each change the address for service of notice upon it by a notice in writing to the other parties hereto.

### ARTICLE XIII

#### COUNTERPARTS

This Agreement may be executed in any number of counterparts, all of which taken together shall constitute one agreement, and any of the parties hereto may execute this Agreement by signing any such counterpart. Delivery of an executed counterpart of a signature page of this Agreement by facsimile or other electronic method of transmission (i.e., "pdf" or "tif") shall be effective as delivery of a manually executed original counterpart of this Agreement.

### ARTICLE XIV

#### CHOICE OF LAW; CONSENT TO JURISDICTION; WAIVER OF JURY TRIAL

**14.1 Choice of Law.** UNLESS OTHERWISE EXPRESSLY SET FORTH THEREIN, THE LOAN DOCUMENTS SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAW OF THE STATE OF OKLAHOMA.

**14.2 Consent to Jurisdiction.** THE BORROWER AND THE LENDER HEREBY IRREVOCABLY SUBMIT TO THE EXCLUSIVE JURISDICTION OF THE COURTS OF THE STATE OF OKLAHOMA SITTING IN OKLAHOMA CITY AND OF THE UNITED STATES DISTRICT COURT OF THE WESTERN DISTRICT OF OKLAHOMA, AND ANY APPELLATE COURT FROM ANY THEREOF, IN ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO ANY LOAN DOCUMENTS AND THE BORROWER AND THE LENDER HEREBY IRREVOCABLY AGREE THAT ALL CLAIMS IN RESPECT OF SUCH ACTION OR PROCEEDING MAY BE HEARD AND DETERMINED IN ANY SUCH COURT AND IRREVOCABLY WAIVES ANY OBJECTION IT MAY NOW OR HEREAFTER HAVE AS TO THE VENUE OF ANY SUCH SUIT, ACTION OR PROCEEDING BROUGHT IN SUCH A COURT OR THAT SUCH COURT IS AN INCONVENIENT FORUM. NOTHING HEREIN SHALL LIMIT THE RIGHT OF THE LENDER TO BRING PROCEEDINGS AGAINST THE BORROWER IN THE COURTS OF ANY OTHER JURISDICTION. ANY JUDICIAL PROCEEDING BY THE BORROWER AGAINST THE LENDER



**INVOLVING, DIRECTLY OR INDIRECTLY, ANY MATTER IN ANY WAY ARISING OUT OF, RELATED TO, OR CONNECTED WITH ANY LOAN DOCUMENT SHALL BE BROUGHT ONLY IN A COURT IN OKLAHOMA CITY, OKLAHOMA.**

**14.3 Waiver of Jury Trial. EACH OF BORROWER AND LENDER HEREBY IRREVOCABLY WAIVES ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THE LOAN DOCUMENTS OR THE TRANSACTIONS CONTEMPLATED THEREBY AND AGREES THAT ANY SUCH ACTION OR PROCEEDING SHALL BE TRIED BEFORE A COURT AND NOT BEFORE A JURY. EACH OF BORROWER AND LENDER ACKNOWLEDGES THAT THIS WAIVER IS A MATERIAL INDUCEMENT TO ENTER INTO A BUSINESS RELATIONSHIP, THAT EACH HAS RELIED ON THE WAIVER IN ENTERING INTO THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS, AND THAT EACH WILL CONTINUE TO RELY ON THIS WAIVER IN THEIR RELATED FUTURE DEALINGS. EACH OF BORROWER AND LENDER WARRANTS AND REPRESENTS THAT EACH HAS HAD THE OPPORTUNITY OF REVIEWING THIS JURY WAIVER WITH LEGAL COUNSEL, AND THAT EACH KNOWINGLY AND VOLUNTARILY WAIVES ITS JURY TRIAL RIGHTS.**

[Signature Pages Follow]

IN WITNESS WHEREOF, the Borrower and the Lender has executed this Agreement as of the date first above written.

BORROWER: OGE ENERGY CORP.

By: /s/ Charles B. Walworth  
Charles B. Walworth  
Treasurer

Address:  
321 N. Harvey  
Oklahoma City, OK 73101

Attention: Mr. Charles B. Walworth, Treasurer  
Phone: (405) 553-3579

*OGE Credit Agreement*

LENDER: BOKE, NA DBA BANK OF OKLAHOMA

By: /s/ J. Richard Hawk  
J. Richard Hawk  
Senior Vice President

Address: 499 W. Sheridan Avenue, Suite 2700  
Oklahoma City, OK 73102

Attention: J. Richard Hawk  
Phone: (405) 272-2288  
Facsimile: (405) 272-2588

*OGE Credit Agreement*

## PRICING SCHEDULE

PRICING LEVEL	DEBT RATINGS FITCH/MOODY'S/S&P	APPLICABLE MARGIN- EURODOLLAR RATE PORTION	APPLICABLE MARGIN- FLOATING RATE PORTION	APPLICABLE FEE RATE
I	≥AA-/Aa3/AA-	0.690%	0.000%	0.060%
II	A+/A1/A+	0.800%	0.000%	0.075%
III	A/A2/A	0.900%	0.000%	0.100%
IV	A-/A3/A-	1.000%	0.000%	0.125%
V	BBB+/Baa1/BBB+	1.075%	0.075%	0.175%
VI	≤BBB/Baa2/BBB	1.275%	0.275%	0.225%

The Applicable Margin for the Eurodollar Rate Portion and Floating Rate Portion and the Applicable Fee Rate shall be determined in accordance with the foregoing table based on the Borrower's Status as determined from its then-current Moody's Rating, Fitch Rating and S&P Rating. The credit rating in effect on any date for the purposes of this Schedule is that in effect at the close of business on such date.

"Fitch Rating" means, at any time, the rating issued by Fitch and then in effect with respect to the Borrower's senior unsecured long-term debt securities without third-party credit enhancement.

"Moody's Rating" means, at any time, the rating issued by Moody's and then in effect with respect to the Borrower's senior unsecured long-term debt securities without third-party credit enhancement.

"S&P Rating" means, at any time, the rating issued by S&P, and then in effect with respect to the Borrower's senior unsecured long-term debt securities without third-party credit enhancement.

Notwithstanding the foregoing, if the Borrower is split-rated and (i) two ratings are equal and higher than the third, the higher rating will apply, (ii) two ratings are equal and lower than the third, the lower rating will apply, (iii) no ratings are equal, the intermediate rating will apply. In the event that the Borrower shall maintain ratings from only two of Moody's, Fitch and S&P and the Borrower is split-rated and (x) the ratings differential is one level, the higher rating will apply (and both ratings will be deemed to be at the higher level) and (y) the ratings differential is two levels or more, then the rating which is one level lower than the higher rating will apply (and both ratings will be deemed to be at the higher level).

If at any time the Borrower does not have a rating from at least two of Moody's, Fitch and S&P, but has at least one rating from any of Moody's, Fitch or S&P, the credit rating shall

be determined as if there are two ratings, the first of which shall be the applicable rating assigned by the rating agency maintaining such rating and the second of which shall be deemed to be Level VI (solely as it relates to such rating agency), and the Applicable Margin and Applicable Fee Rate rate shall be determined in accordance with this Pricing Schedule based on the two applicable levels.

**EXHIBIT A**  
**COMPLIANCE CERTIFICATE**

To: BOKF, NA dba Bank of Oklahoma

This Compliance Certificate is furnished pursuant to that certain Credit Agreement dated as of April 7, 2020 (as amended, restated, supplemented or otherwise modified from time to time, the "Agreement") by and among OGE ENERGY CORP. (the "Borrower") and BOKF, NA DBA BANK OF OKLAHOMA (the "Lender"). Unless otherwise defined herein, capitalized terms used in this Compliance Certificate have the meanings ascribed thereto in the Agreement.

THE UNDERSIGNED, THE \_\_\_\_\_ OF THE BORROWER, HEREBY CERTIFIES IN [HIS][HER] CAPACITY AS SUCH THAT:

1. I am the duly elected \_\_\_\_\_ of the Borrower;

2. I have reviewed the terms of the Agreement and I have made, or have caused to be made under my supervision, a detailed review of the transactions and conditions of the Borrower and its Subsidiaries during the accounting period covered by the attached financial statements;

3. The examinations described in paragraph 2 did not disclose, and I have no knowledge of, the existence of any condition or event which constitutes a Default or Unmatured Default at the end of the accounting period covered by the attached financial statements or as of the date of this Certificate, except as set forth below; and

4. Schedule I attached hereto sets forth financial data and computations evidencing the Borrower's compliance with certain covenants of the Agreement.

Described below are the exceptions, if any, to paragraph 3 by listing, in detail, the nature of the condition or event, the period during which it has existed and the action which the Borrower has taken, is taking, or proposes to take with respect to each such condition or event:

---

---

---

---

The foregoing certifications, together with the computations set forth in Schedule I hereto and the financial statements delivered with this Certificate in support hereof, are made and delivered this \_\_\_ day of \_\_\_\_\_, 20\_\_.

\_\_\_\_\_

Name: \_\_\_\_\_  
Title:

**SCHEDULE I TO COMPLIANCE CERTIFICATE**

Compliance as of \_\_\_\_\_, 20\_\_ with

Provisions of Sections 6.10(v) and 6.14 of the Agreement



## EXHIBIT B

### NOTE

April 7, 2020

OGE ENERGY CORP., an Oklahoma corporation (the "Borrower"), promises to pay to BOKF, NA DBA BANK OF OKLAHOMA (the "Lender") on the Termination Date (or, if the Termination Date has been extended and the Lender did not consent thereto, the previously effective Termination Date applicable to the Lender, without giving effect to such extension) SEVENTY-FIVE MILLION AND 00/100 DOLLARS (\$75,000,000.00) or, if less, the aggregate unpaid principal amount of all Loans made by the Lender to the Borrower pursuant to Article II of the Agreement (as hereinafter defined), in immediately available funds at the main office of the Lender, together with accrued but unpaid interest thereon. The Borrower shall pay interest on the unpaid principal amount hereof at the rates and on the dates set forth in the Agreement.

This Note is the Note issued pursuant to, and is entitled to the benefits of, the Credit Agreement dated as of April 7, 2020 (as amended, restated, supplemented or otherwise modified from time to time, the "Agreement"), by and between the Borrower and the Lender, to which Agreement reference is hereby made for a statement of the terms and conditions governing this Note, including the terms and conditions under which this Note may be prepaid or its maturity date accelerated. Capitalized terms used herein and not otherwise defined herein are used with the meanings attributed to them in the Agreement.

Any assignment of this Note, or any rights or interest herein, may only be made in accordance with the terms and conditions of the Agreement.

**This Note shall be governed by, and construed in accordance with, the laws of the State of Oklahoma.**

OGE ENERGY CORP.

By: \_\_\_\_\_  
Charles B. Walworth  
Treasurer