



**Earnings Conference Call  
First Quarter 2012**

**May 3, 2012**

# Safe Harbor

Some of the matters discussed in this presentation may contain forward-looking statements that are subject to certain risks, uncertainties and assumptions. Such forward-looking statements are intended to be identified in this document by the words “anticipate”, “believe”, “estimate”, “expect”, “intend”, “objective”, “plan”, “possible”, “potential”, “project” and similar expressions. Actual results may vary materially from those expressed in forward-looking statements. 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; prices and availability of electricity, coal, natural gas and natural gas liquids, each on a stand-alone basis and in relation to each other as well as the processing contract mix between percent-of-liquids, percent-of-proceeds, keep-whole and fixed fee; business conditions in the energy and natural gas midstream industries; competitive factors including the extent and timing of the entry of additional competition in the markets served by the Company; unusual weather; availability and prices of raw materials for current and future construction projects; 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 and regulations that may impact the Company’s operations; changes in accounting standards, rules or guidelines; the discontinuance of accounting principles for certain types of rate-regulated activities; whether OG&E can successfully implement its smart grid program to install meters for its customers and integrate the smart grid meters with its customers billing and other computer information systems; the cost of protecting assets against, or damage to, terrorism or cyber attacks; advances in technology; creditworthiness of suppliers, customers and other contractual parties; the higher degree of risk associated with the Company’s nonregulated business compared with the Company’s regulated utility business; and other risk factors listed in the reports filed by the Company with the Securities and Exchange Commission including those listed in Risk Factors and Exhibit 99.01 to the Company’s Form 10-K for the year ended December 31, 2011.

This presentation includes the non-GAAP measure of earnings before interest, taxes, depreciation and amortization (“EBITDA”) when describing the Company’s results of operations and financial performance. The Company has prepared a reconciliation of this measure to the most directly comparable GAAP measure.

***OGHE***

# First Quarter EPS Results

	<u>1Q 2012</u>	<u>1Q 2011</u>
<b>OG&amp;E</b>	<b>\$0.13</b>	<b>\$0.06</b>
<b>OGE Enogex Holdings</b>	<b>0.25</b>	<b>0.19</b>
<b>Hold. Co.</b>	<b>-</b>	<b>-</b>
<b>Consolidated</b>	<b>\$0.38</b>	<b>\$0.25</b>

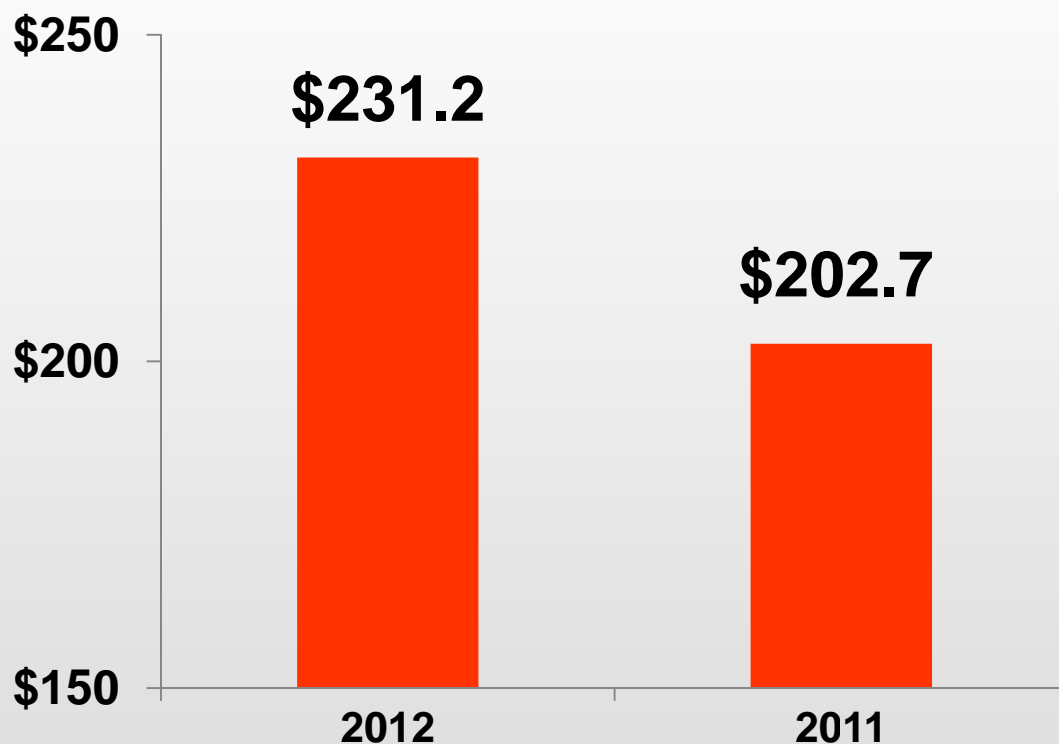
# First Quarter Results – OG&E

Net income for OG&E was \$12.1 million or \$0.13 per share in 2012 as compared to net income of \$6.4 million or \$0.06 per share in 2011. Primary drivers include:

In Millions of \$	<u>1Q 2012</u>	<u>1Q 2011</u>	<u>Variance</u> <u>Fav/(Unfav)</u>
Gross Margin	231.2	202.7	28.5
Operation & Maintenance	110.6	105.8	(4.8)
Depreciation & Amortization	59.7	51.8	(7.9)
Net Other Income (Loss)	6.4	8.9	(2.5)
Interest Expense	30.9	26.1	(4.8)

# First Quarter Results - OG&E Gross Margin

Millions of \$



## *Gross Margin Drivers:*

- Key Utility Investments ↑
- Transmission Revenues ↑
- Weather ↓

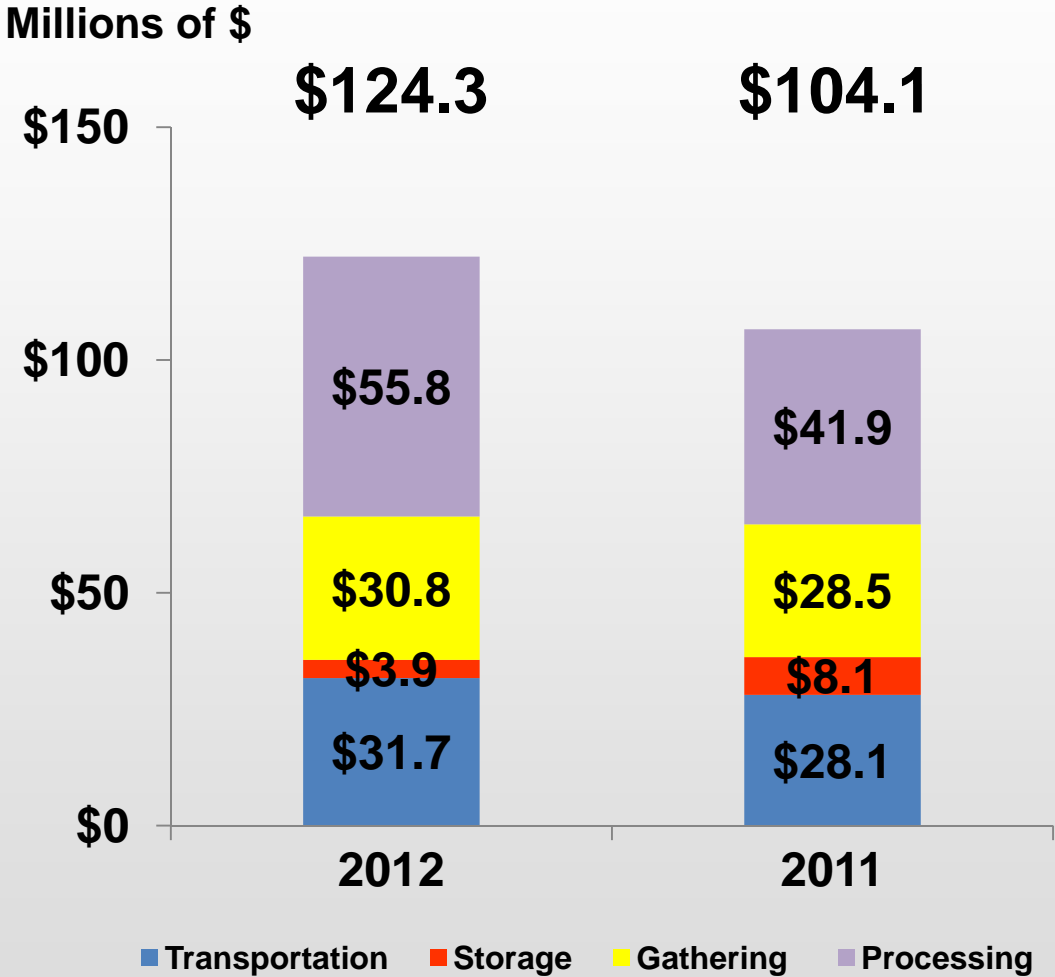
# First Quarter Results – Enogex Holdings

Net income to OGE was \$25.0 million or \$0.25 per share in 2012 as compared to net income of \$18.8 million or \$0.19 per share in 2011. Primary drivers include:

In Millions of \$	<u>1Q 2012</u>	<u>1Q 2011</u>	<u>Variance Fav/(Unfav)</u>
Gross Margin	124.3	104.1	20.2
Operation & Maintenance	42.2	37.2	(5.0)
Depreciation & Amortization	23.4	18.9	(4.5)
Gain on Insurance Proceeds	7.5	-	7.5
Interest Expense	7.6	6.4	(1.2)
Enogex Holdings Net Income	35.4	23.6	11.8
OGE Enogex Holdings Net Income (OGE's Portion)	25.0	18.8	6.2

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# First Quarter Results - Enogex Holdings Gross Margin\*



**Gross Margin Drivers:**

- Processing Volumes up 20%
- Gathering Volumes up 2%
- Record Condensate Volumes

\*The chart does not include the gross margin for the marketing business or consolidated eliminations which were \$2.1 million in 2012 and (\$2.5) million in 2011.



# 2012 Outlook

- **The Company's 2012 earnings guidance is between approximately \$337 million and \$357 million of net income, or \$3.40 to \$3.60 per average diluted share assuming 99.1 million average diluted shares outstanding.**
- **OG&E is projected to earn approximately \$258 million to \$268 million or \$2.60 to \$2.70 per average diluted share in 2012 assuming normal weather patterns for the remainder of the year. This is without regard for the Oklahoma rate case.**
- **OGE Enogex Holdings outlook remains unchanged between approximately \$80 million to \$95 million of net income or \$0.80 to \$0.95 per average diluted share in 2012.**

# 2012 Assumptions – OG&E

The Company projects OG&E to earn approximately \$258 million to \$268 million or \$2.60 to \$2.70 per average diluted share in 2012 and is based on the following assumptions:

- Normal weather patterns are experienced for the remainder of the year;
- Gross margin on revenues of approximately \$1.22 billion to \$1.23 billion based on sales growth of approximately one percent on a weather-adjusted basis;
  - Approximately \$40 million of gross margin is primarily attributed to regionally allocated transmission projects;
  - Approximately \$28 million of gross margin associated with the Crossroads wind farm;
- Operating expenses of approximately \$760 million to \$770 million with operation and maintenance expenses approximately 58 percent of the total;
- Interest expense of approximately \$126 million which assumes a \$3 million allowance for borrowed funds used during construction reduction to interest expense;
- Allowance for equity funds used during construction of approximately \$10 million; and
- An effective tax rate of approximately 24 percent.

OG&E has significant seasonality in its earnings. OG&E typically shows minimal earnings in the first and fourth quarters with a majority of earnings in the third quarter due to the seasonal nature of air conditioning demand.

As indicated above, due to the pending outcome of the Oklahoma general rate case, the above guidance does not incorporate any impacts from the proceeding. Every \$5 million change in rates is expected to impact net income approximately \$3 million or \$0.03 per average diluted share on an annualized basis, with the impact to 2012 earnings dependent on the timing of the final rate order. For additional information regarding the 2011 Oklahoma Rate Case Filing, see Note 14 of Notes to Condensed Consolidated Financial Statements in the 2012 First Quarter 10Q on file with Securities and Exchange Commission.



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**Appendix**

# Reg. G Reconciliation

*(For the Quarter Ending March 31, 2012)*

<i>(In millions)</i>	Three Months Ended March 31,	
	2012	2011
Net Income attributable to Enogex Holdings	\$ 49.5	\$ 34.5
Add:		
Interest expense, net	7.6	6.4
Income tax expense (A)	0.1	--
Depreciation and amortization expense (B)	24.1	18.6
<b>EBITDA</b>	<b>\$ 81.3</b>	<b>\$ 59.5</b>
OGE Energy's Portion	\$ 66.1	\$ 48.4

(A) As of November 1, 2010, Enogex Holdings' earnings are no longer subject to tax (other than Texas state margin taxes) and are taxable at the individual partner level.

(B) Includes amortization of certain customer-based intangible assets associated with the acquisition from Cordillera in November 2011, which is included in gross margin for financial reporting purposes.

# Reg. G Reconciliation

*(Projection for the Year Ending December 31, 2012)*

<i>(In millions)</i>	Twelve Months Ended December 31, 2012 (A) (B)	
Net Income attributable to Enogex Holdings	\$	176.0
Add:		
Interest expense, net		32.0
Depreciation and amortization expense (C)		100.0
EBITDA	\$	308.0
OGE Energy's Portion	\$	250.0

(A) Based on midpoint of 2012 guidance.

(B) As of November 1, 2010, Enogex Holdings' earnings are no longer subject to tax (other than Texas state margin taxes) and are taxable at the individual partner level.

(C) Includes amortization of certain customer-based intangible assets associated with the acquisition from Cordillera in November 2011, which is included in gross margin for financial reporting purposes.

# Projected Capital Expenditures 2012-2016

Dollars in millions	2012	2013	2014	2015	2016
OG&E Base Transmission	\$ 70	\$ 50	\$ 50	\$ 50	\$ 50
OG&E Base Distribution	175	175	175	175	175
OG&E Base Generation	75	75	75	75	75
OG&E Other	20	15	15	15	15
Total OG&E Base T&D, Gen & Other	340	315	315	315	315
OG&E Known and Committed Projects:					
Transmission Projects					
Sunnyside-Hugo (345 kV)	25	-	-	-	-
Sooner-Rose Hill (345 kV)	5	-	-	-	-
Balanced Portfolio 3E Projects	110	180	50	-	-
SPP Priority Projects	20	200	115	-	-
Total Transmission Projects	160	380	165	-	-
Other Projects:					
Smart Grid Program	90	30	30	15	15
Crossroads	35	-	-	-	-
System Hardening	15	-	-	-	-
Total Other Projects	140	30	30	15	15
Total Known and Committed Projects	300	410	195	15	15
Total OG&E	640	725	510	330	330
Enogex:					
Maintenance	60	60	60	60	60
Known and Committed Projects:					
Western OK & TX Panhandle Expansion	280	105	5	5	5
Other Gathering, Etc.	15	15	15	15	15
Total Known and Committed Projects	295	120	20	20	20
Enogex (Base Maintenance and Committed Projects)*	355	180	80	80	80
OGE Energy	15	10	10	10	10
TOTAL OGE Consolidated	\$ 1,010	\$ 915	\$ 600	\$ 420	\$ 420

\* These capital expenditures represent 100% of Enogex capital expenditures, of which a portion may be funded by ArLight.

# 2012 Assumptions – OGE Enogex Holdings LLC

The Company's 2012 earnings projection for Enogex is unchanged and is between approximately \$80 million to \$95 million, or \$0.80 to \$0.95 per average diluted share, net of noncontrolling interest and is based on the following assumptions:

- Total Enogex anticipated gross margin of between \$500 million and \$515 million. The gross margin assumption includes:
- Transportation, storage and marketing gross margin contribution of between \$140 million and \$155 million, of which 80 percent is attributable to the transportation business;
- Gathering and processing gross margin contribution of between \$355 million and \$365 million, of which 62 percent is attributable to the processing business;
- Key factors affecting the gathering and processing gross margin forecast are:
  - Assumed increase of six to 10 percent in gathered volumes over 2011;
  - Assumed increase of approximately 15 percent in processable\* volumes over 2011;
  - At the midpoint of Enogex's gathering and processing assumption Enogex has assumed:
    - Processing contract mix of 42 percent fixed-fee, 25 percent percent-of-liquids, 17 percent percent-of-proceeds and 16 percent keep-whole;
    - Weighted average natural gas price of \$2.70 per MMBtu in 2012;
    - Realized weighted average NGLs price of \$1.04 per gallon in 2012; and
    - Average price per gallon of condensate of \$2.12 in 2012;
- Enogex has assumed operating expenses of \$295 million to \$305 million, with operation and maintenance expenses comprising 58 percent of the total;
- Interest expense of \$31 million to \$33 million;
- An effective tax rate of 38 percent; and
- ArcLight group will own approximately 19 percent of Enogex Holdings by the end of 2012.

## 2013 Volume projections for Enogex:

- Assumed increase of 10 to 15 percent in gathered volumes over 2012; and
- Assumed increase of approximately 15 percent in processable\* volumes over 2012.

\*Processable volumes include condensate volumes which are captured in the gathering pipeline and therefore not included in plant inlet volumes.