



**Earnings Conference Call
Fourth Quarter 2016**

February 23, 2017

Safe Harbor

Some of the matters discussed in this news release may contain forward-looking statements that are subject to certain risks, uncertainties and assumptions. Such forward-looking statements are intended to be identified in this document by the words "anticipate", "believe", "estimate", "expect", "intend", "objective", "plan", "possible", "potential", "project" and similar expressions. Actual results may vary materially. Factors that could cause actual results to differ materially include, but are not limited to: general economic conditions, including the availability of credit, access to existing lines of credit, access to the commercial paper markets, actions of rating agencies and their impact on capital expenditures; the ability of the Company and its subsidiaries to access the capital markets and obtain financing on favorable terms as well as inflation rates and monetary fluctuations; the ability to obtain timely and sufficient rate relief to allow for recovery of items such as capital expenditures, fuel costs, operating costs, transmission costs and deferred expenditures; prices and availability of electricity, coal, natural gas and NGLs; the timing and extent of changes in commodity prices, particularly natural gas and NGLs, the competitive effects of the available pipeline capacity in the regions Enable serves, and the effects of geographic and seasonal commodity price differentials, including the effects of these circumstances on re-contracting available capacity on Enable's interstate pipelines; the timing and extent of changes in the supply of natural gas, particularly supplies available for gathering by Enable's gathering and processing business and transporting by Enable's interstate pipelines, including the impact of natural gas and NGLs prices on the level of drilling and production activities in the regions Enable serves; business conditions in the energy and natural gas midstream industries, including the demand for natural gas, NGLs, crude oil and midstream services; competitive factors including the extent and timing of the entry of additional competition in the markets served by the Company; the impact on demand for our services resulting from cost-competitive advances in technology, such as distributed electricity generation and customer energy efficiency programs; technological developments, changing markets and other factors that result in competitive disadvantages and create the potential for impairment of existing assets; factors affecting utility operations such as unusual weather conditions; catastrophic weather-related damage; unscheduled generation outages, unusual maintenance or repairs; unanticipated changes to fossil fuel, natural gas or coal supply costs or availability due to higher demand, shortages, transportation problems or other developments; environmental incidents; or electric transmission or gas pipeline system constraints; availability and prices of raw materials for current and future construction projects; the effect of retroactive pricing of transactions in the SPP markets or adjustments in market pricing mechanisms by the SPP; Federal or state legislation and regulatory decisions and initiatives that affect cost and investment recovery, have an impact on rate structures or affect the speed and degree to which competition enters the Company's markets; environmental laws, safety laws or other regulations that may impact the cost of operations or restrict or change the way the Company operates its facilities; changes in accounting standards, rules or guidelines; the discontinuance of accounting principles for certain types of rate-regulated activities; the cost of protecting assets against, or damage due to, terrorism or cyberattacks and other catastrophic events; creditworthiness of suppliers, customers and other contractual parties; social attitudes regarding the utility, natural gas and power industries; identification of suitable investment opportunities to enhance shareholder returns and achieve long-term financial objectives through business acquisitions and divestitures; increased pension and healthcare costs; costs and other effects of legal and administrative proceedings, settlements, investigations, claims and matters, including, but not limited to, those described in this Form 10-K; difficulty in making accurate assumptions and projections regarding future revenues and costs associated with the Company's equity investment in Enable that the Company does not control; and other risk factors listed in the reports filed by the Company with the Securities and Exchange Commission including those listed in Risk Factors in the Company's Form 10-K for the year ended December 31, 2016.



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Fourth Quarter EPS Results

	<u>4Q 2016</u>	<u>4Q 2015</u>
OG&E	\$0.23	\$0.10
OGE Holdings (Natural Gas Midstream Operations)	0.07	0.10
Hold. Co.	(0.01)	(0.05)
Consolidated	\$0.29	\$0.15

2016 EPS Results

	<u>2016 EPS</u>	<u>2015 EPS</u>
OG&E	\$1.42	\$1.35
OGE Holdings (Natural Gas Midstream Operations)	0.27	0.05
Hold. Co.	-	(0.04)
Consolidated	\$1.69	\$1.36

Fourth Quarter Results – OG&E

Net income for OG&E was \$46 million or \$0.23 per share in 2016 as compared to net income of \$20 million or \$0.10 per share in 2015. Primary drivers include:

In Millions of \$	<u>4Q 2016</u>	<u>4Q 2015</u>	<u>Variance</u> <u>Fav/(Unfav)</u>
Gross Margin	296.1	264.4	31.7
Operation & Maintenance	113.5	107.2	(6.3)
Depreciation & Amortization	80.5	76.0	(4.5)
Interest Expense	33.3	36.2	2.9

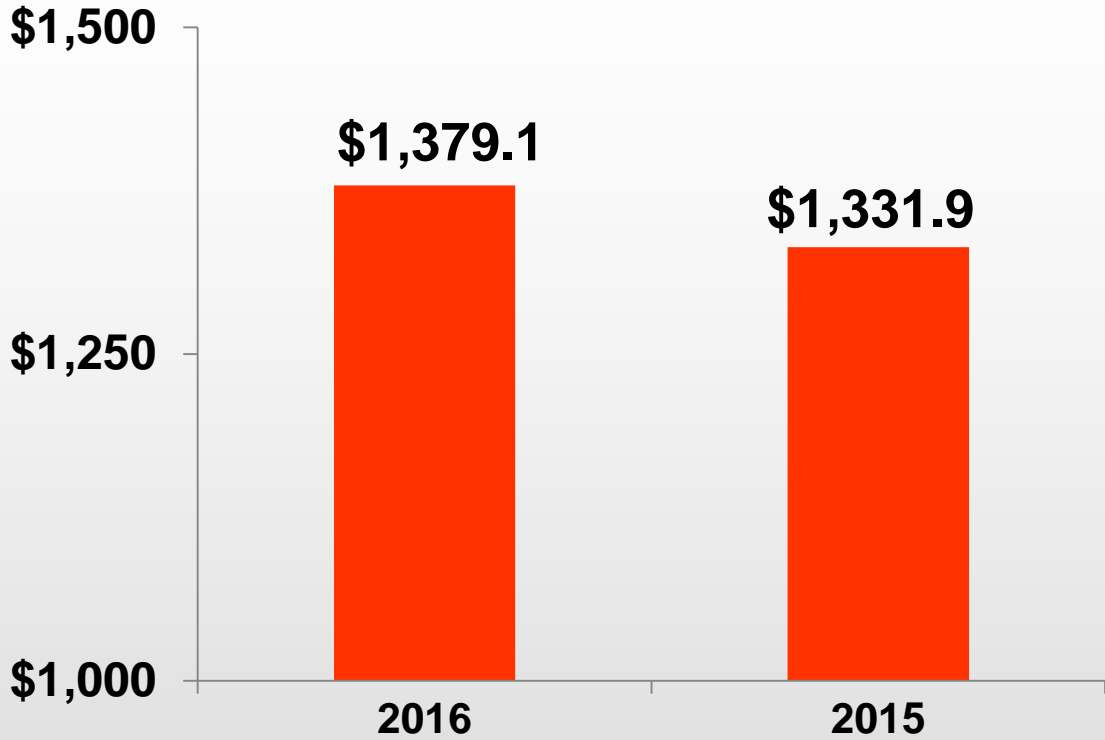
2016 Results – OG&E

Net income for OG&E was \$284 million or \$1.42 per share in 2016 as compared to net income of \$269 million or \$1.35 per share in 2015. Primary drivers include:

In Millions of \$	<u>2016</u>	<u>2015</u>	<u>Variance</u> <u>Fav/(Unfav)</u>
Gross Margin	1,379.1	1,331.9	47.2
Operation & Maintenance	469.8	444.5	(25.3)
Depreciation & Amortization	316.4	299.9	(16.5)
Net Other Income	27.7	20.0	7.7
Income Tax Expense	114.4	104.8	(9.6)

2016 Results - OG&E Gross Margin

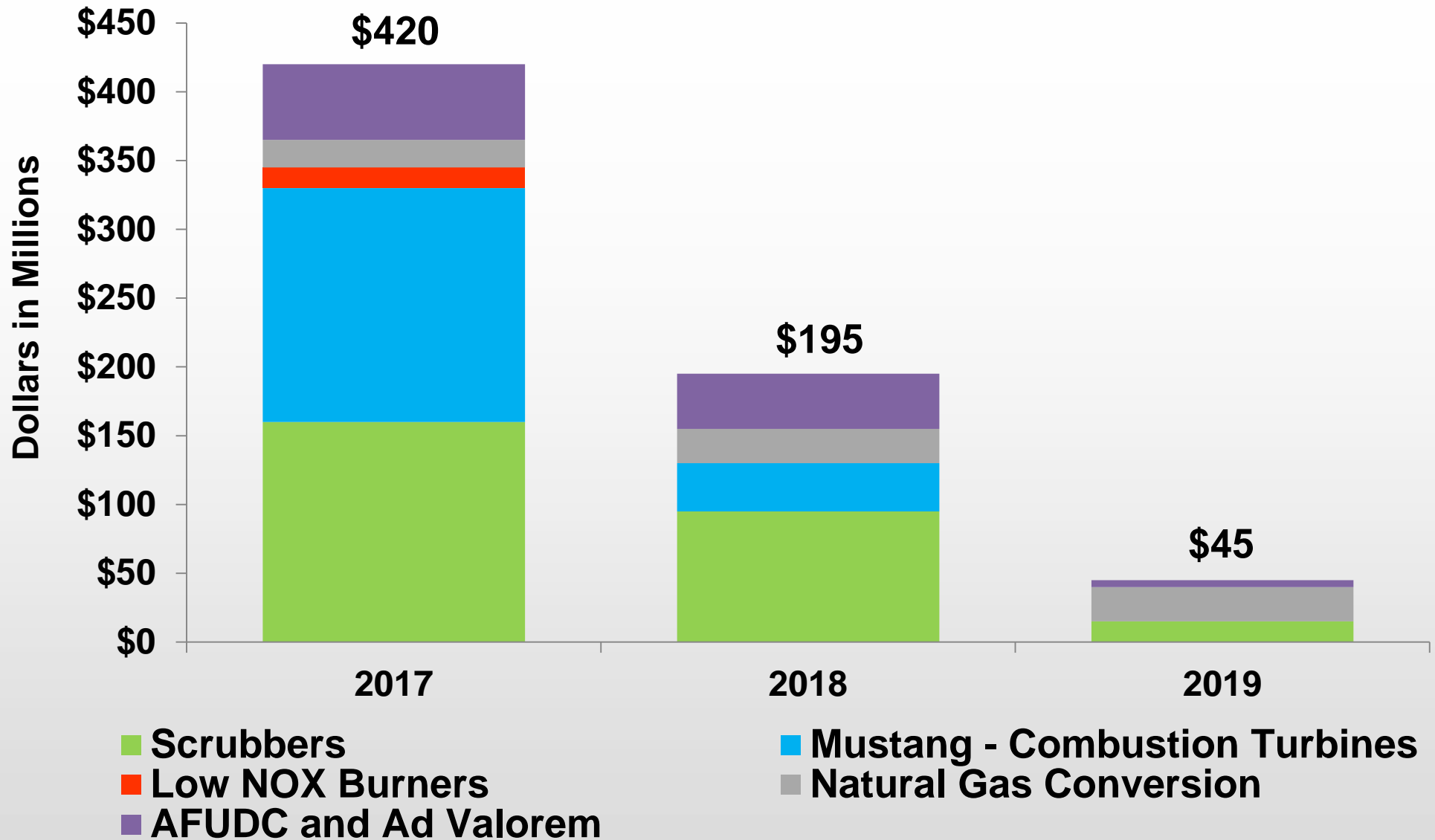
Millions of \$



Gross Margin Drivers:

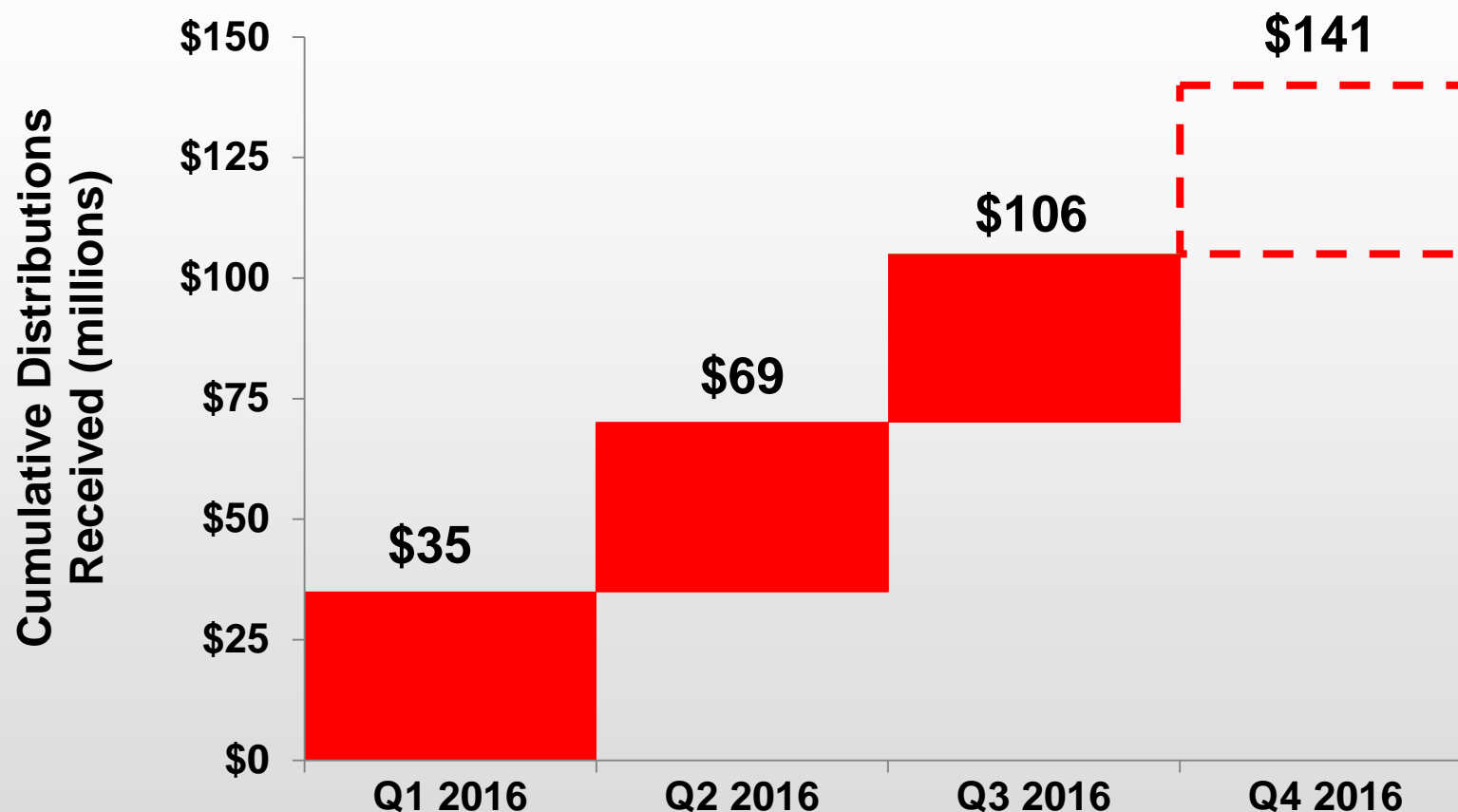
- Weather ↑
- Transmission Revenues ↑
- Riders with Expense Offset ↑
- Expired Wholesale Contract ↓

Projected Environmental & Mustang Modernization Expenditures 2017 - 2019



2016 Results - ENABLE (OGE Holdings)

Enable Midstream made cash distributions of approximately \$141 million to OGE in 2016 and contributed earnings of \$54 million or \$.27 per share compared to earnings of \$9 million or \$.05 per share in 2015.



2017 Outlook

- **OG&E is projected to earn between approximately \$316 million to \$340 million of net income or \$1.58 to \$1.70 per average diluted share assuming normal weather.**
- **OGE Enogex Holdings projects the earnings contribution from its ownership interest in Enable Midstream to be approximately \$70 million to \$78 million or \$0.35 to \$0.39 per average diluted share.**
- **OGE's dividend growth rate is projected to be 10% per year through 2019.**

2017 Assumptions – OG&E

The Company projects OG&E to earn approximately \$316 million to \$340 million or \$1.58 to \$1.70 per average diluted share in 2017 and is based on the following assumptions:

- Normal weather patterns are experienced for the remainder of the year;
- New rates take effect in Oklahoma and Arkansas in 2017;
- Gross margin on revenues of approximately \$1.470 billion to \$1.485 billion based on sales growth of approximately 1 percent on a weather adjusted basis;
 - Approximately \$110 million of gross margin is primarily attributed to regionally allocated transmission projects;
- Operating expenses of approximately \$896 million to \$917 million with operation and maintenance expenses approximately 54% of the total;
- Interest expense of approximately \$147 million which assumes a \$15 million ABFUDC reduction to interest expense and assumes a debt issuance of \$300 million in the first half of 2017;
- Other Income of approximately \$60 million including approximately \$34 million of AEFUDC;
- Recovery of \$8 million of expiring production tax credits or \$0.04 per average diluted share;
- An effective tax rate of approximately 32%;
- Revenue of approximately \$23 million or net income of approximately \$14 million or \$0.07 per average diluted share for rates implemented on July 1, 2016 through December 31, 2016 based on the findings in the Administrative Law Judge's report associated with the Oklahoma General Rate Case and based on a 9.87% ROE; and
- Every 10 basis point change in the allowed Oklahoma ROE equates to a change of approximately \$3.6 million in revenue.



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Appendix

Reg. G Reconciliation of OG&E Gross Margin to Revenue

<i>(In millions)</i>	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2016	2015	2016	2015
Operating revenues	\$ 530.8	\$ 447.1	\$ 2,259.2	\$ 2,196.9
Fuel and purchased power	234.7	182.7	880.1	865.0
Gross Margin	\$ 296.1	\$ 264.4	\$ 1,379.1	\$ 1,331.9

Gross Margin is defined by OG&E as operating revenues less fuel, purchased power and 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, purchased power and transmission expenses 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.

Reg. G Reconciliation of OG&E Gross Margin to Revenue

<u>(in millions)</u>	<u>Twelve Months Ended December 31, 2017 (A)</u>
Operating revenues	\$ 2,088
Fuel and purchased power	610
Gross Margin	\$ 1,478

(A) Based on the midpoint of OG&E earnings guidance for 2017

Gross Margin is defined by OG&E as operating revenues less fuel, purchased power and 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, purchased power and transmission expenses 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.

Projected Capital Expenditures 2017 – 2021

Dollars in millions	2017	2018	2019	2020	2021
OG&E Base Transmission	\$ 35	\$ 30	\$ 30	\$ 30	\$ 30
OG&E Base Distribution	195	175	175	175	175
OG&E Base Generation	40	75	75	75	75
OG&E Other	35	25	25	25	25
Total OG&E Base T&D, Gen & Other	305	305	305	305	305
OG&E Known and Committed Projects:					
Transmission Projects					
Regionally Allocated Base Projects (1)	50	20	20	20	20
ITP 10-year Projects (2)	155	20	-	-	-
Total Transmission Projects	205	40	20	20	20
Other Projects:					
Solar	20	-	-	-	-
Environmental - Low NOX	15	-	-	-	-
Environmental - Natural Gas Conversion	20	25	25	-	-
Environmental - Scrubbers	160	95	15	-	-
Combustion Turbines - Mustang Modernization	170	35	-	-	-
AFUDC and Ad Valorem	55	40	5	-	-
Total Other Projects	440	195	45	-	-
Total Known and Committed Projects	645	235	65	20	20
Total	950	540	370	325	325

(1) Approximately 30% of revenue requirement allocated to SPP members other than OG&E

(2) Approximately 85% of revenue requirement allocated to SPP members other than OG&E