

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

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

For the fiscal year ended December 31, 1998 Commission File Number 1-12579

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

Oklahoma 73-1481638
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)
321 North Harvey
P.O. Box 321

Oklahoma City, Oklahoma 73101-0321
(Address of principal executive offices) (Zip Code)
Registrant's telephone number, including area code: 405-553-3000

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

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

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

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

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

As of February 26, 1999, Common Shares outstanding were 77,801,317.
Based upon the closing price on the New York Stock Exchange on February 26,
1999, the aggregate market value of the voting stock held by nonaffiliates of
the Company was: Common Stock \$1,848,833,372.

The proxy statement for the 1999 annual meeting of shareowners is
incorporated by reference into Part III of this Report.

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PART I

ITEM 1. BUSINESS.

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THE COMPANY

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

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

The Company's principal subsidiary is OG&E and, accordingly, the Company's financial results and condition are substantially dependent at this time on the financial results and conditions of OG&E. OG&E is a regulated public utility engaged in the generation, transmission and distribution of electricity to retail and wholesale customers. OG&E was incorporated in 1902 under the laws of the Oklahoma Territory and is the largest electric utility in the State of Oklahoma. OG&E sold its retail gas business in 1928 and now owns and operates an interconnected electric production, transmission and distribution system which includes eight active generating stations with a total capability of 5,561,180 kilowatts.

Enogex owns and operates approximately 3,329 miles of natural gas transmission and gathering pipelines, has interests in five gas processing plants, markets electricity, natural gas and natural gas products and invests in the drilling for and production of crude oil and natural gas.

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

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

ELECTRIC OPERATIONS

GENERAL

OG&E furnishes retail electric service in 280 communities and their contiguous rural and suburban areas. During 1998, six other communities and two rural electric cooperatives in Oklahoma and western Arkansas purchased electricity from OG&E for resale. The service area, with an estimated population of 1.8 million, covers approximately 30,000 square miles in Oklahoma and western Arkansas; including Oklahoma City, the largest city in Oklahoma, and Ft. Smith, Arkansas, the second largest city in that state. Of the 286 communities served, 257 are located in Oklahoma and 29 in Arkansas. Approximately 91 percent of total electric operating revenues for the year ended December 31, 1998, were derived from sales in Oklahoma and the remainder from sales in Arkansas.

OG&E's system control area peak demand as reported by the system dispatcher for the year was approximately 5,529 megawatts, and occurred on August 27, 1998. OG&E's load responsibility peak demand was approximately 5,247 megawatts on July 30, 1998, resulting in a capacity margin of approximately 14.4 percent. OG&E is a member, along with neighboring utilities and other electric suppliers, in the Southwest Power Pool ("SPP"), which requires that OG&E maintain a capacity reserve margin of 13 percent. As reflected in the table below and in the operating statistics on page 4, total kilowatt-hour sales increased 4.2 percent in 1998 as compared to an increase of 1.6 percent in 1997 and a 1.5 percent increase in 1996. In 1998, kilowatt-hour sales to OG&E customers ("system sales") increased 6.6 percent due to warmer weather and continued customer growth. Sales to other utilities and power marketers ("off-system sales") decreased in 1998; however, various factors (including the summer heat, unit availability and storms) drove prices of this off-system electricity to record levels, increasing operating revenues and at margins significantly higher than had been experienced in the past. There can be no assurance that such margins on future off-system sales will occur again. In 1997 and 1996, total kilowatt-hour sales increased due to continued customer growth.

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

	SALES (Millions of Kwh)					
	1998	INC/ (DEC)	1997	Inc/ (Dec)	1996	Inc/ (Dec)
System Sales	23,642	6.6%	22,183	3.0%	21,541	3.4%
Off-System Sales	728	(39.5%)	1,202	(18.5%)	1,475	(20.4%)
Total Sales	24,370	4.2%	23,385	1.6%	23,016	1.5%
	=====		=====		=====	

In 1998, OG&E's Sooner Generating Station (consisting of two coal-fired units with an aggregate capability of 1,031 Mw) and OG&E's three coal-fired units at its Muskogee Generating Station (with an aggregate capability of 1,491 Mw) were again recognized by an industry survey as being in the top 20 lowest cost producers of electricity for the third consecutive year.

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

Besides competition from other suppliers or marketers of electricity, OG&E competes with suppliers of other forms of energy. The degree of competition between suppliers may vary depending on relative costs and supplies of other forms of energy. See "Electric Operations - Regulation and Rates - Recent Regulatory Matters" for a discussion of the potential impact on competition from federal and state legislation.

OKLAHOMA GAS AND ELECTRIC COMPANY
CERTAIN OPERATING STATISTICS

YEAR ENDED DECEMBER 31	1998	1997	1996
	-----	-----	-----
ELECTRIC ENERGY:			
(Millions of Kwh)			
Generation (exclusive of station use).....	22,565	21,620	21,253
Purchased.....	3,984	3,528	3,564
	-----	-----	-----
Total generated and purchased.....	26,549	25,148	24,817
Company use, free service and losses.....	(2,179)	(1,763)	(1,801)
	-----	-----	-----
Electric energy sold.....	24,370	23,385	23,016
	-----	-----	-----
ELECTRIC ENERGY SOLD:			
(Millions of Kwh)			
Residential.....	7,959	7,179	7,143
Commercial and industrial.....	11,912	11,586	11,161
Public street and highway lighting.....	68	68	67
Other sales to public authorities.....	2,352	2,202	2,096
Sales for resale.....	2,079	2,350	2,549
	-----	-----	-----
Total.....	24,370	23,385	23,016
	=====	=====	=====
ELECTRIC OPERATING REVENUES:			
(Thousands)			
Electric Revenues:			
Residential.....	\$ 537,486	\$ 474,419	\$ 479,574
Commercial and industrial.....	554,589	526,673	530,213
Public street and highway lighting.....	9,618	9,456	9,367
Other sales to public authorities.....	110,522	98,818	98,209
Sales for resale.....	76,198	57,695	60,141
Provision for rate refund.....	---	---	(1,221)
Miscellaneous.....	23,665	24,630	24,054
	-----	-----	-----
Total Electric Revenues.....	\$ 1,312,078	\$ 1,191,691	\$ 1,200,337
	=====	=====	=====
NUMBER OF ELECTRIC CUSTOMERS:			
(At end of period)			
Residential.....	598,378	593,699	588,778
Commercial and industrial.....	86,251	85,315	84,032
Public street and highway lighting.....	249	249	249
Other sales to public authorities.....	11,183	10,897	10,688
Sales for resale.....	39	40	41
	-----	-----	-----
Total.....	696,100	690,200	683,788
	=====	=====	=====
RESIDENTIAL ELECTRIC SERVICE:			
Average annual use (Kwh).....	13,342	12,133	12,178
Average annual revenue.....	\$ 900.94	\$ 801.74	\$ 817.62
Average price per Kwh (cents).....	6.75	6.61	6.71

REGULATION AND RATES

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

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

For the year ended December 31, 1998, approximately 87 percent of OG&E's electric revenue was subject to the jurisdiction of the OCC, seven percent to the APSC, and six percent to the FERC.

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

with the OCC seeking approval to revise an existing cogeneration contract with Mid-Continent Power Company ("MCPC"), a cogeneration plant near Pryor, Oklahoma. As part of this transaction, the Company agreed to purchase the stock of Oklahoma Loan Acquisition Corporation ("OLAC"), the company that owned the MCPC plant, for approximately \$25 million. OG&E obtained the required regulatory approvals from the OCC, APSC and FERC. If the transaction had been completed, the term of the existing cogeneration contract would have been reduced by four and one-half years, which would have reduced the amounts to be paid by OG&E, and would have provided savings for its Oklahoma customers, of approximately \$46 million as compared to the existing cogeneration contract. Following an arbitrator's decision that the owner of the stock of OLAC could not sell the stock of OLAC to the Company until it had offered such stock to a third party on the same terms as it was offered to the Company, the third party purchased the stock of OLAC and assumed ownership of the cogeneration plant in October 1998. The effect of this transaction is that OG&E's original contract with the cogeneration plant remains in place.

On February 11, 1997, the OCC issued an order that, among other things, effectively lowered OG&E's rates to its Oklahoma retail customers by \$50 million annually (based on a test year ended December 31, 1995). Of the \$50 million rate reduction, approximately \$45 million became effective on March 5, 1997, and the remaining \$5 million became effective March 1, 1998. The February 11, 1997 order also directed OG&E to transition to competitive bidding of its gas transportation requirements currently met by Enogex no later than April 30, 2000 and set annual compensation for the transportation services provided by Enogex to OG&E at \$41.3 million until competitively-bid gas transportation begins. In 1998, approximately \$41.6 million or 8.2 percent of Enogex's revenues were attributable to transporting gas for OG&E. Other pipelines seeking to compete with Enogex for OG&E's business will likely have to pay a fee to Enogex for transporting gas on Enogex's system or incur capital expenditures to develop the necessary infrastructure to connect with OG&E's gas-fired generating stations. Nevertheless, a potential outcome of the competitive bidding process is that the revenues of Enogex derived from transporting gas for OG&E may be significantly less after April 30, 2000.

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

The fuel cost information used to calculate the GEP Rider is based on fuel cost data submitted by each of the utilities in their Form No. 1 Annual Report filed with the FERC. The GEP Rider is revised effective July 1 of each year to reflect any changes in the relative annual cost of fuel reported for the preceding calendar year. For 1998, the GEP Rider increased revenues by approximately \$10.0 million, or approximately \$0.08 per share. The current GEP Rider is estimated to positively impact revenue by \$33 million or approximately \$0.26 per share during the 12 months ending June 1999.

As previously reported, Oklahoma enacted in April 1997 the Electric Restructuring Act of 1997 (the "Act"). In June 1998, various amendments to the Act were enacted. If implemented as proposed, the Act will significantly affect OG&E's future operations. The following summary of the Act does not purport to be complete and is subject to the specific provisions of the Act, which is codified at Sections 190.2 et. seq. of Title 17 of the Oklahoma Statutes.

The Act consists of eight sections, with Section 1 designating the name of the Act. Section 2 describes the purposes of the Act, which is generally to restructure the electric industry to provide for more competition and, in particular, to provide for the orderly restructuring of the electric utility industry in the State of Oklahoma in order to allow direct access by retail consumers to the competitive market for the generation of electricity while maintaining the safety and reliability of the electric system in the state.

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

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

5. To ensure that proper standards of safety, reliability and service are maintained in a restructured electric service industry.

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

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

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

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

Subject to the principles set forth in Section 4, the Joint Task Force is directed to prepare a four-part study. As a result of the 1998 amendments, the time frame for the delivery of the remaining parts of the Study was accelerated to October 1, 1999. This study is to address: (i) technical issues (including reliability, safety, unbundling of generation, transmission and distribution services, transition issues and market power); (ii) financial issues (including rates, charges, access fees, transition costs and stranded costs); (iii) consumer issues (such as the obligation to serve, service territories, consumer choices, competition and consumer safeguards); and (iv) tax issues (including sales and use taxes, ad valorem taxes and franchise fees).

Section 5 of the Act directs the Joint Task Force to study and submit a report on the impact of the restructuring of the electric utility industry on state tax revenues and all other facets of the current utility tax structure on the state and all political subdivisions of the state. The Oklahoma Tax Commission and the OCC are precluded from issuing any rules on such matters without the approval of the Oklahoma Legislature. Also, the Act requires the establishment, on or before July 1, 2002, of a uniform tax policy that allows all competitors to be taxed on a fair and equitable basis.

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

Section 7 provides generally that, with respect to electric distribution providers, no customer switching will be allowed from the effective date of the Act until July 1, 2002, except by mutual consent. It also provides that any municipality that fails to become subject to the Act will be prohibited from selling power outside its municipal limits except from lines owned on the effective date of the Act. Furthermore, this section provides generally that out-of-state suppliers of electricity and their affiliates who make retail sales of electricity in Oklahoma through the use of transmission and distribution facilities of in-state suppliers must provide equal access to their transmission and distribution facilities outside of Oklahoma. Section 8 sets forth the effective date of the Act as April 25, 1997.

A new bill was introduced in the State Senate in January 1999 and if enacted would clarify ambiguities by defining key terms in the Act.

In December 1997, the APSC established four generic proceedings to consider the implementation of a competitive retail electric market in the State of Arkansas. During 1998, the APSC held hearings to consider competitive retail generation, market structure, market power, taxation, recovery and mitigation of stranded costs, service and reliability, low income assistance, independent system operators and transition issues. The Company participated actively in those proceedings, and in October 1998 the APSC issued its report to the Arkansas legislature recommending competitive retail electric generation to begin no later than January 1, 2002. Several bills calling for electric industry restructuring were introduced after the Arkansas General Assembly began its 1999 session. While it is not expected that the General Assembly will enact legislation in regular session, a special session of the General Assembly may be called to continue the debate.

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

On February 13, 1998, the APSC Staff filed a motion for a show cause order to review OG&E's electric rates in the State of Arkansas. The staff is recommending a \$3.1 million annual rate reduction (based on a test year ended December 31, 1996). OG&E has filed its cost of service study and has requested a \$1.7 million annual rate increase. A decision on this rate case is expected in the next few months.

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

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

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

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

In April 1996, FERC issued two final rules, Orders 888 and 889, which are having a significant impact on wholesale markets. These orders were subsequently amended in orders issued in March and November 1997. Order 888 set forth rules on non-discriminatory open access transmission service to promote wholesale competition. Order 888, which was effective on July 9, 1996, requires utilities and other transmission users to abide by comparable terms, conditions and pricing in transmitting power. Order 889, which had its effective date extended to January 3, 1997, requires public utilities to implement Standards of Conduct and an Open Access Same Time Information System ("OASIS," formerly known as "Real-Time Information Networks"). These rules require transmission personnel to provide the same information about the transmission system to all transmission customers using the OASIS. In 1997, the FERC issued clarifying final orders in response to rehearing requests by numerous market participants regarding Orders No. 888 and 889. During 1998, OG&E submitted filings to the FERC to comply with these Orders, and those filings have been accepted. As OG&E continues to prepare for restructuring at the retail level, it is expected that additional filings will be made in order to maintain continuing compliance with the FERC's wholesale restructuring orders.

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

As discussed previously, Oklahoma enacted legislation that will restructure the electric utility industry in Oklahoma by July 2002, assuming that all the conditions in the legislation are met. This legislation would deregulate OG&E's electric generation assets and the continued use of Statement of Financial Accounting Standards ("SFAS") No. 71, "Accounting for the Effects of Certain Types of Regulation", with respect to the related regulatory assets may no longer be appropriate. This may result

in either full recovery of generation-related regulatory assets (net of related regulatory liabilities) or a non-cash, pre-tax write-off as an extraordinary charge of up to \$31 million, depending on the transition mechanisms developed by the legislature for the recovery of all or a portion of these net regulatory assets.

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

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

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

RATE STRUCTURE, LOAD GROWTH AND RELATED MATTERS

Two of OG&E's primary goals are: (i) to increase electric revenues by attracting and expanding job-producing businesses and industries; and (ii) to encourage the efficient electrical energy use by all of OG&E's customers. In order to meet these goals, OG&E has reduced and restructured its rates to its customers. At the same time, OG&E had implemented numerous energy efficiency programs and tariff schedules. In 1998, these programs and schedules included: (i) the "Surprise Free Guarantee" program, which guarantees residential customers comfort and annual energy consumption for heating, cooling and water heating for new homes built to energy efficient standards; (ii) a load curtailment rate for industrial and commercial customers who can demonstrate a load curtailment of at least 500 kilowatts (the minimum load of the curtailment rate was raised in the February 11, 1997, OCC order); and (iii) the time-of-use rate schedules for various commercial, industrial and residential customers designed to shift energy usage from peak demand periods during the hot summer afternoon to non-peak hours.

OG&E continued a Real Time Pricing ("RTP") pilot program, first implemented in 1997, for qualifying industrial and commercial customers. This tariff gives customers additional options on total kilowatt-hour growth and the control of growth of peak demand. Real Time Pricing is a tariff option, which prices electricity so that current price varies hourly with short notice to reflect current expected costs. The RTP technique will allow a measure of competitive pricing, a broadening of customer choice,

the balancing of electricity usage and capacity in the short and long term, and provide customers assistance in controlling their costs.

OG&E's 1998 marketing efforts included geothermal heat pumps, electrotechnologies, electric food service promotion and a heat pump promotion in the residential, commercial and industrial markets. OG&E works closely with individual customers to provide the best information on how current technologies can be combined with OG&E's marketing programs to maximize the customer's benefit.

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

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

FUEL SUPPLY

During 1998, approximately 68 percent of the OG&E-generated energy was produced by coal-fired units and 32 percent by natural gas-fired units. It is estimated that the fuel mix for 1999 through 2003, based upon expected generation for these years, will be as follows:

	1999	2000	2001	2002	2003
Coal.....	70%	76%	76%	74%	74%
Natural Gas.....	30%	24%	24%	26%	26%

The increase from 70 percent to 76 percent in the percentage of coal-fired generation relative to total generation is expected to result from improvements in coal delivery performance. The slight decline from 76 percent to 74 percent in 2002 and 2003 is expected to result from increases in natural gas-fired generation in those years, not from a reduction in Kwh of coal-fired generation.

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

	1998	1997	1996	1995	1994
Coal.....	\$0.85	\$0.84	\$0.83	\$0.83	\$0.78
Natural Gas.....	\$2.83	\$3.60	\$3.61	\$3.19	\$3.58
Weighted Avg.....	\$1.48	\$1.39	\$1.45	\$1.41	\$1.58

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

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

2,522 megawatts, are designed to burn low sulfur western coal. OG&E purchases coal under a mix of long- and short-term contracts. During 1998, OG&E purchased 9.9 million tons of coal from the following Wyoming suppliers: Amax Coal West, Inc., Caballo Rojo, Inc., Kennecott Energy Company, Thunder Basin Coal Company and Powder River Coal Company. The combination of all coals has a weighted average sulfur content of 0.3 percent and can be burned in these units under existing federal, state and local environmental standards (maximum of 1.2 pounds of sulfur dioxide per million Btu) without the addition of sulfur dioxide removal systems. Based upon the average sulfur content, OG&E units have an approximate emission rate of 0.63 pounds of sulfur dioxide per million Btu. In anticipation of the more strict provisions of Phase II of The Clean Air Act starting in the year 2000, OG&E has contracts in place that will allow for a supply of very low sulfur coal from suppliers in the Powder River Basin to meet the new sulfur dioxide standards.

During 1998, rail congestion continued on the Union Pacific Railroad causing coal shortage among many of the utilities in the Southwest Power Pool and the state of Texas. As a result, OG&E depleted its coal stockpiles and was forced to take some coal conservation measures in November and December. Since that time, rail service has improved. During 1998, 1997, and 1996, OG&E used larger unit trains with a maximum of 135 cars instead of a maximum of 112 cars in unit train service to the Muskogee Generating Station. Increasing the unit train size allows for an increase of delivered tons by approximately 21 percent. The combination of high volume, aluminum design and increased train size to the Muskogee Generating Station reduces the number of trips from Wyoming by approximately 29 percent. OG&E continued its efforts to maximize the utilization of its coal units by optimizing the boiler operations at both the Sooner and Muskogee generating plants. See "Environmental Matters" for a discussion of an environmental proposal that, if implemented as proposed, could inhibit OG&E's ability to use coal as its primary boiler fuel.

GAS-FIRED UNITS: For calendar year 1999, OG&E expects to acquire less

than 1 percent of its gas needs from long-term gas purchase contracts. The remainder of OG&E's gas needs during 1999 will be supplied by contracts with at-market pricing or through day-to-day purchases on the spot market.

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

ENOGEX

The Company's wholly-owned non-utility subsidiary, Enogex, Inc. is an Oklahoma intrastate natural gas pipeline which also conducts operations in related business segments through subsidiary companies. These business segments include gas processing operations ("Gas Processing") conducted by and through Enogex Products Corporation ("Products"); development and production of oil and natural gas ("Development and Production") conducted through Enogex Exploration Corporation ("Exploration"); and the marketing of natural gas, natural gas liquids, and electricity ("Marketing") conducted by OGE Energy Resources Inc. ("Resources"). In addition Enogex's wholly-owned subsidiary, Enogex Arkansas Pipeline Company ("EAPC") owns a 75percent interest in Ozark Gas Transmission, LLC and related companies which are involved in gas gathering and interstate gas transmission operations in eastern Oklahoma and Arkansas, through EAPC's 75percent interest in the Noark Pipeline System LP ("NOARK").

For the year ended December 31, 1998, and before elimination of intercompany items between OG&E and Enogex, Enogex's consolidated revenues and net income were approximately \$505.5 million and \$8.5 million, respectively.

Recent Actions. Enogex is the exclusive transporter of natural gas to

OG&E's electric power generating stations. The OCC in its order on February 11, 1997 directed OG&E to transition to competitive bidding of its gas transportation no later than April 30, 2000. The order also set annual compensation for the transportation services provided by Enogex to OG&E at \$41.3 million until competitively-bid gas transportation begins. As a result of the foregoing, Enogex expects that revenues generated from its transportation services for OG&E (which in 1997 and 1998 represented 12.9 percent and 8.2 percent, respectively, of Enogex's consolidated revenues) will remain at \$41.3 million per year through 1999 and will decline after 1999 since Enogex may no longer be the exclusive provider of transportation services to OG&E after 1999.

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

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

In January 1998, Enogex, through its newly formed subsidiary, EAPC acquired a 40 percent interest in the partnership that owns NOARK, a natural gas pipeline, for approximately \$30 million and agreed to acquire Ozark Pipeline ("Ozark"), for approximately \$55 million. The NOARK line is a 302-mile intra-state pipeline system that extends from near Fort Chaffee, Arkansas to near Paragould, Arkansas. The Ozark line is a 437-mile inter-state pipeline system that begins near McAlester, Oklahoma and terminates near Searcy, Arkansas. In July 1998, EAPC completed its acquisition of Ozark and contributed Ozark to NOARK. The two pipelines were integrated into a single, interstate transmission

system on November 1, 1998 at an additional cost of approximately \$16 million. EAPC, which funded the integration, owns a 75 percent interest in NOARK and Southwestern Energy Pipeline Company owns the remaining 25 percent interest in the partnership. Current capacity of the integrated system, operating as Ozark Gas Transmission LLC is approximately 330 million cubic feet per day.

In July 1998 Products acquired the Belvan Corporation and the Belvan and Todd Ranch Limited Partnerships which possess gathering, processing and treating assets in the vicinity of Products' NuStar processing operations in Crockett, Upton and Reagan Counties in West Texas. Acquired assets included 345 miles of gathering system, capable of gathering approximately 15 million cubic feet per day from 250 wells, natural gas liquid recovery facilities and sulfur recovery facilities with an effective current capacity of 15 million cubic feet per day and an eight-mile natural gas liquids pipeline. The acquisition cost was approximately \$13.7 million.

The fees charged by Ozark and by NOARK's second interstate pipeline, Arkansas Western Pipeline ("AWP") are subject to regulation by the FERC. AWP is an eight-mile pipeline segment crossing the border between eastern Arkansas and Missouri. In November 1998, the FERC approved a maximum lawful rate of \$0.2455 per mmbtu for the new, integrated NOARK-Ozark system and required Ozark to file for a rate review by not later than March 2000. While Ozark cannot predict the ultimate outcome of this forthcoming rate review, no material change in the current maximum lawful rate is anticipated. AWP's current maximum lawful rate is \$0.0311 per mmbtu with no current requirement for filing for rate review.

Gas Transportation. Enogex's primary business is natural gas

transportation and it consists primarily of gathering and transporting natural gas in Oklahoma for OG&E and on an interruptible basis, for other customers. Enogex's system consists of approximately 3,329 miles of pipeline, extending from the Arkoma Basin in eastern Oklahoma to the Anadarko Basin in western Oklahoma. Since 1960, Enogex has had a gas transmission agreement with OG&E under which Enogex transports OG&E's natural gas supply on a fee basis. Under the gas transmission agreement, OG&E agrees to tender to Enogex and Enogex agrees to transport, on a firm, load-following basis, all of OG&E's natural gas requirements for boiler fuel for its seven gas-fired electric generating stations. In 1998, Enogex transported 204 billion Btu of natural gas; of which approximately 76 billion Btu, or about 37 percent, was delivered to OG&E's electric generating stations and storage facility, which resulted in approximately 63 percent of Enogex Inc.'s transportation revenues of \$65.8 million for 1998.

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

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

Enogex, but does give Enogex the opportunity to utilize any unused capacity on an interruptible basis and thus increase its transportation revenues.

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

In 1998, Resources successfully initiated wholesale electric power purchase and reselling operations. Resources received market-based rate authority in 1997 from the FERC. See "Electric Operations - Regulation and Rates". With 1998 power sales of 1.4 million Mwh, Resources ranked as the nation's 71st largest power marketer in terms of Mwh sold. Resources acts as the Company's natural gas purchasing arm for the natural gas fuel requirements of the OG&E power stations. Additionally, beginning in 1999, all of the Company's surplus power sales activity will be done through Resources.

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

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

Most of the commercial grade propane processed at Products' Calumet facility is sold on the local market. The other natural gas liquids, commonly referred to as Group 140 are delivered to Conway, Kansas (which is one of the nation's largest wholesale markets for gas liquids), where they are sold on the spot market. Ethane, which is produced at all of Products' plants except Calumet, is sold under a contract with Equistar Chemicals. This contract expires in February 2000, but is renewable annually on an evergreen basis. Natural gas liquids are marketed by Resources. Natural gas liquids from the NuStar Joint Venture are sold to the Huntsman Chemicals plant (formerly Rexene Chemicals) in Midland, Texas pursuant to a recently renewed contract expiring in February 2002.

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

plants." If the volume of natural gas transported by such pipeline increases "behind the plants," then the volume of liquids extracted by Products should normally increase.

Marketing. Enogex's natural gas marketing is conducted through

Resources. Resources serves both producers and consumers of natural gas by buying natural gas at the wellhead or at gathering points both on and off the Enogex pipeline system and reselling to interstate pipelines, end-users or downstream purchasers both within and outside Oklahoma. Resources has placed emphasis on the purchase and sale of volumes of gas moving on the Enogex pipeline system in order to enhance utilization of pipeline capacity. During 1998, Resources sold approximately 434 billion Btu of natural gas per day, of which about 70 percent moved on the Enogex pipeline system.

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

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

Development and Production. Exploration was formed in 1988 primarily to

engage in the development and production of oil and natural gas. Exploration focused its early drilling activity in the Antrim Devonian shale trend in the state of Michigan and also has interests in Oklahoma, Utah, Texas, Indiana, Mississippi and Louisiana. As of December 31, 1998, Exploration had interests in 550 active wells. Exploration's estimated proved reserves were 90,877 Mmcfe. The standardized measure of discounted future net cash flow with related Section 29 tax credits of Exploration's proved reserves was \$56.9 million at December 31, 1998. During the fourth quarter of 1998, Exploration (through Resources) initiated a program of hedging the future gas selling price on a portion of its lease production through commodity futures contracts to cushion against unfavorable monthly price swings.

ORIGEN

The Company's newest wholly-owned non-regulated subsidiary, Origen is currently engaged in geothermal heat pump systems and the development of new products.

Origen plans to initiate another energy related business unit in 1999. This new unit is anticipated to be a contractor/distributor in the geothermal industry, located in the Detroit, Michigan area. In addition, Origen plans to discontinue operations of its business unit, Geothermal Design and Engineering, Inc., in the first quarter of 1999. Origen did not contribute to earnings in 1998 and is not anticipated to contribute to earnings in 1999.

FINANCE AND CONSTRUCTION

The Company generally meets its cash needs through internally generated funds, short-term borrowings and permanent financing. Cash flows from operations remained strong in 1998 and 1997, which enabled the Company to internally generate the required funds to satisfy construction expenditures during these years.

Management expects that internally generated funds will be adequate over the next three years to meet the Company's anticipated construction expenditures. The primary capital requirements for 1999 through 2001 are estimated as follows:

(DOLLARS IN MILLIONS)	1999	2000	2001

Electric utility construction expenditures including AFUDC.....	\$101.7	\$100.0	\$100.0
Non-utility construction expenditures and pending acquisitions.....	35.0	25.0	30.0
Maturities of long-term debt.....	2.0	169.0	2.0

Total.....	\$138.7	\$294.0	\$132.0
=====			

The three-year estimate includes expenditures for construction of new facilities to meet anticipated demand for service, to replace or expand existing facilities in both its electric and non-utility businesses, to fund pending acquisitions (including any related capital expenditures), and to some extent, for satisfying maturing debt. Approximately \$0.5 million of the Company's construction expenditures budgeted for 1999 are to comply with environmental laws and regulations. OG&E's construction program was developed to support an anticipated peak demand growth of one to two percent annually and to maintain minimum capacity reserve margins as stipulated by the Southwest Power Pool. See "Electric Operations - Rate Structure, Load Growth and Related Matters."

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

The Company will continue to use short-term borrowings to meet temporary cash requirements. OG&E has the necessary regulatory approvals to incur up to \$400 million in short-term borrowings at any one time. The maximum amount of outstanding short-term borrowings during 1998 was \$183.5 million.

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

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

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

ENVIRONMENTAL MATTERS

The Company's management believes all of its operations are in substantial compliance with present federal, state and local environmental standards. It is estimated that the Company's total expenditures for capital, operating, maintenance and other costs to preserve and enhance environmental quality will be approximately \$41.5 million during 1999, compared to approximately \$44.6 million utilized in 1998. Approximately \$0.5 million of the Company's construction expenditures budgeted for 1999 are to comply with environmental laws and regulations. The Company continues to evaluate its environmental management systems to ensure compliance with existing and proposed environmental legislation and regulations and to better position itself in a competitive market.

As required by Title IV of the Clean Air Act Amendments of 1990 ("CAAA"), OG&E has completed installation and certification of all required continuous emissions monitors ("CEMs") at its generating stations. OG&E submits emissions data quarterly to the Environmental Protection Agency ("EPA") as required by the CAAA. Phase II sulfur dioxide ("SO2") emission requirements will affect

OG&E beginning in the year 2000. Based on current information, OG&E believes it can meet the SO2 limits without additional capital expenditures. In 1998, OG&E emitted 54,801 tons of SO2.

With respect to the nitrogen oxide ("NOx") regulations of Title IV of the CAAA, OG&E committed to meeting a 0.45 lbs/mmbtu NOx emission level in 1997 on all coal-fired boilers. As a result, OG&E was eligible to exercise its option to extend the effective date of the lower emission requirements from the year 2000 until 2008. OG&E's average NOx emissions for 1998 was 0.36 lbs/mmbtu.

OG&E has submitted all of its required Title V permit applications. As a result of the Title V Program, OG&E paid approximately \$0.3 million in fees in 1998.

Other potential air regulations have emerged that could impact OG&E. The Ozone Transport Assessment Group ("OTAG") studied long range transport of ozone and its precursors across a thirty-seven state area. The study was completed in 1997 but as a result of the efforts of OG&E and others, Oklahoma and 14 other states were exempted from any OTAG emission reduction requirements. However, in the fall of 1998, EPA proposed a further study of ozone transport from these 15 states to determine if emissions reductions in these states are warranted. If reductions had been required in Oklahoma, OG&E could have been forced to reduce its NOx emissions even further from the limits imposed by Title IV of the Act.

In 1997, EPA finalized revisions to the ambient ozone and particulate standards. Based on current ozone data, Tulsa and Oklahoma counties will likely fail to meet the proposed standard for ozone. In addition, EPA projects that Muskogee, Kay, Tulsa and Comanche counties in Oklahoma would fail to meet the standard for particulate matter. If reductions are required in Muskogee, Kay and Oklahoma counties, significant capital expenditures could be required by OG&E.

By mid-1999, EPA is expected to issue regulations concerning regional haze. This regulation is intended to protect visibility in national parks and wilderness areas throughout the United States. In Oklahoma, the Wichita Mountains would be the only area covered under the regulation. Emissions of sulfates and nitrate aerosols (both emitted from coal-fired boilers) can lead to the degradation of visibility. It is possible that controls on sources hundreds of miles away from the affected area may be required. Both Sooner and Muskogee Generating Stations could face significant capital expenditures if reductions are required.

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

The Company has and will continue to seek new pollution prevention opportunities and to evaluate the effectiveness of its waste reduction, reuse and recycling efforts. In 1998, the Company obtained refunds of approximately \$155,000 from its recycling efforts. This figure does not include the additional savings gained through the reduction and/or a avoidance of disposal costs and the reduction in material purchases due to reuse of existing materials. Similar savings are anticipated in future years.

OG&E has made application for renewal of all of its National Pollutant Discharge Elimination system permits. OG&E has received all of the permits in final form except one which is pending regulatory action. All of the permits issued to date offer greater operational flexibility than those in the past.

OG&E has requested that the State agency responsible for the development of Water Quality Standards remove the agriculture beneficial use classification from one of its cooling water reservoirs. Without removal of this classification, the facility could be subjected to standards that will require costly treatment and/or facility reconfiguration. The request for the removal of this classification has been approved at the state level and is awaiting approval by EPA.

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

The Company has and will continue to evaluate the impact of its operations on the environment. As a result, contamination on Company property may be discovered from time to time. One site identified as having been contaminated by historical operations was addressed during 1998. Remedial options based on the future use of this site are being pursued with appropriate regulatory agencies. The cost of these actions has not had and is not anticipated to have a material adverse impact on the Company's financial position or results of operations.

EMPLOYEES

The Company and its subsidiaries had 2,779 employees at December 31, 1998.

ITEM 2. PROPERTIES.

OG&E owns and operates an interconnected electric production, transmission and distribution system, located in Oklahoma and western Arkansas, which includes eight active generating stations with an aggregate active capability of 5,561 megawatts. The following table sets forth information with respect to present electric generating facilities, all of which are located in Oklahoma:

Station & Unit		Fuel	Year Installed	Unit Capability (Megawatts)	Station Capability (Megawatts)
-----		----	-----	-----	-----
Seminole	1	Gas	1971	515.0	
	2	Gas	1973	507.0	
	3	Gas	1975	500.0	1,522
Muskogee	3	Gas	1956	165.0	
	4	Coal	1977	492.5	
	5	Coal	1978	492.5	
	6	Coal	1984	506.0	1,656
Sooner	1	Coal	1979	514.0	
	2	Coal	1980	517.0	1,031
Horseshoe Lake	6	Gas	1958	172.0	
	7	Gas	1963	237.0	
	8	Gas	1969	396.0	805
Mustang	1	Gas	1950	58.0	Inactive
	2	Gas	1951	57.0	Inactive
	3	Gas	1955	120.0	
	4	Gas	1959	260.0	
	5	Gas	1971	63.0	443
Conoco	1	Gas	1991	25.5	
	2	Gas	1991	29.5	55
Arbuckle	1	Gas	1953	74.0	Inactive
Enid	1	Gas	1965	9.8	
	2	Gas	1965	9.6	
	3	Gas	1965	11.0	
	4	Gas	1965	9.6	40
Woodward	1	Gas	1963	9.0	9
Total Active Generating Capability (all stations)					-----
					5,561
					=====

At December 31, 1998, OG&E's transmission system included: (i) 65 substations with a total capacity of approximately 15.5 million kVA and approximately 4,003 structure miles of lines in Oklahoma; and (ii) six substations with a total capacity of approximately 1.9 million kVA and approximately 241 structure miles of lines in Arkansas. OG&E's distribution system included: (i) 300 substations with a total capacity of approximately 4.1 million kVA, 19,998 structure miles of overhead lines, 1,623 miles of underground conduit and 6,623 miles of underground conductors in Oklahoma; and (ii) 30 substations with a total capacity of approximately 617,500 kVA, 1,658 structure miles of overhead lines, 165 miles of underground conduit and 369 miles of underground conductors in Arkansas.

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

Enogex owns: (i) approximately 3,329 miles of natural gas gathering and transmission pipeline extending from the Arkoma Basin in eastern Oklahoma to the Anadarko Basin in western Oklahoma; (ii) a 75 percent interest in the Noark Pipeline LP which in turn owns 100 percent of the Ozark Gas Transmission LLC and related companies, a 924 mile interstate pipeline system with gathering and transmission operations in eastern Oklahoma and Arkansas and an approximate current capacity of 330 million cubic feet per day; (iii) a natural gas processing plant near Calumet, Oklahoma, which has the capacity to process 250 Mmcf of natural gas per day; (iv) interests in three other natural gas processing plants in Oklahoma, which have, in the aggregate, the capacity to process approximately 46 Mmcf of natural gas per day; (v) an 80 percent interest in the NuStar Joint Venture, whose assets include a 66.67 percent interest in the Benedum gas processing plant with an inlet capacity of 110 million cubic feet per day, a 100 percent interest in a second bypass plant with a capacity of 30 million cubic feet per day, 52 miles of natural gas liquid pipeline and over 200 miles of related gas gathering facilities located in Upton, Crockett, Reagan and neighboring counties in the Permian Basin in West Texas; and (vi) 100% of the gas gathering, processing and treating assets of the Belvan Corporation and Belvan and Todd Ranch Limited Partnerships, consisting of 345 miles of gathering system, gas liquid recovery and sulfur extraction facilities with a combined effective current capacity of 15 million cubic feet per day, and an eight-mile natural gas liquids pipeline.

During the three years ended December 31, 1998, the Company's gross property, plant and equipment additions approximated \$652 million and gross retirements approximated \$136 million. These additions were provided by internally generated funds. The additions during this three-year period amounted to approximately 14.7 percent of total property, plant and equipment at December 31, 1998.

ITEM 3. LEGAL PROCEEDINGS.

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

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

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

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

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

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

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

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

On February 15, 1996, OG&E elected to participate in the de minimis settlement of EPA's Administrative Order on Consent. This would limit OG&E's financial obligation and also would eliminate its involvement in the design and implementation of the site remedy. A third party is currently contesting OG&E's participation as a de minimis party. Regardless of the outcome of this issue, OG&E believes that its ultimate liability for this site will not be material primarily due to the limited volume of waste sent by OG&E to the site.

4. As previously reported, on September 18, 1996, Trigen-Oklahoma City Energy Corporation ("Trigen") sued OG&E in the United States District Court, Western District of Oklahoma, Case No. CIV-96-1595-M. Trigen alleged six causes of action: (i) monopolization in violation of Section 2 of the Sherman Act; (ii) attempt to monopolize in violation of Section 2 of the Sherman Act; (iii) acts in restraint of trade in violation of Oklahoma law, 79 O.S. 1991, ss. 1; (iv) discriminatory sales in violation of 79 O.S. 1991, ss. 4; (v) tortious interference with contract; and (vi) tortious interference with a prospective economic advantage. On December 21, 1998, the jury awarded Trigen in excess of \$30 million in actual and punitive damages. On February 19, 1999, the trial court entered judgement in favor of Trigen as follows: (i) \$6.8 million for various antitrust violations, (ii) \$4 million for tortious interference with an existing contract, (iii) \$7 million for tortious interference with a prospective economic advantage and (iv) \$10 million in punitive damages. The trial judge, in a companion order, acknowledged that the portions of the judgement could be duplicative, that the antitrust amounts could be tripled and that parties should address these issues in their post-trial motions. OG&E has filed its post trial motions requesting judgement in its favor or a new trial. If a successful result is not obtained at the trial level, OG&E will appeal. While the outcome of an appeal is uncertain, legal counsel and management believe it is not probable that Trigen will ultimately succeed in preserving the verdicts. Accordingly, the Company has not accrued any loss associated with the damages awarded. The Company believes that the ultimate resolution of this case will not have a material adverse effect on the Company's consolidated financial position or results of operations.

5. As previously reported, the State of Oklahoma, ex rel., Teresa Harvey (Carroll); Margaret B. Fent and Jerry R. Fent v. Oklahoma Gas and Electric Company, et al., District Court, Oklahoma County, Case No. CJ-97-1242-63. On February 24, 1997, the taxpayers instituted litigation against OG&E and Co-Defendants Oklahoma Corporation Commission, Oklahoma Tax Commission and individual commissioners seeking judgment in the amount of \$970,184.14 and treble penalties of \$2,910,552.42, plus interest and costs, for overcharges refunded by OG&E to its ratepayers in compliance with an Order of the OCC which Plaintiffs allege was illegal. Plaintiffs allege the refunds should have been paid into the state Unclaimed Property Fund. In June 1997, OG&E's Motion for Summary Judgment was granted. Plaintiffs appealed. On April 10, 1998, the Court of Civil Appeals affirmed the order of the trial court granting OG&E Summary Judgement. On April 29, 1998, Plaintiffs petitioned the Court of Civil Appeals for rehearing. Plaintiffs' Petition for Rehearing was overruled. Plaintiffs timely filed a Petition for Certiorari with the Oklahoma Supreme Court. The Oklahoma Supreme Court denied Certiorari. Plaintiffs did not file their Petition for Certiorari with the United States Supreme Court in time required. Case closed.

6. As reported, the City of Enid, Oklahoma ("Enid") through its City Council, notified OG&E of its intent to purchase OG&E's electric distribution facilities for Enid and to terminate OG&E's franchise to provide electricity within Enid as of June 26, 1998. On August 22, 1997, the City Council of Enid adopted Ordinance No. 97-30, which in essence granted OG&E a new 25-year franchise subject to approval of the electorate of Enid on November 18, 1997. In October 1997, eighteen residents of Enid filed a lawsuit against Enid, OG&E and others in the District Court of Garfield County, State of Oklahoma, Case No. CJ-97-829-01. Plaintiffs seek a declaration holding that (a) the Mayor of Enid and the City Council breached their fiduciary duty to the public and violated Article 10, Section 17 of the Oklahoma Constitution by

allegedly "gifting" to OG&E the option to acquire OG&E's electric system when the City Council approved the new franchise by Ordinance No. 97-30; (b) the subsequent approval of the new franchise by the electorate of the City of Enid at the November 18, 1997, franchise election cannot cure the alleged breach of fiduciary duty or the alleged constitutional violation; (c) violations of the Oklahoma Open Meetings Act occurred and that such violations render the resolution approving Ordinance No. 97-30 invalid; (d) OG&E's support of the Enid Citizens' Against the Government Takeover was improper; (e) OG&E has violated the favored nations clause of the existing franchise; and (f) the City of Enid and OG&E have violated the competitive bidding requirements found at 11 O.S. 35-201, et seq. Plaintiffs seek money damages against the Defendants under 62 O.S. 372 and 373. Plaintiffs allege that the action of the City Council in approving the proposed franchise allowed the option to purchase OG&E's property to be transferred to OG&E for inadequate consideration. Plaintiffs demand judgment for treble the value of the property allegedly wrongfully transferred to OG&E. On October 28, 1997, another resident filed a similar lawsuit against OG&E, Enid and the Garfield County Election Board in the District Court of Garfield County, State of Oklahoma, Case No. CJ-97-852-01. However, Case No. CJ-97-852-01 was dismissed without prejudice in December 1997. On December 8, 1997, OG&E filed a Motion to Dismiss Case No. CJ-97-829-01 for failure to state claims upon which relief may be granted. This motion is currently pending. While the Company cannot predict the precise outcome of this proceeding, the Company believes at the present time that this lawsuit is without merit and intends to vigorously defend this case.

7. On February 18, 1998, Enogex was sued by Melvin Scoggin and Oak Tree Resources, LLC, in the District Court of Oklahoma County, State of Oklahoma, for alleged breach of contract, fraud, breach of fiduciary duty, misappropriation and unjust enrichment arising from communications that allegedly created agreements regarding oil and gas exploration activities. Plaintiffs seek damages in excess of \$25 million. enogex filed an answer denying Plaintiffs' allegations. Various discovery disputes have been heard and favorable rulings for Enogex were entered by the Court. Plaintiffs sought a Writ of Mandamus from the Oklahoma Supreme Court regarding discovery denied by the district court on three occasions. On March 23, 1999, the Oklahoma Supreme court denied Plaintiffs' request. Discovery continues. While Enogex believes all the aforementioned claims are without merit, Enogex cannot predict the ultimate outcome of this litigation.

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

- - - - -

None

EXECUTIVE OFFICERS OF THE REGISTRANT.

- - - - -

The following persons were Executive Officers of the Registrant as of March 15, 1999:

Name	Age	Title
- - - - -	---	- - - - -
Steven E. Moore	52	Chairman of the Board, President and Chief Executive Officer
Al M. Strecker	55	Executive Vice President and Chief Operating Officer
Michael G. Davis	49	Vice President - Marketing and Customer Care
James R. Hatfield	41	Vice President and Treasurer
Irma B. Elliott	60	Vice President and Corporate Secretary
Steven R. Gerdes	42	Vice President, Shared Services
Melvin D. Bowen, Jr.	57	Vice President - Power Delivery - OG&E
Jack T. Coffman	55	Vice President - Power Supply - OG&E
Donald R. Rowlett	41	Controller Corporate Accounting
Don L. Young	58	Controller Corporate Audits

No family relationship exists between any of the Executive Officers of the Registrant. Messrs. Moore, Strecker, Davis, Hatfield, Gerdes, Rowlett, Young and Ms. Elliott are also officers of OG&E. Each Officer is to hold office until the Board of Directors meeting following the next Annual Meeting of Shareowners, currently scheduled for May 27, 1999.

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

Name	Business Experience	
<hr/>		
Steven E. Moore	1996-Present:	Chairman of the Board, President and Chief Executive Officer
	1996-Present:	Chairman of the Board, President and Chief Executive Officer - OG&E
	1995-1996:	President and Chief Operating Officer - OG&E
	1994-1995:	Senior Vice President - Law and Public Affairs - OG&E
Al M. Strecker	1998-Present:	Executive Vice President and Chief Operating Officer
	1998-Present:	Executive Vice President and Chief Operating Officer - OG&E
	1996-1998:	Senior Vice President
	1994-1998:	Senior Vice President - Finance and Administration - OG&E
	1994:	Vice President and Treasurer - OG&E
Michael G. Davis	1998-Present:	Vice President - Marketing and Customer Care
	1998-Present:	Vice President - Marketing and Customer Care - OG&E
	1996-1998:	Vice President
	1994-1998:	Vice President - Marketing and Customer Services - OG&E
	1994:	Director - Marketing Division - OG&E
James R. Hatfield	1997-Present:	Vice President and Treasurer
	1997-Present:	Vice President and Treasurer - OG&E
	1994-1997:	Treasurer - OG&E

Name	Business Experience	
	1994:	Vice President - Investor Relations & Corporate Secretary - Aquila Gas Pipeline Corporation
Irma B. Elliott	1996-Present:	Vice President and Corporate Secretary
	1996-Present:	Vice President and Corporate Secretary - OG&E
	1994-1996:	Corporate Secretary - OG&E
Steven R. Gerdes	1998-Present:	Vice President, Shared Services
	1998-Present:	Vice President, Shared Services - OG&E
	1997-1998:	Director, Shared Services
	1997:	Manager, Enterprise Support
	1994-1997:	Manager, Purchasing & Material Management
	1994:	Manager, Purchasing
Melvin D. Bowen, Jr.	1994-Present:	Vice President - Power Delivery - OG&E
	1994:	Metro Region Superintendent - OG&E
Jack T. Coffman	1994-Present:	Vice President - Power Supply - OG&E
	1994:	Manager - Generation Services - OG&E
Donald R. Rowlett	1998-Present:	Controller Corporate Accounting
	1996-Present:	Controller Corporate Accounting - OG&E
	1994-1996:	Assistant Controller - OG&E
	1994:	Senior Specialist - Tax Accounting - OG&E

Name	Business Experience
Don L. Young	<div>1998-Present:</div> <div>Controller Corporate Audits</div> <div>1996-Present:</div> <div>Controller Corporate Audits - OG&E</div> <div>1994-1996:</div> <div>Controller - OG&E</div>

PART II

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

STOCKHOLDER MATTERS.

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

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

	1998			1997		
	DIVIDEND PAID	HIGH	LOW	Dividend Paid	High	Low
First Quarter	\$0.33 1/4	\$28 15/16	\$25 11/16	\$0.33 1/4	\$21 1/2	\$20 1/4
Second Quarter	0.33 1/4	28 15/16	26	0.33 1/4	22 15/16	20 5/16
Third Quarter	0.33 1/4	29 9/16	25 5/8	0.33 1/4	23 5/8	22
Fourth Quarter	0.33 1/4	30	25 15/16	0.33 1/4	27 3/8	23 5/32

The number of record holders of Common Stock at December 31, 1998, was 39,008. The book value of the Company's Common Stock at December 31, 1998, was \$12.91.

ITEM 6. SELECTED FINANCIAL DATA.

HISTORICAL DATA

	1998	1997	1996	1995	1994

SELECTED FINANCIAL DATA					
(DOLLARS IN THOUSANDS EXCEPT					
FOR PER SHARE DATA)					
Operating revenues.....	\$1,617,737	\$1,443,610	\$1,387,435	\$1,302,037	\$1,355,168
Operating expenses.....	1,386,924	1,249,612	1,186,216	1,099,890	1,154,702

Operating income.....	230,813	193,998	201,219	202,147	200,466
Other income and deductions.....	5,758	5,047	97	800	(2,167)
Interest charges.....	70,699	66,495	67,984	77,691	74,514

Net income.....	165,872	132,550	133,332	125,256	123,785
Preferred dividend requirements.....	733	2,285	2,302	2,316	2,317
Earnings available for common.....	\$ 165,139	\$ 130,265	\$ 131,030	\$ 122,940	\$ 121,468
=====					
Long-term debt.....	\$ 935,583	\$ 841,924	\$ 829,281	\$ 843,862	\$ 730,567
Total assets.....	\$2,983,929	\$2,765,865	\$2,762,355	\$2,754,871	\$2,782,629
Earnings per average common share.....	\$ 2.04	\$ 1.61	\$ 1.62	\$ 1.52	\$ 1.50
CAPITALIZATION RATIOS					
Common equity.....	52.72%	52.50%	52.26%	51.19%	54.13%
Cumulative preferred stock.....	---	2.63%	2.68%	2.73%	2.94%
Long-term debt.....	47.28%	44.87%	45.06%	46.08%	42.93%
INTEREST COVERAGES					
Before federal income taxes					
(including AFUDC).....	4.84X	4.11X	4.07X	3.48X	3.59X
(excluding AFUDC).....	4.82X	4.10X	4.06X	3.46X	3.58X
After federal income taxes					
(including AFUDC).....	3.31X	2.98X	2.94X	2.59X	2.64X
(excluding AFUDC).....	3.30X	2.97X	2.93X	2.57X	2.62X

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

OF OPERATIONS.

MANAGEMENT'S DISCUSSION AND ANALYSIS.

OVERVIEW

(THOUSANDS EXCEPT PER SHARE AMOUNTS)	1998	1997	1996	Percent Change From Prior Year	
				1998	1997
Operating revenues.....	\$1,617,737	\$1,443,610	\$1,387,435	12.1	4.0
Earnings available for common stock....	\$ 165,139	\$ 130,265	\$ 131,030	26.8	(0.6)
Average shares outstanding.....	80,772	80,745	80,734	---	---
Earnings per average common share.....	\$ 2.04	\$ 1.61	\$ 1.62	26.7	(0.6)
Earnings per average common share - assuming dilution.....	\$ 2.04	\$ 1.61	\$ 1.62	26.7	(0.6)
Dividends paid per share.....	\$ 1.33	\$ 1.33	\$ 1.33	---	---

The following discussion and analysis presents factors which had a material effect on the operations and financial position of OGE Energy Corp. (the "Company") and its subsidiaries: Oklahoma Gas and Electric Company ("OG&E"), Enogex Inc. and its subsidiaries ("Enogex") and Origen Inc. and its subsidiaries ("Origen") during the last three years and should be read in conjunction with the Consolidated Financial Statements and Notes thereto. Average shares outstanding and all per share amounts have been restated to reflect the two-for-one stock split that occurred in June 1998. Trends and contingencies of a material nature are discussed to the extent known and considered relevant.

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

Earnings for 1998 increased 26.7 percent from \$1.61 per share in 1997 to \$2.04 per share in 1998. The increase was primarily the result of higher revenues at OG&E due to warmer weather, the Generation Efficiency Performance Rider ("GEP Rider"), higher margin sales to other utilities and power marketers ("off-system sales"), customer growth and lower operation and maintenance expense. The increase in earnings was partially offset by lower earnings at Enogex and Origen. The GEP Rider allows OG&E to retain part of the fuel savings achieved through cost efficiencies and is discussed in more detail

below. The 1997 decrease from \$1.62 per share to \$1.61 per share resulted primarily from the \$45 million annual reduction in OG&E's electric rates that became effective in March 1997, slightly lower earnings by Enogex and a loss by Origen, the Company's new non-regulated subsidiary, during its first year of operation. The decrease in earnings was partially offset by the GEP Rider, customer growth in the OG&E service area and lower interest costs.

The dividend payout ratio (expressed as a percentage of earnings available for common) decreased to 65 percent (or 78 percent weather adjusted) in 1998 from 83 percent in 1997. The Company's goal is to maintain a dividend payout ratio of approximately 75 percent based on the current business environment.

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

In 1996, the Company decided upon an enterprise-wide software system, which is Year 2000 ready. Enterprise software is a corporate software system designed to handle most of the Company's information processing needs and to improve work processes throughout the Company. The enterprise software system was successfully implemented throughout the Company on January 1, 1997 and is expected to significantly enhance the Company's abilities in the more competitive years ahead.

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

RESULTS OF OPERATIONS

REVENUES

(THOUSANDS)	1998	1997	1996	Percent Change From Prior Year	
				1998	1997
Sales of electricity to OG&E customers...	\$1,274,643	\$1,168,663	\$1,172,740	9.1	(0.3)
Sales of electricity to other utilities..	37,435	23,027	27,597	62.6	(16.6)
Enogex.....	304,694	251,575	187,098	21.1	34.5
Origen.....	965	345	---	179.4	---
<hr/>					
Total operating revenues.....	\$1,617,737	\$1,443,610	\$1,387,435	12.1	4.0
<hr/>					
System kilowatt-hour sales.....	23,642,599	22,182,992	21,540,670	6.6	3.0
Kilowatt-hour sales to other utilities...	727,601	1,201,933	1,475,449	(39.5)	(18.5)
<hr/>					
Total kilowatt-hour sales.....	24,370,200	23,384,925	23,016,119	4.2	1.6
<hr/>					

In 1998, approximately 81 percent of the Company's revenues consisted of regulated sales of electricity as a public utility, while the remaining 19 percent were provided primarily by the non-utility operations of Enogex. Revenues from sales of electricity are somewhat seasonal, with a large portion of the Company's annual electric revenues occurring during the summer months when the electricity needs of its customers increase. Enogex's primary operations consist of gathering and processing natural gas, producing natural gas liquids, transporting natural gas through its pipelines in Oklahoma and Arkansas for various customers (including OG&E), marketing electricity, natural gas and natural gas liquids and investing in the drilling for and production of crude oil and natural gas. Origen's operations remained immaterial to the Company during 1998. The Company continues to evaluate the existing business lines of Origen (which to date has consisted of geothermal design and engineering) and potential new ventures for Origen. Actions of the regulatory commissions that set OG&E's electric rates will continue to affect the Company's financial results. The commissions also have the authority to examine the appropriateness of OG&E's recovery from its customers of fuel costs, which include the transportation fees that OG&E pays Enogex for transporting natural gas to OG&E's generating units. See "Regulation; Competition" and Note 11 of Notes to Consolidated Financial Statements for a discussion of the impact of the Oklahoma Corporation Commission ("OCC") rate order dated February 11, 1997, on these transportation fees.

Operating revenues increased \$174.1 million or 12.1 percent during 1998, primarily due to a significant increase in revenue from OG&E and Enogex. In 1998, OG&E revenues increased \$120.4 million or 10.1 percent primarily due to an increase in kilowatt-hour sales to OG&E customers ("system sales") from warmer weather, the GEP Rider, higher margin sales to other utilities and power marketers ("off-system sales") and customer growth. Kilowatt-hour sales by OG&E to other utilities decreased 39.5 percent in 1998; however, the summer heat drove prices of this off-system electricity to record levels, increasing operating revenues approximately \$14.4 million in 1998 and at margins significantly higher than had been experienced in the past. There can be no assurance that such margins on future off-system sales will occur again.

Enogex revenues increased \$53.1 million or 21.1 percent during 1998, primarily as a result of significant increases in the volumes of natural gas sold through its gas marketing activities (\$17.2 million), gas transportation services (\$7.0 million) and marketing of electricity (\$46.3 million). These increases were partially offset by a decrease in natural gas liquids processed and sold (\$17.4 million). The increased gas-related revenues were attributable primarily to significantly higher volumes sold which more than offset a decrease in sales prices as such commodity prices were depressed. Other factors contributing to these increases were the acquisitions in 1998 of the Noark Pipeline and Ozark Pipeline, which are described below. The increased electricity-related revenues were due to the expansion in 1998 into the marketing of electricity.

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

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

The fuel cost information used to calculate the GEP Rider is based on fuel cost data submitted by each of the utilities in their Form No. 1 Annual Report filed with the Federal Energy Regulatory Commission ("FERC"). The GEP Rider is revised effective July 1 of each year to reflect any changes in the relative annual cost of fuel reported for the preceding calendar year. For 1998, the GEP Rider increased revenues (compared to 1997) by approximately \$10.0 million, or approximately \$0.08 per share. The current GEP Rider is estimated to positively impact revenue by \$33 million or approximately \$0.26 per share during the 12 months ending June 1999.

During 1997, operating revenues increased \$56.2 million or 4.0 percent primarily due to a significant increase in revenue from Enogex. In 1997, Enogex revenues increased \$64.5 million or 34.5 percent, primarily as a result of significant increases in the volume of natural gas sold through its gas marketing activities (\$53.6 million), and of natural gas liquids processed and sold (\$7.2 million), mainly due to the acquisition of the NuStar Joint Venture in May 1997, with a modest increase in prices for natural gas.

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

EXPENSES AND OTHER ITEMS

(DOLLARS IN THOUSANDS)	1998	1997	1996	Percent Change From Prior Year	
				1998	1997
Fuel	\$ 315,194	\$ 277,806	\$ 279,083	13.5	(0.5)
Purchased power.....	240,542	222,464	222,070	8.1	0.2
Gas and electricity purchased for resale (Enogex).....	216,432	172,764	117,343	25.3	47.2
Other operation and maintenance.....	305,106	311,337	307,154	(2.0)	1.4
Depreciation and amortization.....	149,818	142,632	136,140	5.0	4.8
Taxes.....	159,832	122,609	124,426	30.4	(1.5)
Total operating expenses.....	\$1,386,924	\$1,249,612	\$1,186,216	11.0	5.3

Total operating expenses increased \$137.3 million or 11.0 percent in 1998, primarily due to increases at OG&E in quantities of fuel burned and increased taxes. At Enogex, the increase was primarily due to increases in quantities of gas and electricity purchased for resale by its gas and electric marketing businesses.

Enogex's gas and electricity purchased for resale pursuant to its energy-marketing operations increased \$43.7 million or 25.3 percent for 1998 compared to \$55.4 million or 47.2 percent for 1997. The 1998 increase was due to a significant increase in sales volumes of natural gas (84,261 Bbtu or 97.2 percent) which more than offset a decrease in sales prices due to depressed commodity prices. This increase was also due to the recent expansion into the marketing of electricity. The 1997 increase was due to a significant increase in sales volumes (29,236 Bbtu or 53.7 percent) and an increase in purchase prices of approximately 15 percent.

OG&E's generating capability is fairly evenly divided between coal and natural gas and provides for flexibility to use either fuel to the best economic advantage for OG&E and its customers. In 1998, fuel costs increased due to a modest increase in total generation and a slight increase in the average cost of fuel burned for generation of electricity. During 1997, despite a slight increase in kwh sales, fuel costs decreased \$1.3 million or 0.5 percent primarily due to an increase in the percentage of coal-fired generation relative to total generation.

Other operation and maintenance decreased \$6.2 million or 2.0 percent in 1998 primarily because of decreases at OG&E in post retirement medical costs (\$3.8 million), bad debt expense (\$3.0 million), completion in February 1997 of the amortization of the \$48.9 million regulatory asset established in connection with OG&E's 1994 workforce reduction (\$3.8 million) and general corporate expenses (\$4.5 million). These decreases were partially offset by expansion activities at Enogex (\$8.4 million). In 1997, other operation and maintenance expenses increased \$4.2 million primarily because of increased costs associated with expansion activities at Enogex.

In 1998, taxes increased \$37.2 million or 30.4 percent primarily due to significantly higher pre-tax income and normally occurring temporary differences. In 1997, taxes had a net decrease of \$1.8

million or 1.5 percent primarily due to slightly lower pre-tax income and normally occurring temporary differences.

Purchased power costs increased \$18.1 million or 8.1 percent in 1998 primarily due to a 13 percent increase in the quantities purchased. During 1998, OG&E also began purchasing power from Mid-Continent Power Company ("MCPC"). Payments to MCPC in 1998 were approximately \$8 million. MCPC is a qualified cogeneration facility from which OG&E is required to purchase peaking capacity through 2007. In 1997, purchased power costs were \$222.5 million, remaining relatively constant compared to the \$222.1 million in 1996. As required by the Public Utility Regulatory Policy Act ("PURPA"), OG&E is currently purchasing power from qualified cogeneration facilities.

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

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

The increases in depreciation and amortization for 1998 and 1997 reflect higher levels of depreciable plant.

The increase in interest expense for 1998 was attributable to an increase in the average daily balance of short-term debt. Interest on long-term debt decreased as a result of OG&E refinancing \$100.0 million of long-term debt at favorable rates. The resulting savings was partially offset by Enogex issuing \$85.7 million of long-term debt. In 1997, the decrease in interest expense was attributable to OG&E retiring \$15 million of 5.125 percent First Mortgage Bonds in January 1997, the successful refinancing of \$336 million of short-term and long-term debt by OG&E and Enogex in 1997, and a lower average daily balance in short-term debt.

LIQUIDITY AND CAPITAL RESOURCES

The primary capital requirements for 1998 and as estimated for 1999 through 2001 are as follows:

(DOLLARS IN MILLIONS)	1998	1999	2000	2001
Electric utility construction expenditures including AFUDC.....	\$ 96.7	\$101.7	\$100.0	\$100.0
Non-utility construction expenditures and acquisitions.....	138.5	35.0	25.0	30.0
Maturities of long-term debt.....	26.0	2.0	169.0	2.0
Total.....	\$261.2	\$138.7	\$294.0	\$132.0

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

1998 CAPITAL REQUIREMENTS AND FINANCING ACTIVITIES

Capital requirements were \$261.2 million in 1998. Approximately \$1.0 million of the 1998 capital requirements were to comply with environmental regulations. This compares to capital requirements of \$163.6 million in 1997, of which \$1.1 million was to comply with environmental regulations.

During 1998, the Company's sources of capital were internally generated funds from operating cash flows, permanent financing and short-term borrowings. Operating cash flow remained strong in 1998 as internally generated funds, short-term debt and long-term debt issued by NOARK Pipeline Systems, L.P. ("NOARK"), met virtually all of the Company's capital expenditures. Variations in accounts receivable and accounts payable are not generally significant indicators of the Company's liquidity, as such variations are primarily attributable to fluctuations in weather in OG&E's service territory, which has a direct effect on sales of electricity.

Short-term borrowings were used during 1998 to meet temporary cash requirements. At December 31, 1998, the Company had outstanding short-term borrowings of \$119.1 million.

On January 2, 1998, OG&E retired \$25 million principal amount of 6.375 percent First Mortgage Bonds due January 1, 1998.

On April 15, 1998, OG&E issued \$100.0 million in Senior Notes at 6.50 percent due April 15, 2028. The proceeds from the sale of this new debt were applied to the redemption on April 21, 1998 of \$12.5 million principal amount of OG&E's 7.125 percent First Mortgage Bonds due January 1, 1999, \$40.0 million principal amount of OG&E's 7.125 percent First Mortgage Bonds due

January 1, 2002 and \$35.0 million principal amount of OG&E's 8.625 percent First Mortgage Bonds due November 1, 2007 and for general corporate purposes.

In October 1998, the Company made a \$53 million capital contribution to Enogex reflecting the Company's commitment to maintaining Enogex's strong credit rating and financial health.

In January 1998, Enogex, through a newly formed subsidiary, Enogex Arkansas Pipeline Corp. ("EAPC") acquired a 40 percent interest in the partnership that owns NOARK, a natural gas pipeline, for approximately \$30 million and agreed to acquire Ozark Pipeline ("Ozark"), for approximately \$55 million. The NOARK line is a 302-mile intra-state pipeline system that extends from near Fort Chaffee, Arkansas to near Paragould, Arkansas. The Ozark line is a 437-mile inter-state pipeline system that begins near McAlester, Oklahoma and terminates near Searcy, Arkansas. In July 1998, EAPC completed its acquisition of Ozark and contributed Ozark to NOARK. The two pipelines were integrated into a single, interstate transmission system on November 1, 1998 at an additional cost of approximately \$16 million. Current throughput capacity on the NOARK/Ozark line is approximately 330 million cubic feet per day. EAPC, which funded the integration, owns a 75 percent interest in NOARK and Southwestern Energy Pipeline Company owns the remaining 25 percent interest in the partnership.

In January 1998, EAPC issued a \$5.7 million Note at 7 percent, due July 1, 2020. The proceeds from the Note were utilized by EAPC in the NOARK acquisition. Annual payments of approximately \$0.8 million (including principal and accrued interest) begin July 1, 2004.

In June 1998, NOARK Pipeline Finance, L.L.C., a finance company subsidiary of NOARK, issued \$80.0 million aggregate principal amount of unsecured 7.15 percent Notes due 2018. These Notes are entitled to the benefits of a guaranty issued by Enogex pursuant to which Enogex has guaranteed 40 percent (subject to certain adjustments) of the principal, interest and premium on such Notes. The remaining 60 percent of the principal, interest and premium on such Notes are guaranteed by Southwestern Energy Company, the parent company of Southwestern Energy Pipeline Company. The proceeds from the sale of the Notes were loaned by NOARK Pipeline Finance, L.L.C. to NOARK and utilized by NOARK (i) to repay a bank revolving line of credit (approximately \$29.75 million), (ii) to repay an outstanding short-term loan from Enogex (approximately \$48.825 million) and (iii) for general corporate purposes. Principal payments of \$1.0 million plus accrued interest are due semi-annually.

In July 1998, Enogex agreed to lease underground gas storage from Central Oklahoma Oil and Gas Corp. ("COOG"). COOG currently leases gas storage capacity to OG&E. In connection with this lease transaction, the Company agreed to make up to a \$12 million secured loan to an affiliate of COOG. As part of this agreement, the Company has an \$8 million loan outstanding repayable in 2003 and secured by the assets and stock of COOG. This loan is classified as other property and investments in the accompanying Consolidated Balance Sheets.

FUTURE CAPITAL REQUIREMENTS

The Company's construction program for the next several years does not include additional base-load generating units. Rather, to meet the increased electricity needs of OG&E's electric utility customers during the foreseeable future, OG&E will concentrate on maintaining the reliability, increasing the utilization of existing capacity and increasing demand-side management efforts. Approximately \$0.5 million of the Company's construction expenditures budgeted for 1999 are to comply with environmental laws and regulations.

In November 1998, the Company announced plans to repurchase up to 6 million shares of its Common Stock over the next two years. On January 15, 1999, the Company repurchased 3 million shares of its Common Stock under an Advanced Share Repurchase Agreement with CIBC Oppenheimer Corp. The purchase price was \$80.4 million or \$26.8125 per share, the closing price on January 15, 1999. Under the terms of this Advanced Share Repurchase Agreement, the Company will bear the risk of increases and the benefit of decreases on the price of the Common Stock until CIBC Oppenheimer Corp. replaces, through open market purchases or privately negotiated transactions, the shares sold to the Company.

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

FUTURE SOURCES OF FINANCING

Management expects that internally generated funds will be adequate over the next three years to meet anticipated construction expenditures, while maturities of long-term debt will require permanent financing, with the amount and type dependent on market conditions at the time. Short-term borrowings will continue to be used to meet temporary cash requirements. The Company has the necessary regulatory approvals to incur up to \$400 million in short-term borrowings at any one time. At December 31, 1998, the Company had in place a line of credit for up to \$160 million, which was to expire December 6, 2000. In January 1999, the Company's line of credit was increased to \$200 million and the Company entered into a \$75 million credit agreement with CIBC Oppenheimer Corp. to fund the share repurchase described above.

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

THE YEAR 2000 ISSUE

There has been a great deal of publicity about the Year 2000 ("Y2K") and the possible problems that information technology systems may suffer as a result. The Y2K problem originated with the early development of computerized business applications. To save then-expensive storage space, reduce the complexity of calculations and yield better system performance, programmers and developers used a two-digit date scheme to represent the year (i.e., "72" for "1972"). This two-digit date scheme was used well into the 1980s and 1990s in traditional computer hardware such as mainframe systems, desktop personal computers and network servers, in customized software systems, off-the-shelf applications and operating systems, as well as in embedded systems ("chips") in everything from elevators to industrial plants to consumer products. As the Year 2000 approaches, date-sensitive systems may recognize the Year 2000 as 1900, or not at all. This inability to recognize or properly treat the Year 2000 may cause systems, including those of the Company, its customers, suppliers, business partners and neighboring utilities to process critical financial and operational information incorrectly, if they are not Year 2000 ready. A failure to identify and correct any such processing problems prior to January 1, 2000 could result in material operational and financial risks if the affected systems either cease to function or produce erroneous data. Such risks are described in more detail below, but could include an inability to operate OG&E's generating plants, disruptions in the operation of its transmission and distribution system and an inability to access interconnections with the systems of neighboring utilities.

After the Company's mainframe conversion in 1994, some 300 programs were identified as having date sensitive code. All of these programs have since been corrected or will be replaced by Y2K ready packaged applications.

The Company continues to address the Y2K issues in an aggressive manner. This is reflected by the January 1, 1997 implementation throughout the Company of SAP Enterprise Software, which is Y2K ready, for the financial systems. The SAP installation significantly reduced the potential risks in our older computer systems. The Company is making significant progress towards the implementation of the enterprise-wide software system for customer systems. In addition to significantly reducing the potential risks of its current customer systems, the Company is set to streamline work processes in customer service and power delivery by integrating separate systems into a single system using the enterprise-wide software system. This new single system will also provide for a more flexible automated billing system and enhancements in handling customer service orders, energy outage incidents and customer services.

In October of 1997, the Company formed a multi-functional Y2K Project Team of experienced and knowledgeable members from each business unit to review and test its operational systems in an effort to further eliminate any potential problems, should they exist. The team provides regular monthly reports on its progress to the Y2K Executive Steering Committee and senior management as well as helping prepare presentations to the Board of Directors.

The Company's Year 2000 effort generally follows a three-phase process:

- Phase I - Inventory and Assess Y2K Issues
- Phase II - Determine Y2K Readiness of Vendors, Suppliers & Customers
- Phase III - Correct, Test, Implement Solutions and Contingency Planning

STATE OF READINESS

The Company has substantially completed the internal inventory and assessment (Phase I) of the Year 2000 plan. Follow-up vendor surveys are being sent to vendors that have not responded to our original requests for information (Phase II). Remediation efforts are ongoing and even though contingency planning is a normal part of our business, plans are being prepared to include specific activities with regard to Y2K issues (Phase III).

In addition, as a part of the Company's three-year lease agreement for personal computers, all new personal computers are being issued with operating systems and application software that is Y2K ready. All existing personal computers will be upgraded with Y2K ready operating systems before the turn of the century. For embedded and plant operational systems, the Company has generally completed the evaluative process and is commencing corrective plans. In particular, the Company's Energy Management System ("EMS") that monitors transmission interconnections and automatically signals generation output changes, has been contracted for replacement in 1999. Equipment is currently being installed and software is being configured.

The Company is also participating in an "Electric System Readiness Assessment" program, which provides monthly reports to the Southwest Power Pool ("SPP") and the North American Electric Reliability Council ("NERC"). The responses from all participating companies are being compiled for an industry-wide status report to the Department of Energy ("DOE"). In addition, the Company is in the

process of developing its contingency plans that will be submitted shortly to the SPP and NERC to assist them in assessing Y2K readiness of the regional electric grid.

COSTS OF YEAR 2000 ISSUES

As described above, with the mainframe conversion, the enterprise software installations and the EMS replacement, a number of Y2K issues were addressed as part of the Company's normal course upgrades to the information technology systems. These upgrades were already contemplated and provided additional benefits or efficiencies beyond the Year 2000 aspect. In addition to the \$1 million spent to date for Y2K issues, since 1995 the Company has spent in excess of \$29 million on the mainframe conversion, the enterprise software installations and the EMS replacement. The Company expects to spend slightly less than \$5 million in 1999. These costs represent estimates, however, and there can be no assurance that actual costs associated with the Company's Y2K issues will not be higher.

RISKS OF YEAR 2000 ISSUES

As described above, the Company has made significant progress in the implementation of its Year 2000 plan. Based upon the information currently known regarding its internal operations and assuming successful and timely completion of its remediation plan, the Company does not anticipate significant business disruptions from its internal systems due to the Y2K issue. However, the Company may possibly experience limited interruptions to some aspects of its activities, whether information technology, operational, administrative or otherwise, and the Company is considering such potential occurrences in planning for its most reasonably likely worst case scenarios.

Additionally, risk exists regarding the non-readiness of third parties with key business or operational importance to the Company. Year 2000 problems affecting key customers, interconnected utilities, fuel suppliers and transporters, telecommunications providers or financial institutions could result in lost power or gas sales, reductions in power production or transmission or internal functional and administrative difficulties on the part of the Company. Although the Company is not presently aware of any such situations, occurrences of this type, if severe, could have material adverse impacts upon the business, operating results or financial condition of the Company. There can be no assurance that the Company will be able to identify and correct all aspects of the Year 2000 problem that affect it in sufficient time, that it will develop adequate contingency plans or that the costs of achieving Y2K readiness will not be material.

CONTINGENCIES

The Company through its subsidiaries is defending various claims and legal actions, including environmental actions, which are common to its operations. For a further discussion of these actions, including a lawsuit involving Trigen-Oklahoma City Energy Corporation, see Note 10 of Notes to Consolidated Financial Statements. As to environmental matters, OG&E has been designated as a "potentially responsible party" ("PRP") with respect to two waste disposal sites to which OG&E sent materials. Remediation of one of these sites has been completed and the required monitoring is in place. OG&E's total waste disposed at the remaining site is minimal and on February 15, 1996, the Company elected to participate in the de minimis settlement offered by the Environmental Protection Agency ("EPA"), which is being contested by one party. This limits the Company's financial obligation in addition to removing any participation in the site remedy. While it is not possible to determine the precise outcome of these matters, in the opinion of management, OG&E's ultimate liability for these sites will not be material.

Beginning in 2000, OG&E will be limited in the amount of sulfur dioxide it will be allowed to emit into the atmosphere. In order to meet this limit the Company has contracted for lower sulfur coal. OG&E believes this will allow it to meet this limit without additional capital expenditures. With respect to nitrogen oxides, OG&E continues to meet the current emission standard. However, pending regulations on regional haze, and Oklahoma's potential for not being able to meet the new ozone and particulate standards, could require further reductions in sulfur dioxide and nitrogen oxides. If this happens, significant capital expenditures and increased operating and maintenance costs would occur.

In 1997, the United States was a signatory to the Kyoto Protocol on global warming. If ratified by the U.S. Senate, this Protocol could have a tremendous impact on the Company's operations, by requiring the Company to significantly reduce the use of coal as a fuel source, since the Protocol would require a seven percent reduction in greenhouse gas emissions below the 1990 level.

The Oklahoma Department of Environmental Quality's CAAA Title V permitting program was approved by the EPA in March 1996. By March of 1997, OG&E had submitted all required permit applications and by January 1, 2000 OG&E expects to have new Title V permits for all of its major source generating stations. Air permit fees for generating stations were approximately \$0.3 million in 1998 and are estimated to be approximately \$0.4 million in 1999.

REGULATION; COMPETITION

As previously reported, Oklahoma enacted in April 1997 the Electric Restructuring Act of 1997 (the "Act"). In June 1998, various amendments to the Act were enacted. If implemented as proposed, the Act will significantly affect OG&E's future operations.

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

The Act directs the Joint Electric Utility Task Force, composed of seven members from the Oklahoma Senate and seven members from the Oklahoma House of Representatives, to undertake a study of all relevant issues relating to restructuring the electric utility industry in Oklahoma and to develop a proposed electric utility framework for Oklahoma. The Study was to be delivered in several parts. As a result of the 1998 amendments, the time frame for the delivery of the remaining parts of the Study was accelerated to October 1, 1999. This study is to address: (i) technical issues (including reliability, safety, unbundling of generation, transmission and distribution services, transition issues and market power); (ii) financial issues (including rates, charges, access fees, transition costs and stranded costs); (iii) consumer issues (such as the obligation to serve, service territories, consumer choices, competition and consumer safeguards); and (iv) tax issues (including sales and use taxes, ad valorem taxes and franchise fees).

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

make retail sales of electricity in Oklahoma through the use of transmission and distribution facilities of in-state suppliers to provide equal access to their transmission and distribution facilities outside of Oklahoma.

A new bill was introduced in the State Senate in January 1999 and if enacted would clarify certain ambiguities by defining key terms in the Act.

In December 1997, the APSC established four generic proceedings to consider the implementation of a competitive retail electric market in the State of Arkansas. During 1998, the APSC held hearings to consider competitive retail generation, market structure, market power, taxation, recovery and mitigation of stranded costs, service and reliability, low income assistance, independent system operators and transition issues. The Company participated actively in those proceedings, and in October 1998, the APSC issued its report on these issues to the Arkansas General Assembly.

On February 11, 1997, the OCC issued an Order, among other things, directing OG&E to transition to competitive bidding for its gas transportation requirements, currently met by Enogex, no later than April 30, 2000. This Order also set annual compensation for the transportation services provided by Enogex to OG&E at \$41.3 million until competitively-bid gas transportation begins. In 1998, approximately \$41.6 million or 8.2 percent of Enogex's revenues were attributable to transporting gas for OG&E. Other pipelines seeking to compete with Enogex for OG&E's business will likely have to pay a fee to Enogex for transporting gas on Enogex's system or incur capital expenditures to develop the necessary infrastructure to connect with OG&E's gas-fired generating stations. Nevertheless, a potential outcome of the competitive bidding process is that the revenues of Enogex derived from transporting gas for OG&E may be significantly less after April 30, 2000.

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

In October 1992, the National Energy Policy Act of 1992 ("Energy Act") was enacted. Among many other provisions, the Energy Act is designed to promote competition in the development of wholesale power generation in the electric utility industry. It exempts a new class of independent power producers from regulation under the Public Utility Holding Company Act of 1935 and allows the FERC to order wholesale "wheeling" by public utilities to provide utility and non-utility generators access to public utility transmission facilities.

In April 1996, the FERC issued two final rules, Orders 888 and 889, which are having a significant impact on wholesale markets. Order 888, sets forth rules on non-discriminatory open access transmission service to promote wholesale competition. Order 888, which was effective on July 9, 1996, requires utilities and other transmission users to abide by comparable terms, conditions and pricing in transmitting power. Order 889, which had its effective date extended to January 3, 1997, requires public utilities to implement Standards of Conduct and an Open Access Same Time Information System ("OASIS", formerly known as "Real-Time Information Networks"). These rules require transmission personnel to provide the same information about the transmission system to all transmission customers using the OASIS. In 1997, the FERC issued clarifying final orders in response to rehearing requests by numerous market participants regarding Orders No. 888 and 889. During 1998, OG&E submitted filings to the FERC to comply with these Orders, and those filings have been accepted. As OG&E continues to prepare for restructuring at the retail level, it is expected that additional filings will be made in order to ensure continuing compliance with the FERC's wholesale restructuring orders.

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

As discussed previously, Oklahoma enacted legislation that will restructure the electric utility industry in Oklahoma by July 2002, assuming that all the conditions in the legislation are met. This legislation would deregulate OG&E's electric generation assets and the continued use of Statement of Financial Accounting Standards ("SFAS") No. 71, "Accounting for the Effects of Certain Types of Regulation" with respect to the related regulatory assets may no longer be appropriate. This may result in either full recovery of generation-related regulatory assets (net of related regulatory liabilities) or a non-cash, pre-tax write-off as an extraordinary charge of up to \$31 million, depending on the transition mechanisms developed by the legislature for the recovery of all or a portion of these net regulatory assets.

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

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

On February 13, 1998, the APSC Staff filed a motion for a show cause order to review OG&E's electric rates in the State of Arkansas. The staff is recommending a \$3.1 million annual rate reduction (based on a test year ended December 31, 1996). OG&E filed a cost of service study and has requested a \$1.7 million annual rate increase. A decision on this rate case is expected in the next few months.

MARKET RISK

RISK MANAGEMENT

The risk management process established by the Company is designed to measure both quantitative and qualitative risks in its businesses. A senior risk management committee has been established to review these risks on a regular basis. The Company is exposed to market risk, including changes in interest rates and certain commodity prices.

To manage the volatility relating to these exposures, the Company enters into various derivative transactions pursuant to the Company's policies on hedging practices. Derivative positions are monitored using techniques such as market value and sensitivity analysis.

INTEREST RATE RISK

The Company's exposure to changes in interest rates relates primarily to long-term debt obligations and commercial paper. The Company manages its interest rate exposure by limiting its variable-rate debt to a certain percentage of total capitalization and by monitoring the effects of market changes in interest rates. The Company does not currently participate in interest rate-related derivative financial instruments. The fair value of long-term debt is estimated based on quoted market prices and management's estimate of current rates available for similar issues. The following table itemizes the Company's long-term debt maturities and the weighted-average interest rates by maturity date.

(DOLLARS IN MILLIONS)	1999	2000	2001	2002	2003	Thereafter	Total	1998 Year-end Fair Value
Fixed rate debt								
Principal amount.....	\$ 2.0	\$169.0	\$ 2.0	\$ 65.0	\$ 2.0	\$564.7	\$804.7	\$844.8
Weighted-average interest rate.....	7.15%	6.41%	7.15%	7.05%	7.15%	6.79%	6.95%	---
Variable-rate debt								
Principal amount.....	---	---	---	---	---	\$135.4	\$135.4	\$135.4
Weighted-average interest rate.....	---	---	---	---	---	3.77%	3.77%	---

COMMODITY PRICE EXPOSURE

The market risk inherent in our market risk sensitive instruments and positions is the potential loss arising from adverse changes in our commodity prices.

The prices of natural gas and electricity are subject to fluctuations resulting from changes in supply and demand. To partially reduce price risk caused by these market fluctuations, the Company's policy is to hedge (through the utilization of derivatives) a portion of the Company's supply and related purchase and sale contracts, as well as any anticipated transactions (purchases and sales). Because the commodities covered by these derivatives are substantially the same commodities that the Company buys and sells in the physical market, no special studies other than monitoring the degree of correlation between the derivative and cash markets, are deemed necessary.

A sensitivity analysis has been prepared to estimate the price exposure to the market risk of the Company's natural gas and electricity commodity positions. The Company's daily net commodity position consists of natural gas inventories, purchased electric capacity, commodity purchase and sales contracts, and derivative financial and commodity instruments. The fair value of such position is a summation of the fair values calculated for each commodity by valuing each net position at quoted futures prices. Market risk is estimated as the potential loss in fair value resulting from a hypothetical 10 percent adverse change in such prices over the next 12 months. The results of this analysis, which may differ from actual results, are as follows for fiscal 1999:

(DOLLARS IN THOUSANDS)	Wholesale	Non-Trading
Commodity market risk, net.....	\$ 823	\$ 877

Besides the various existing contingencies herein described, and those described in Note 10 of Notes to Consolidated Financial Statements, the Company's ability to fund its future operational needs and to finance its construction program is dependent upon numerous other factors beyond its control, such as general economic conditions, abnormal weather, load growth, inflation, new environmental laws or regulations, and the cost and availability of external financing.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

- - - - -

See Management's Discussion and Analysis of Financial Condition and Results of Operations, Market Risk.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

CONSOLIDATED BALANCE SHEETS

December 31 (DOLLARS IN THOUSANDS)	1998	1997	1996
=====			
ASSETS			
PROPERTY, PLANT AND EQUIPMENT:			
In service.....	\$4,391,232	\$4,125,858	\$4,005,532
Construction work in progress.....	50,039	25,799	27,968
Total property, plant and equipment.....	4,441,271	4,151,657	4,033,500
Less accumulated depreciation.....	1,914,721	1,797,806	1,687,423
Net property, plant and equipment.....	2,526,550	2,353,851	2,346,077
OTHER PROPERTY AND INVESTMENTS, at cost.....	31,682	37,898	24,802

CURRENT ASSETS:			
Cash and cash equivalents.....	378	4,257	2,523
Accounts receivable - customers, less reserve of \$3,342, \$4,507 and \$4,626, respectively.....	141,235	117,842	128,974
Accrued unbilled revenues.....	22,500	36,900	34,900
Accounts receivable - other.....	12,902	11,470	11,748
Fuel inventories, at LIFO cost.....	57,288	49,369	62,725
Materials and supplies, at average cost.....	29,734	28,430	24,827
Prepayments and other.....	31,551	4,489	4,300
Accumulated deferred tax assets.....	7,811	6,925	10,067
Total current assets.....	303,399	259,682	280,064

DEFERRED CHARGES:			
Advance payments for gas.....	15,000	10,500	9,500
Income taxes recoverable through future rates.....	40,731	42,549	44,368
Other.....	66,567	61,385	57,544
Total deferred charges.....	122,298	114,434	111,412
TOTAL ASSETS.....	\$2,983,929	\$2,765,865	\$2,762,355
=====			

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

CONSOLIDATED BALANCE SHEETS (Continued)

December 31 (DOLLARS IN THOUSANDS)	1998	1997	1996
CAPITALIZATION AND LIABILITIES			
CAPITALIZATION (see statements):			
Common stock and retained earnings.....	\$1,043,382	\$ 984,960	\$ 961,603
Cumulative preferred stock.....	---	49,266	49,379
Long-term debt.....	935,583	841,924	829,281
Total capitalization.....	1,978,965	1,876,150	1,840,263
CURRENT LIABILITIES:			
Short-term debt.....	119,100	1,000	41,400
Accounts payable.....	96,936	77,733	86,856
Dividends payable.....	26,865	27,428	27,421
Customers' deposits.....	23,985	23,847	23,257
Accrued taxes.....	30,500	21,677	26,761
Accrued interest.....	21,081	20,041	19,832
Long-term debt due within one year.....	2,000	25,000	15,000
Other.....	50,266	38,518	39,188
Total current liabilities.....	370,733	235,244	279,715
DEFERRED CREDITS AND OTHER LIABILITIES:			
Accrued pension and benefit obligation.....	17,952	62,023	61,335
Accumulated deferred income taxes.....	531,940	503,952	488,016
Accumulated deferred investment tax credits.....	67,728	72,878	78,028
Other.....	16,611	15,618	14,998
Total deferred credits and other liabilities.....	634,231	654,471	642,377
COMMITMENTS AND CONTINGENCIES (Notes 10, 11 and 13)			
TOTAL CAPITALIZATION AND LIABILITIES.....	\$2,983,929	\$2,765,865	\$2,762,355

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

CONSOLIDATED STATEMENTS OF CAPITALIZATION

December 31 (DOLLARS IN THOUSANDS)	1998	1997	1996
=====			
COMMON STOCK AND RETAINED EARNINGS:			
Common stock, par value \$0.01 per share, authorized 125,000,000 shares; and outstanding 80,797,539, 80,771,834, and 92,941,232 shares, respectively.....	\$ 808	\$ 808	\$ 929
Premium on capital stock.....	512,806	512,089	936,108
Retained earnings.....	529,768	472,063	449,198
Treasury stock, zero, zero, and 12,183,742 shares, respectively.....	---	---	(424,632)

Total common stock and retained earnings.....	1,043,382	984,960	961,603

CUMULATIVE PREFERRED STOCK:			
Par value \$20, authorized 675,000 shares - 4%; zero, 418,963, and 421,963 shares, respectively.....	---	8,379	8,439
Par value \$100, authorized 1,865,000 shares- SERIES SHARES OUTSTANDING			
4.20% zero, 49,750, and 49,950 shares, respectively.....	---	4,975	4,995
4.24% zero, 74,990, and 75,000 shares, respectively.....	---	7,499	7,500
4.44% zero, 63,200, and 63,500 shares, respectively.....	---	6,320	6,350
4.80% zero, 70,925, and 70,950 shares, respectively.....	---	7,093	7,095
5.34% zero, 150,000, and 150,000 shares, respectively.....	---	15,000	15,000

Total cumulative preferred stock.....	---	49,266	49,379

LONG-TERM DEBT:			
First mortgage bonds-			
SERIES DATE DUE			
5.125% January 1, 1997.....	---	---	15,000
6.375% January 1, 1998.....	---	25,000	25,000
7.125% January 1, 1999.....	---	12,500	12,500
6.250% Senior Notes Series B, October 15, 2000.....	110,000	110,000	110,000
7.125% January 1, 2002.....	---	40,000	40,000
8.375% January 1, 2007.....	---	---	75,000
8.625% November 1, 2007.....	---	35,000	35,000
8.250% August 15, 2016.....	---	---	100,000
7.000% Pollution Control Series C, March 1, 2017.....	---	---	56,000
6.500% Senior Notes Series D, July 15, 2017.....	125,000	125,000	---
8.875% December 1, 2020.....	---	---	75,000
7.300% Senior Notes Series A, October 15, 2025.....	110,000	110,000	110,000
6.650% Senior Notes Series C, July 15, 2027.....	125,000	125,000	---
6.500% Senior Notes Series E, April 15, 2028.....	100,000	---	---
Other bonds-			
Var. % Garfield Industrial Authority, January 1, 2025.....	47,000	47,000	47,000
Var. % Muskogee Industrial Authority, January 1, 2025.....	32,400	32,400	32,400
Var. % Muskogee Industrial Authority, June 1, 2027.....	56,000	56,000	---
Unamortized premium and discount, net.....	(2,488)	(976)	(8,619)
Enogex Inc. notes (Note 6).....	234,671	150,000	120,000

Total long-term debt.....	937,583	866,924	844,281
Less long-term debt due within one year.....	2,000	25,000	15,000

Total long-term debt (excluding long-term debt due within one year).....	935,583	841,924	829,281

Total Capitalization.....	\$1,978,965	\$1,876,150	\$1,840,263
=====			

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

CONSOLIDATED STATEMENTS OF INCOME

Year ended December 31 (DOLLARS IN THOUSANDS EXCEPT PER SHARE DATA)	1998	1997	1996
=====	=====	=====	=====
OPERATING REVENUES.....	\$1,617,737	\$1,443,610	\$1,387,435
- - - - -	- - - - -	- - - - -	- - - - -
OPERATING EXPENSES:			
Fuel.....	315,194	277,806	279,083
Purchased power.....	240,542	222,464	222,070
Gas and electricity purchased for resale.....	216,432	172,764	117,343
Other operation and maintenance.....	305,106	311,337	307,154
Depreciation and amortization.....	149,818	142,632	136,140
Current income taxes.....	84,722	57,347	81,227
Deferred income taxes, net.....	29,072	22,255	2,150
Deferred investment tax credits, net.....	(5,150)	(5,150)	(5,150)
Taxes other than income.....	51,188	48,157	46,199
- - - - -	- - - - -	- - - - -	- - - - -
Total operating expenses.....	1,386,924	1,249,612	1,186,216
- - - - -	- - - - -	- - - - -	- - - - -
OPERATING INCOME.....	230,813	193,998	201,219
- - - - -	- - - - -	- - - - -	- - - - -
OTHER INCOME AND DEDUCTIONS:			
Interest income.....	3,561	3,873	2,198
Other.....	2,197	1,174	(2,101)
- - - - -	- - - - -	- - - - -	- - - - -
Net other income and deductions.....	5,758	5,047	97
- - - - -	- - - - -	- - - - -	- - - - -
INTEREST CHARGES:			
Interest on long-term debt.....	60,856	62,572	62,412
Allowance for borrowed funds used during construction.....	(1,071)	(599)	(709)
Other.....	10,914	4,522	6,281
- - - - -	- - - - -	- - - - -	- - - - -
Total interest charges, net.....	70,699	66,495	67,984
- - - - -	- - - - -	- - - - -	- - - - -
NET INCOME.....	165,872	132,550	133,332
- - - - -	- - - - -	- - - - -	- - - - -
PREFERRED DIVIDEND REQUIREMENTS.....	733	2,285	2,302
- - - - -	- - - - -	- - - - -	- - - - -
EARNINGS AVAILABLE FOR COMMON STOCK.....	\$ 165,139	\$ 130,265	\$ 131,030
=====	=====	=====	=====
AVERAGE COMMON SHARES OUTSTANDING (thousands).....	80,772	80,745	80,734
- - - - -	- - - - -	- - - - -	- - - - -
EARNINGS PER AVERAGE COMMON SHARE.....	\$ 2.04	\$ 1.61	\$ 1.62
- - - - -	- - - - -	- - - - -	- - - - -
AVERAGE COMMON SHARES OUTSTANDING ASSUMING DILUTION (thousands).....	80,787	80,745	80,734
- - - - -	- - - - -	- - - - -	- - - - -
EARNINGS PER AVERAGE COMMON SHARE ASSUMING DILUTION.....	\$ 2.04	\$ 1.61	\$ 1.62
=====	=====	=====	=====

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

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

Year ended December 31 (DOLLARS IN THOUSANDS)	1998	1997	1996
BALANCE AT BEGINNING OF PERIOD.....	\$ 472,063	\$ 449,198	\$ 425,545
ADD - net income.....	165,872	132,550	133,332
Total.....	637,935	581,748	558,877
DEDUCT:			
Cash dividends declared on preferred stock.....	733	2,285	2,302
Cash dividends declared on common stock.....	107,434	107,400	107,377
Total.....	108,167	109,685	109,679
BALANCE AT END OF PERIOD.....	\$ 529,768	\$ 472,063	\$ 449,198

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

Year ended December 31 (DOLLARS IN THOUSANDS)	1998	1997	1996
=====			
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net Income.....	\$ 165,872	\$ 132,550	\$ 133,332
Adjustments to Reconcile Net Income to Net Cash Provided from Operating Activities:			
Depreciation and amortization.....	149,818	142,632	136,140
Deferred income taxes and investment tax credits, net.....	23,922	17,105	(3,000)
Gain on sale of assets.....	---	(2,511)	---
Provision for rate refund.....	---	---	1,804
Change in Certain Current Assets and Liabilities:			
Accounts receivable - customers.....	(23,393)	11,132	(16,533)
Accrued unbilled revenues.....	14,400	(2,000)	8,650
Fuel, materials and supplies inventories.....	(9,223)	9,753	(4,200)
Accumulated deferred tax assets.....	(886)	3,142	692
Other current assets.....	(25,627)	89	(2,361)
Accounts payable.....	19,203	(9,123)	13,401
Accrued taxes.....	8,823	(5,084)	(1,176)
Accrued interest.....	1,040	209	688
Accumulated provision for rate refund.....	---	---	(2,650)
Other current liabilities.....	11,323	(73)	7,131
Other operating activities.....	(43,003)	(2,503)	22,753
Net cash provided from operating activities.....	292,269	295,318	294,671

CASH FLOWS FROM INVESTING ACTIVITIES:			
Capital expenditures.....	(235,231)	(163,571)	(161,129)
Other investing activities.....	(8,084)	4,900	---
Net cash used in investing activities.....	(243,315)	(158,671)	(161,129)

CASH FLOWS FROM FINANCING ACTIVITIES:			
Retirement of long-term debt.....	(113,500)	(321,000)	---
Proceeds from long-term debt.....	100,000	336,000	---
Short-term debt, net.....	118,100	(40,400)	(26,200)
Redemption of preferred stock.....	(49,266)	(113)	(560)
Retirement of treasury stock.....	---	285	---
Cash dividends declared on preferred stock.....	(733)	(2,285)	(2,302)
Cash dividends declared on common stock.....	(107,434)	(107,400)	(107,377)
Net cash used in financing activities.....	(52,833)	(134,913)	(136,439)

NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS.....	(3,879)	1,734	(2,897)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD.....	4,257	2,523	5,420
CASH AND CASH EQUIVALENTS AT END OF PERIOD.....	\$ 378	\$ 4,257	\$ 2,523
=====			
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION			
Cash Paid During the Period for:			
Interest (net of amount capitalized).....	\$ 59,792	\$ 64,081	\$ 64,882
Income taxes	\$ 77,150	\$ 64,705	\$ 82,970

NON-CASH INVESTING AND FINANCING ACTIVITIES			
Debt assumed in acquisition of subsidiary.....	\$ 80,000	---	---
Capital lease financing.....	\$ 9,818	---	---
Other investing and financing activities.....	\$ (3,000)	\$ 5,185	---
=====			

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REORGANIZATION AND PRINCIPALS OF CONSOLIDATION

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

ACCOUNTING RECORDS

The accounting records of OG&E are maintained in accordance with the Uniform System of Accounts prescribed by the Federal Energy Regulatory Commission ("FERC") and adopted by the Oklahoma Corporation Commission ("OCC") and the Arkansas Public Service Commission ("APSC"). Additionally, OG&E, as a regulated utility, is subject to the accounting principles prescribed by the Financial Accounting Standards Board ("FASB") Statement of Financial Accounting Standards ("SFAS") No. 71, "Accounting for the Effects of Certain Types of Regulation." SFAS No. 71 provides that certain costs that would otherwise be charged to expense can be deferred as regulatory assets, based on expected recovery from customers in future rates. Likewise, certain credits that would otherwise reduce expense are deferred as regulatory liabilities based on expected flowback to customers in future rates. Management's expected recovery of deferred costs and flowback of deferred credits generally results from specific decisions by regulators granting such ratemaking treatment. At December 31, 1998, regulatory assets and regulatory liabilities are being reflected in rates charged to customers over periods ranging from one to 20 years.

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

DEFERRED CHARGES - OTHER

(DOLLARS IN THOUSANDS)	1998	1997	1996
Regulated Deferred Charges:			
Workforce reduction.....	\$ ---	\$ ---	\$ 3,759
Unamortized debt expense.....	8,566	6,776	10,291
Unamortized loss on reacquired debt.....	29,072	28,660	10,253
Miscellaneous.....	2,217	403	435
Total regulated deferred charges.....	39,855	35,839	24,738
Non-Regulated Deferred Charges:			
Enogex gas sales contracts.....	12,389	13,925	14,949
Insurance claims - property damage.....	---	---	6,231
Miscellaneous.....	14,323	11,621	11,626
Total non-regulated deferred charges.....	26,712	25,546	32,806
Total Deferred Charges.....	\$ 66,567	\$ 61,385	\$ 57,544

REGULATORY ASSETS AND LIABILITIES

(DOLLARS IN THOUSANDS)	1998	1997	1996
Regulatory Assets:			
Income taxes recoverable from customers.....	\$ 104,160	\$ 115,989	\$ 127,819
Unamortized loss on reacquired debt.....	29,072	28,660	10,253
Workforce reduction.....	---	---	3,759
Miscellaneous.....	2,217	403	435
Total Regulatory Assets.....	135,449	145,052	142,266
Regulatory Liabilities:			
Income taxes refundable to customers.....	(63,429)	(73,440)	(83,451)
Gain on disposition of allowances.....	---	---	(329)
Net Regulatory Assets.....	\$ 72,020	\$ 71,612	\$ 58,486

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

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

ACCOUNTING PRONOUNCEMENTS

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

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

In March 1998, the American Institute of Certified Public Accountants ("AICPA") issued Statement of Position ("SOP") 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use". Adoption of SOP 98-1 is required for fiscal years beginning after December 15, 1998. The Company will adopt this new standard effective January 1, 1999, and management believes the adoption of this new standard will not have a material impact on its consolidated financial position or results of operations.

In June 1998, the FASB issued SFAS No. 133, "Accounting for Derivative Instruments and for Hedging Activities". Adoption of SFAS No. 133 is required for financial statements for periods beginning after June 15, 1999. The Company will adopt this new standard effective January 1, 2000, and management believes the adoption of this new standard will not have a material impact on its consolidated financial position or results of operations.

In December 1998, the FASB Emerging Issues Task Force reached consensus on Issue No. 98-10, Accounting for Contracts Involved in Energy Trading and Risk Management Activities ("EITF Issue 98-10"). EITF Issue 98-10 is effective for fiscal years beginning after December 15, 1998. EITF Issue 98-10 requires energy trading contracts to be recorded at fair value on the balance sheet, with changes in fair value included in earnings. The effect of initial application of EITF Issue 98-10 will be reported as a cumulative effect of a change in accounting principle. The Company will adopt this new Issue effective January 1, 1999, and management believes the adoption of the new Issue will not have a material impact on its consolidated financial position or results of operations.

DERIVATIVES

Enogex, in the normal course of business, enters into fixed price contracts for either the purchase or sale of natural gas and electricity at future dates. Due to fluctuations in the natural gas and electricity markets, the Company buys or sells natural gas and electricity futures contracts, swaps or options to hedge the price and basis risk associated with the specifically identified purchase or sales contracts. Additionally, the Company will use these contracts as an enhancement or speculative trade. For qualifying hedges, the Company accounts for changes in the market value of futures contracts as a deferred gain or loss until the production month for hedged transactions, at which time the gain or loss on the natural gas or electricity futures contract, swap or option is recognized in the results of operations. The Company recognizes the gain or loss on enhancement or speculative contracts as market values change in the results of operations.

USE OF ESTIMATES

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

PROPERTY, PLANT AND EQUIPMENT

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

DEPRECIATION

The provision for depreciation, which was approximately 3.2 percent of the average depreciable utility plant, for each of the years 1998, 1997 and 1996, is provided on a straight-line method over the estimated service life of the property. Depreciation is provided at the unit level for production plant and at the account or sub-account level for all other plant, and is based on the average life group procedure.

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

ALLOWANCE FOR FUNDS USED DURING CONSTRUCTION

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

AFUDC rates, compounded semi-annually, were 5.75, 5.94 and 5.63 percent for the years 1998, 1997 and 1996, respectively.

FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying value of the financial instruments on the Consolidated Balance Sheets not otherwise discussed in these notes approximate fair value.

CASH AND CASH EQUIVALENTS

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

The Company's cash management program utilizes controlled disbursement banking arrangements. Outstanding checks in excess of cash balances totaled \$27.8 million, \$18.5 million and \$24.0 million at December 31, 1998, 1997 and 1996, respectively, and are classified as accounts payable in the accompanying Consolidated Balance Sheets. Sufficient funds were available to fund these outstanding checks when they were presented for payment.

HEAT PUMP LOANS

OG&E has a heat pump loan program, whereby, qualifying customers may obtain a loan from OG&E to purchase a heat pump. Customer loans are available from a minimum of \$1,500 to a maximum of \$13,000 with a term of 6 months to 72 months. The finance rate is based upon short-term loan rates and is reviewed and updated periodically. The interest rates were 8.25, 8.25 and 9.75 percent at December 31, 1998, 1997 and 1996, respectively.

The current portion of these loans totaled \$1.0 million, \$4.9 million and \$4.0 million at December 31, 1998, 1997 and 1996, respectively, and are classified as accounts receivable - customers in the accompanying Consolidated Balance Sheets. The noncurrent portion of these loans totaled \$4.0 million, \$19.1 million and \$15.3 million at December 31, 1998, 1997 and 1996, respectively, and are classified as other property and investments in the accompanying Consolidated Balance Sheets. In 1998 OG&E sold approximately \$25.0 million of its heat pump loans.

UNBILLED REVENUE

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

AUTOMATIC FUEL ADJUSTMENT CLAUSES

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

FUEL INVENTORIES

Fuel inventories for the generation of electricity consists of coal, oil and natural gas. These inventories are accounted for under the last-in, first-out ("LIFO") cost method. The estimated replacement cost of fuel inventories was lower than the stated LIFO cost by approximately \$4.4 million for 1998 and \$1.1 million for 1997, and exceeded the stated LIFO cost by approximately \$4.6 million for 1996, based on the average cost of fuel purchased late in the respective years. Natural gas products inventories are held for sale and accounted for based on the weighted average cost of production.

ACCRUED VACATION

The Company accrues vacation pay by establishing a liability for vacation earned during the current year, but is not payable until the following year. The accrued vacation totaled \$13.4 million, \$13.2 million and \$11.4 million at December 31, 1998, 1997 and 1996, respectively, and is classified as other current liabilities in the accompanying Consolidated Balance Sheets.

ENVIRONMENTAL COSTS

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

RECLASSIFICATIONS AND STOCK SPLIT

Certain amounts have been reclassified on the consolidated financial statements to conform with the 1998 presentation. Effective June 15, 1998, the outstanding shares of the Company's common stock were split on a two-for-one basis. The new shares were issued to shareowners of record on June 1, 1998. Prior period shares, dividends and earnings per share of common stock have been restated to reflect the stock split.

2. INCOME TAXES

The items comprising tax expense are as follows:

Year ended December 31 (DOLLARS IN THOUSANDS)	1998	1997	1996
Provision For Current Income Taxes:			
Federal.....	\$ 72,084	\$ 47,676	\$ 72,633
State.....	12,638	9,671	8,594
Total Provision For Current Income Taxes.....	84,722	57,347	81,227
Provisions (Benefit) For Deferred Income Taxes, net:			
Federal			
Depreciation.....	1,490	11,344	2,671
Repair allowance.....	1,200	794	2,100
Removal costs.....	(220)	774	630
Provision for rate refund.....	---	---	928
Software implementation costs.....	---	4,840	(1,727)
Company restructuring.....	22	(494)	(8,250)
Pension expense.....	14,806	---	---
Bond Redemption-unamortized costs.....	8,458	---	---
Other.....	20	2,093	1,433
State.....	3,296	2,904	4,365
Total Provision (Benefit) For Deferred Income Taxes, net....	29,072	22,255	2,150
Deferred Investment Tax Credits, net.....	(5,150)	(5,150)	(5,150)
Income Taxes Relating to Other Income and Deductions.....	---	2,114	(515)
Total Income Tax Expense.....	\$ 108,644	\$ 76,566	\$ 77,712
Pretax Income.....	\$274,516	\$ 209,116	\$ 211,044

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

Year ended December 31	1998	1997	1996
Statutory federal tax rate.....	35.0%	35.0%	35.0%
State income taxes, net of federal income tax benefit.....	3.8	3.9	4.0
Tax credits, net.....	(3.0)	(4.0)	(4.1)
Other, net.....	3.8	1.7	1.9
Effective income tax rate as reported.....	39.6%	36.6%	36.8%

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

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

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

The deferred tax provisions, set forth above, are recognized as costs in the ratemaking process by the commissions having jurisdiction over the rates charged by OG&E. The components of Accumulated Deferred Income Taxes at December 31, 1998, 1997 and 1996 are as follows:

(DOLLARS IN THOUSANDS)	1998	1997	1996
Current Deferred Tax Assets:			
Accrued vacation.....	\$ 5,088	\$ 4,221	\$ 4,171
Uncollectible accounts.....	1,242	1,898	1,748
Capitalization of indirect costs.....	172	106	2,583
RAR interest.....	774	---	---
Provision for Worker's Compensation claims.....	462	595	1,207
Other.....	73	105	358
Accumulated deferred tax assets.....	\$ 7,811	\$ 6,925	\$ 10,067
Deferred Tax Liabilities:			
Accelerated depreciation and other property-related differences.....	\$ 491,943	\$ 489,739	\$ 469,949
Allowance for funds used during construction.....	38,575	43,327	46,429
Income taxes recoverable through future rates.....	40,310	44,888	49,466
Total.....	570,828	577,954	565,844
Deferred Tax Assets:			
Deferred investment tax credits.....	(21,875)	(23,623)	(25,372)
Income taxes refundable through future rates.....	(24,547)	(28,421)	(32,296)
Postemployment medical and life insurance benefits.....	(3,100)	(4,174)	(2,301)
Company pension plan.....	(682)	(16,242)	(16,465)
Bond redemption-unamortized costs.....	9,353	---	---
Other.....	1,963	(1,542)	(1,394)
Total.....	(38,888)	(74,002)	(77,828)
Accumulated Deferred Income Tax Liabilities.....	\$ 531,940	\$ 503,952	\$ 488,016

3. COMMON STOCK AND RETAINED EARNINGS

In May 1998, the Company's Board of Directors approved a two-for-one stock split of its common stock, par value \$0.01 per share (the "Common Stock"), by declaring a 100 percent stock dividend payable June 15, 1998. Accordingly, each shareowner of record of the Common Stock received one additional share of Common Stock for each share of Common Stock held on June 1, 1998.

There were 25,705, 28,896 and zero shares of new stock issued pursuant to the Restricted Stock Plan during 1998, 1997 and 1996, respectively. The \$0.7 million increase in 1998 in premium on capital stock as presented on the Consolidated Statements of Capitalization, represents a gain on the issuance of common stock pursuant to the Restricted Stock Plan. The \$424.0 million decrease in 1997 in premium on capital stock represents the gains and losses associated with the issuance of common stock pursuant to the Restricted Stock Plan, repurchased preferred stock and the retirement of treasury stock.

There were 10,110,846 shares of unissued common stock reserved for the various employee and Company stock plans at December 31, 1998. With the exception of the Stock Incentive Plan, the common stock requirements, pursuant to those plans, are currently being satisfied with stock purchased on the open market.

SHAREOWNERS RIGHTS PLAN

In December 1990, OG&E adopted a Shareowners Rights Plan designed to protect shareowners' interests in the event that OG&E was ever confronted with an unfair or inadequate acquisition proposal. In connection with the corporate restructuring, the Company adopted a substantially identical Shareowners Rights Plan in August 1995. Pursuant to the plan, the Company declared a dividend distribution of one "right" for each share of Company common stock. As a result of the June 1998 two-for-one stock split, each share of common stock is now entitled to one-half of a right. Each right entitles the holder to purchase from the Company one one-hundredth of a share of new preferred stock of the Company under certain circumstances. The rights may be exercised if a person or group announces its intention to acquire, or does acquire, 20 percent or more of the Company's common stock. Under certain circumstances, the holders of the rights will be entitled to purchase either shares of common stock of the Company or common stock of the acquirer at a reduced percentage of market value. The rights are scheduled to expire on December 11, 2000.

4. STOCK INCENTIVE PLAN

On January 21, 1998, the Company adopted a Stock Incentive Plan. Under this plan, restricted stock, stock options, stock appreciation rights and performance units may be granted to officers, directors and other key employees. The Company has authorized the issuance of up to 4,000,000 shares under the plan.

RESTRICTED STOCK

The Company had a Restricted Stock Plan whereby certain employees periodically received shares of the Company's common stock at the discretion of the Board of Directors. The Stock Incentive Plan replaced the Restricted Stock Plan. The Company distributed 25,705, 28,896 and 32,048 shares of common stock during 1998, 1997 and 1996, respectively. The Company also reacquired 13,195, 14,552 and 21,076 shares in 1998, 1997 and 1996, respectively. The shares distributed in 1996 and the shares reacquired in 1997 and 1996 were recorded as treasury stock. The restricted stock distributed in 1998

vests at the end of three years. The restricted stock distributed in 1997 and 1996 vests over four years at (20 percent in each of the first three years and 40 percent in the final year).

Changes in common stock were:

(THOUSANDS)	1998	1997	1996
Shares outstanding January 1.....	80,772	80,758	80,747
Issued/reacquired under the Restricted Stock Plan, net.....	26	14	11
Shares outstanding December 31.....	80,798	80,772	80,758

STOCK OPTIONS

In January 1998, the Company awarded approximately 443,800 stock options, with an exercise price of \$25.9375 (adjusted for stock split). These options vest in one-third annual installments beginning one year from the date of grant and have a contractual life of 10 years. During 1998, 19,200 stock options were forfeited. At December 31, 1998, 424,600 stock options were outstanding. The remaining contractual life of these options is approximately nine years.

During 1996, the Company adopted SFAS 123 and pursuant to its provision elected to continue using the intrinsic value method of accounting for stock-based awards granted to employees in accordance with APB 25. Accordingly, the Company has not recognized compensation expense for its stock-based awards to employees. Using the Black-Scholes pricing model, the estimated fair value of each option granted was \$2.34.

The following table shows assumptions used to estimate the fair value of options granted on January 21, 1998:

Expected life of options.....	7 years
Risk-free interest rate.....	5.57%
Expected volatility.....	15.59%
Expected dividend yield.....	6.47%

The following table reflects pro forma earnings available for common stock had the Company elected to adopt the fair value approach to SFAS 123:

	1998	1997	1996
Earnings available for common stock:			
As Reported.....	\$ 165,139	\$ 130,265	\$ 131,030
Pro Forma.....	164,933	130,002	130,971

Reported and pro forma earnings per share amounts are equivalent for 1996 through 1998.

5. CUMULATIVE PREFERRED STOCK OF SUBSIDIARY

On January 15, 1998, all outstanding shares of OG&E's 4% Cumulative Preferred Stock were redeemed at the par value of \$20 per share plus accrued dividends. On January 20, 1998, all outstanding

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

In February 1997, OG&E filed a registration statement for up to \$50 million of grantor trust preferred securities.

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

6. LONG-TERM DEBT

On January 2, 1998, OG&E retired \$25 million principal amount of 6.375 percent First Mortgage Bonds due January 1, 1998.

On April 15, 1998, OG&E issued \$100.0 million in Senior Notes at 6.50 percent due April 15, 2028. The proceeds from the sale of this new debt were applied to the redemption on April 21, 1998 of \$12.5 million principal amount of OG&E's 7.125 percent First Mortgage Bonds due January 1, 1999, \$40.0 million principal amount of OG&E's 7.125 percent First Mortgage Bonds due January 1, 2002 and \$35.0 million principal amount of OG&E's 8.625 percent First Mortgage Bonds due November 1, 2007 and for general corporate purposes.

The \$112.5 million principal amount of OG&E's First Mortgage Bonds retired in 1998 was the last subject to the lien of the Trust Indenture. Therefore, no electric plant is now subject to the lien of the Trust Indenture and the lien has been discharged.

In January 1998, EAPC issued a \$5.7 million Note at 7 percent, due July 1, 2020. The proceeds from the Note were utilized by EAPC in the NOARK acquisition. Annual payments of approximately \$0.8 million (including principal and accrued interest) begin July 1, 2004.

In June 1998, NOARK Pipeline Finance, L.L.C., a finance company subsidiary of NOARK, issued \$80.0 million principal amount of unsecured 7.15 percent Notes due July 18, 2018. These Notes are entitled to the benefits of a guaranty issued by Enogex pursuant to which Enogex has guaranteed 40 percent (subject to certain adjustments) of the principal, interest and premium on such Notes. The remaining 60 percent of the principal, interest and premium on such notes are guaranteed by Southwestern Energy Company, the parent company of Southwestern Energy Pipeline Company. The proceeds from the sale of the Notes were loaned by NOARK Pipeline Finance, L.L.C. to NOARK and utilized by NOARK (i) to repay a bank revolving line of credit (approximately \$29.75 million), (ii) to repay an outstanding term loan from Enogex (approximately \$48.825 million) and (iii) for general corporate purposes. Principal payments of \$1.0 million plus accrued interest are due semi-annually.

As of December 31, 1998, Enogex long-term debt consisted of \$79 million principal amount of 7.15 percent Senior Notes due July 19, 2018, \$5.7 million principal amount of 7.00 percent Notes due July 1, 2020 and \$150 million of medium term notes at a composite rate of 6.97 percent. The following table itemizes the Enogex long-term debt at December 31, 1998, 1997 and 1996:

December 31 (DOLLARS IN THOUSANDS)	1998	1997	1996
Series Due August 7, 2000 -- 6.76% - 6.77%.....	\$ 27,000	\$ 27,000	\$ 27,000
Series Due August 31, 2000 -- 6.68%.....	20,000	20,000	20,000
Series Due September 1, 2000 -- 6.70%.....	10,000	10,000	10,000
Series Due August 7, 2002 -- 7.02% - 7.05%.....	63,000	63,000	63,000
Series Due July 23, 2004 -- 6.79%.....	30,000	30,000	---
Series Due July 18, 2018 -- 7.15%.....	79,000	---	---
Series Due July 1, 2020 -- 7.00%.....	5,671	---	---
Total.....	\$234,671	\$150,000	\$120,000

Maturities of the Company's long-term debt during the next five years consist of \$2 million in 1999; \$169 million in 2000; \$2 million in 2001; \$65 million in 2002 and \$2 million in 2003.

The Company has previously incurred costs related to debt refinancings. Unamortized debt expense and unamortized loss on reacquired debt, and unamortized premium and discount on long-term debt are being amortized over the life of the respective debt and are classified as deferred charges -- other and long-term debt, respectively, in the accompanying Consolidated Balance Sheets.

7. SHORT-TERM DEBT

The Company borrows on a short-term basis, as necessary, by the issuance of commercial paper and by obtaining short-term bank loans. The maximum and average amounts of short-term borrowings during 1998 were \$183.5 million and \$114.6 million, respectively, at a weighted average interest rate of 5.75%. The weighted average interest rates for 1997 and 1996 were 5.94% and 5.63%, respectively. Short-term debt in the amount of \$119.1 million was outstanding at December 31, 1998. The Company has the necessary regulatory approvals to incur up to \$400 million in short-term borrowings at any one time. At December 31, 1998, the Company had in place a line of credit for up to \$160 million, which was to expire December 6, 2000. In January 1999, the Company's line of credit was increased to \$200 million and the Company entered into a \$75 million credit agreement with CIBC Oppenheimer Corp. to fund the share repurchase program. See Note 13 of Notes to Consolidated Financial Statements for related discussion.

8. PENSION AND POSTRETIREMENT BENEFIT PLANS

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

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

remaining balance of approximately \$48.9 million was amortized over 26 months, commencing January 1, 1995.

The amortization of the deferred regulatory asset was zero, \$3.7 million and \$22.6 million at December 31, 1998, 1997 and 1996, respectively.

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

It is the Company's policy to fund the plan on a current basis to comply with the minimum required contributions under existing tax regulations. The Company made contributions of \$51.6 million during 1998 to increase the Plan's funded status. Such contributions are intended to provide not only for benefits attributed to service to date, but also for those expected to be earned in the future.

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

In addition to providing pension benefits, the Company provides certain medical and life insurance benefits for retired members ("postretirement benefits"). Employees retiring from the Company on or after attaining age 55 who have met certain length of service requirements are entitled to these benefits. The benefits are subject to deductibles, co-payment provisions and other limitations. OG&E charges to expense the SFAS No. 106 costs and includes an annual amount as a component of cost-of-service in future ratemaking proceedings.

A reconciliation of the funded status of the plans and the amounts included in the Company's Consolidated Balance Sheets:

Projected benefit obligations are as follows:

(DOLLARS IN THOUSANDS)	Pension Plan			Postretirement Benefit Plans		
	1998	1997	1996	1998	1997	1996
Beginning obligations.....	\$(320,842)	\$(284,973)	\$(295,573)	\$ (94,199)	\$ (94,272)	\$(102,789)
Service cost.....	(8,272)	(6,529)	(6,493)	(2,030)	(2,144)	(2,317)
Interest cost.....	(21,766)	(20,803)	(20,909)	(5,748)	(6,365)	(6,824)
Participant contributions.....	---	---	---	(1,077)	(902)	(1,157)
Plan changes.....	(3,561)	---	(5,308)	---	---	---
Actuarial gains (losses).....	(8,568)	(32,667)	20,588	6,029	3,198	11,174
Benefits paid.....	20,345	24,130	22,722	7,931	6,286	7,641
Expenses.....	231	---	---	---	---	---
Ending obligations.....	\$(342,433)	\$(320,842)	\$(284,973)	\$ (89,094)	\$ (94,199)	\$ (94,272)

Fair value of plans' assets:

Pension Plan				Postretirement Benefit Plans		
(DOLLARS IN THOUSANDS)	1998	1997	1996	1998	1997	1996
Beginning fair value.....	\$ 242,254	\$ 222,912	\$ 214,986	\$ 47,130	\$ 39,066	\$ 23,864
Actual return on plans' assets..	30,865	33,489	22,896	5,133	8,047	2,128
Employer contributions.....	51,626	9,983	7,752	5,474	5,271	19,459
Participants' contributions.....	---	---	---	915	874	1,135
Benefits paid.....	(20,345)	(24,130)	(22,722)	(6,388)	(6,128)	(7,520)
Expenses.....	(231)	---	---	---	---	---
Ending fair value.....	\$ 304,169	\$ 242,254	\$ 222,912	\$ 52,264	\$ 47,130	\$ 39,066

Funded status of plans:

Pension Plan				Postretirement Benefit Plans		
(DOLLARS IN THOUSANDS)	1998	1997	1996	1998	1997	1996
Funded status of the plans.....	\$ (38,264)	\$ (78,588)	\$ (62,061)	\$ (36,830)	\$ (47,069)	\$ (55,206)
Unrecognized net gain (loss)....	1,435	2,295	(15,254)	(18,713)	(13,886)	(7,937)
Unrecognized prior service benefit (cost).....	40,448	40,047	42,986	---	---	---
Unrecognized transition obligation.....	(3,790)	(5,053)	(6,316)	38,487	41,236	43,985
Net balance sheet asset (liability).....	\$ (171)	\$ (41,299)	\$ (40,645)	\$ (17,056)	\$ (19,719)	\$ (19,158)

Net Periodic Benefit Cost:

Pension Plan				Postretirement Benefit Plans		
(DOLLARS IN THOUSANDS)	1998	1997	1996	1998	1997	1996
Service cost.....	\$ 8,272	\$ 6,529	\$ 6,493	\$ 2,030	\$ 2,144	\$ 2,317
Interest cost.....	21,766	20,803	20,909	5,748	6,365	6,824
Return on plan assets.....	(21,443)	(19,142)	(18,742)	(4,309)	(3,445)	(2,166)
Amortization of transition obligation.....	(1,263)	(1,263)	(1,263)	2,749	2,749	2,749
Amortization of net gain (loss).....	---	788	---	(2,105)	(858)	(2)
Net amount capitalized or deferred.....	---	---	---	(613)	(1,293)	(2,157)
Amortization of unrecognized prior service cost.....	3,159	2,939	2,939	---	---	---
Net periodic benefit costs.....	\$ 10,491	\$ 10,654	\$ 10,336	\$ 3,500	\$ 5,662	\$ 7,565

Rate Assumptions:

Pension Plan				Postretirement Benefit Plans		
	1998	1997	1996	1998	1997	1996
Discount rate.....	6.75%	7.00%	7.75%	6.75%	7.00%	7.75%
Rate of return on plans' assets...	9.00%	9.00%	9.00%	9.00%	9.00%	9.00%
Compensation increases.....	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%
Assumed health care cost trend:						
Initial trend.....	N/A	N/A	N/A	7.50%	8.25%	9.00%
Ultimate trend rate.....	N/A	N/A	N/A	4.50%	4.50%	4.50%
Ultimate trend year.....	N/A	N/A	N/A	2007	2007	2006

N/A - not applicable

Assumed health care cost trend rates have a significant effect on the amounts reported for the postretirement medical benefit plans.

The effects of a one-percentage point increase on the aggregate of the service and interest components of the net periodic postretirement health care benefits would be approximately \$0.9 million, \$1.0 million and \$1.1 million at December 31, 1998, 1997 and 1996, respectively. The effects of a one-percentage point decrease on the aggregate of the service and interest components of the net periodic

postretirement health care benefits would be decreases of approximately \$0.7 million, \$1.0 million and \$1.0 million at December 31, 1998, 1997 and 1996, respectively.

The effects of a one-percentage point increase on the aggregate of accumulated postretirement benefit obligation for health care benefits would be approximately \$8.2 million, \$11.4 million and \$9.1 million at December 31, 1998, 1997 and 1996, respectively. The effects of a one-percentage point decrease on the aggregate of accumulated postretirement benefit obligation for health care benefits would be decreases of approximately \$6.9 million, \$9.4 million and \$8.5 million at December 31, 1998, 1997 and 1996, respectively.

9. REPORT OF BUSINESS SEGMENTS

The Company's electric utility operations are conducted through OG&E, an operating public utility engaged in the generation, transmission, distribution and sale of electric energy. The non-utility operations are conducted through Enogex and Origen. Enogex is engaged in gathering and processing natural gas, producing natural gas liquids, transporting natural gas through its pipelines in Oklahoma and Arkansas for various customers (including OG&E), marketing electricity, natural gas and natural gas liquids and investing in the drilling for and production of crude oil and natural gas. Origen is engaged in geothermal heat pump systems and the development of new products. Origen's results to date have not been material to the Company.

(DOLLARS IN THOUSANDS)	1998	1997	1996
Operating Information:			
Operating Revenues			
Electric utility.....	\$1,312,078	\$1,191,691	\$1,200,337
Non-utility.....	506,471	293,608	231,427
Intersegment revenues (A).....	(200,812)	(41,689)	(44,329)
Total.....	\$1,617,737	\$1,443,610	\$1,387,435
Pre-tax Operating Income			
Electric utility.....	\$ 315,798	\$ 246,038	\$ 247,527
Non-utility.....	23,659	22,412	31,919
Total.....	\$ 339,457	\$ 268,450	\$ 279,446
Income Tax Expense			
Electric utility.....	\$ 105,574	\$ 71,321	\$ 70,177
Non-utility.....	3,070	3,131	8,050
Total.....	\$ 108,644	\$ 74,452	\$ 78,227
Interest Income			
Electric utility.....	\$ 2,314	\$ 4,531	\$ 3,186
Non-utility.....	7,046	1,993	533
Intersegment (B).....	(5,799)	(2,651)	(1,521)
Total.....	\$ 3,561	\$ 3,873	\$ 2,198

Interest Expense

Electric utility.....	\$ 49,941	\$ 56,546	\$ 60,276
Non-utility.....	27,628	13,199	9,939
Intersegment (B).....	(5,799)	(2,651)	(1,521)

Total.....	\$ 71,770	\$ 67,094	\$ 68,694
------------	-----------	-----------	-----------

Net Income

Electric utility.....	\$ 160,338	\$ 120,994	\$ 116,869
Non-utility.....	5,534	11,556	16,463
Total.....	\$ 165,872	\$ 132,550	\$ 133,332

Investment Information:

Identifiable Assets as of December 31

Electric utility.....	\$2,320,097	\$2,350,782	\$2,388,012
Non-utility.....	663,832	415,083	374,343
Total.....	\$2,983,929	\$2,765,865	\$2,762,355

Other Information:

Depreciation and amortization

Electric utility.....	\$ 116,213	\$ 114,760	\$ 112,232
Non-utility.....	33,605	27,872	23,908
Total.....	\$ 49,818	\$ 142,632	\$ 136,140

Construction Expenditures

Electric utility.....	\$ 96,678	\$ 100,079	\$ 94,019
Non-utility.....	138,553	63,492	56,155
Total.....	\$ 235,231	\$ 163,571	\$ 150,174

- (A) Intersegment revenues are recorded at prices comparable to those of unaffiliated customers and are affected by regulatory considerations.
- (B) Intersegment interest is calculated based upon short-term loan rates and is reviewed and updated periodically.

10. COMMITMENTS AND CONTINGENCIES

OG&E has entered into purchase commitments in connection with OG&E's construction program and the purchase of necessary fuel supplies of coal and natural gas for OG&E's generating units. The Company's construction expenditures for 1999 are estimated at \$137 million.

OG&E acquires natural gas for boiler fuel under 67 individual contracts, some of which contain provisions allowing the owners to require prepayments for gas if certain minimum quantities are not taken. At December 31, 1998, 1997 and 1996, outstanding prepayments for gas, including the amounts classified as current assets, under these contracts were approximately \$15.2 million, \$10.7 million and \$9.9 million, respectively. OG&E may be required to make additional prepayments in subsequent years.

OG&E expects to recover these prepayments as fuel costs if unable to take the gas prior to the expiration of the contracts.

At December 31, 1998, OG&E held non-cancelable operating leases covering 1,495 coal hopper railcars. Rental payments are charged to fuel expense and recovered through OG&E's tariffs and automatic fuel adjustment clauses. The leases have purchase and renewal options. Future minimum lease payments due under the railcar leases, assuming the leases are renewed under the renewal option are as follows:

(DOLLARS IN THOUSANDS)			
1999.....	\$5,130	2002.....	\$ 4,841
2000.....	5,034	2003.....	4,745
2001.....	4,938	2004 and beyond.....	49,412
=====			
Total Minimum Lease Payments.....			\$74,100
=====			

Rental payments under operating leases were approximately \$5.3 million in 1998, \$5.4 million in 1997 and \$5.4 million in 1996.

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

OG&E had entered into an agreement with Central Oklahoma Oil and Gas Corp. ("COOG"), an unrelated third party, to develop a natural gas storage facility. Operation of the gas storage facility proved beneficial by allowing OG&E to lower fuel costs by base loading coal generation, a less costly fuel supply. During 1996, OG&E completed negotiations and contracted with COOG for gas storage service. Pursuant to the contract, COOG reimbursed OG&E for all outstanding cash advances and interest amounting to approximately \$46.8 million. OG&E also entered into a bridge financing agreement as guarantor for COOG. In July 1997, COOG obtained permanent financing and issued a note in the amount of \$49.5 million. The proceeds from the permanent financing were applied to repay the outstanding bridge financing. In connection with the permanent financing, the Company entered into a note purchase agreement, where it has agreed, upon the occurrence of a monetary default by COOG on its permanent financing, to purchase COOG's note at a price equal to the unpaid principal and interest under the COOG note. In July 1998, Enogex also agreed to lease underground gas storage from COOG. As part of this lease transaction, the Company agreed to make up to a \$12 million secured loan to an affiliate of COOG. As part of this agreement, the Company has an \$8 million loan outstanding repayable in 2003 and secured by the assets and stock of COOG. This loan is classified as other property and investments in the accompanying Consolidated Balance Sheets.

OG&E has entered into agreements with four qualifying cogeneration facilities having initial terms of 3 to 32 years. These contracts were entered into pursuant to the Public Utility Regulatory Policy Act of 1978 ("PURPA"). Stated generally, PURPA and the regulations thereunder promulgated by FERC require OG&E to purchase power generated in a manufacturing process from a qualified cogeneration facility ("QF"). The rate for such power to be paid by OG&E was approved by the OCC. The rate generally consists of two components: one is a rate for actual electricity purchased from the QF by OG&E; the other is a capacity charge which OG&E must pay the QF for having the capacity available. However, if no electrical power is made available to OG&E for a period of time (generally three months),

OG&E's obligation to pay the capacity charge is suspended. The total cost of cogeneration payments is recoverable in rates from customers.

In January 1998, OG&E filed an application with the OCC seeking approval to revise an existing cogeneration contract with Mid-Continent Power Company ("MCPC"), a cogeneration plant near Pryor, Oklahoma. As part of this transaction, the Company agreed to purchase the stock of Oklahoma Loan Acquisition Corporation ("OLAC"), the company that owns the MCPC plant, for approximately \$25 million. OG&E obtained the required regulatory approvals from the OCC, APSC and FERC. If the transaction was completed, the term of the existing cogeneration contract would have been reduced by four and one-half years, which would have reduced the amounts to be paid by OG&E, and would have provided savings for its Oklahoma customers, of approximately \$46 million as compared to the existing cogeneration contract. Following an arbitrator's decision that the owner of the stock of OLAC could not sell the stock of OLAC to the Company until it had offered such stock to a third party on the same terms as it was offered to the Company, the third party purchased the stock of OLAC and assumed ownership of the cogeneration plant in October 1998. The effect of this transaction is that OG&E's original contract with the cogeneration plant remains in place.

During 1998, 1997 and 1996, OG&E made total payments to cogenerators of approximately \$226.5 million, \$212.2 million and \$210.0 million, of which \$185.5 million, \$176.2 million and \$175.2 million, respectively, represented capacity payments. All payments for purchased power, including cogeneration, are included in the Consolidated Statements of Income as purchased power. The future minimum capacity payments under the contracts for the next five years are approximately: 1999 - \$189 million, 2000 - \$190 million, 2001 - \$191 million, 2002 - \$192 million and 2003 - \$163 million.

Approximately \$0.5 million of the Company's construction expenditures budgeted for 1999 are to comply with environmental laws and regulations.

The Company's management believes all of its operations are in substantial compliance with present federal, state and local environmental standards. It is estimated that the Company's total expenditures for capital, operating, maintenance and other costs to preserve and enhance environmental quality will be approximately \$41.5 million during 1999, compared to approximately \$44.6 million in 1998. The Company continues to evaluate its environmental management systems to ensure compliance with existing and proposed environmental legislation and regulations and to better position itself in a competitive market.

Beginning in 2000, OG&E will be limited in the amount of sulfur dioxide it will be allowed to emit into the atmosphere. In order to meet this limit the Company has contracted for lower sulfur coal. OG&E believes this will allow it to meet this limit without additional capital expenditures. With respect to nitrogen oxides, OG&E continues to meet the current emission standard. However, pending regulations on regional haze, and Oklahoma's potential for not being able to meet the new ozone and particulate standards, could require further reductions in sulfur dioxide and nitrogen oxides. If this happens, significant capital expenditures and increased operating and maintenance costs would occur.

In 1997, the United States was a signatory to the Kyoto Protocol on global warming. If ratified by the U.S. Senate, this Protocol could have a tremendous impact on the Company's operations, by requiring the Company to significantly reduce the use of coal as a fuel source, since the Protocol would require a seven percent reduction in greenhouse gas emissions below the 1990 level.

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

On October 22, 1998, Enogex entered into an option agreement with certain cancellation provisions to purchase two gas turbine generators for use in normal operations for approximately \$26.3 million. Absent cancellation, the balance is due upon receipt of the generators in 1999.

Trigen-Oklahoma City Energy Corp. ("Trigen") sued OG&E in the United States District Court, Western District of Oklahoma, alleging numerous causes of action, including monopolization of cooling services in violation of the Sherman Act. On December 21, 1998, the jury awarded Trigen in excess of \$30 million in actual and punitive damages. On February 19, 1999, the trial court entered judgement in favor of Trigen as follows: (i) \$6.8 million for various anti-trust violations, (ii) \$4 million for tortious interference with an existing contract, (iii) \$7 million for tortious interference with a prospective economic advantage and (iv) \$10 million in punitive damages. The trial judge, in a companion order, acknowledged that the portions of the judgement could be duplicative, that the antitrust amounts could be tripled and that parties should address these issues in their post-trial motions. While the outcome of an appeal is uncertain, legal counsel and management believe it is not probable that Trigen will ultimately succeed in preserving the verdicts. Accordingly, the Company has not accrued any loss associated with the damages awarded. The Company believes that the ultimate resolution of this case will not have a material adverse effect on the Company's consolidated financial position or results of operations.

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

11. RATE MATTERS AND REGULATION

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

As discussed in Note 8 of Notes to Consolidated Financial Statements, during the third quarter of 1994, the Company incurred \$63.4 million of costs related to the VERP and enhanced severance package. Pending an OCC order, OG&E deferred these costs; however, between August 1, and December 31, 1994, the amount deferred was reduced by approximately \$14.5 million. In response to an application filed by OG&E on August 9, 1994, the OCC issued an order on October 26, 1994, that permitted the Company to amortize the December 31, 1994, regulatory asset of \$48.9 million over 26 months and reduced OG&E's electric rates during such period by approximately \$15 million annually,

effective January 1995. The labor savings from the VERP and severance package substantially offset the amortization of the regulatory asset and annual rate reduction of \$15 million.

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

On February 13, 1998, the APSC Staff filed a motion for a show cause order to review OG&E's electric rates in the State of Arkansas. The staff is recommending a \$3.1 million annual rate reduction (based on a test year ended December 31, 1996). OG&E filed a cost of service study and has requested a \$1.7 million annual rate increase. A decision on this rate case is expected in the next few months.

12. DISCLOSURES ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

(DOLLARS IN THOUSANDS)	1998		1997		1996	
	CARRYING AMOUNT	FAIR VALUE	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Long-Term Debt and Preferred Stock:						
Senior Notes.....	\$567,512	\$593,313	\$581,524	\$594,357	\$644,881	\$656,362
Industrial Authority Bonds.....	135,400	135,400	135,400	135,400	79,400	79,400
Enogex Inc. Notes.....	232,671	251,505	150,000	152,915	120,000	120,379
Preferred Stock:						
4% - 5.34% Series - zero, 827,828 and 831,363 shares, respectively.....	---	---	49,266	49,997	49,379	35,829

13. SUBSEQUENT EVENTS

On January 15, 1999, the Company repurchased 3 million of its common shares under an Advanced Share Repurchase Agreement with CIBC Oppenheimer Corp. The Company acquired the 3 million shares from CIBC Oppenheimer Corp. in a \$80.4 million transaction, or \$26.8125 per share, the closing price on January 15, 1999. The Company immediately retired the 3 million shares in accordance with a plan announced in 1998 to repurchase up to 6 million shares over the next two years. The

buyback, when completed, will reduce the Company's total shares outstanding by approximately 7.4 percent, to 74.7 million shares from 80.7 million shares. All repurchased shares will be retired.

Under the terms of the Advanced Share Repurchase Program, the Company will bear the risk of increases and the benefit of decreases in the price of the common shares until CIBC Oppenheimer Corp. has replaced the shares sold to the Company. CIBC Oppenheimer Corp. may replace the shares through purchases on the open market or through privately negotiated transactions. The Company may elect to settle its obligations under this arrangement with either cash or shares of its common stock.

In January 1999, the Company increased its agreement for a line of credit from \$160 million to \$200 million.

Report of Independent Public Accountants

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TO THE SHAREOWNERS OF
OGE ENERGY CORP.:

We have audited the accompanying consolidated balance sheets and statements of capitalization of OGE Energy Corp. (an Oklahoma corporation), formerly Oklahoma Gas & Electric Company, and its subsidiaries as of December 31, 1998, 1997 and 1996, and the related consolidated statements of income, retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of OGE Energy Corp. and its subsidiaries as of December 31, 1998, 1997 and 1996, and the results of their operations and their cash flows for the years then ended in conformity with generally accepted accounting principles.

/s/ Arthur Andersen LLP
Arthur Andersen LLP

Oklahoma City, Oklahoma,
January 21, 1999

Report of Management

- - - - -

TO OUR SHAREOWNERS:

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

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

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

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

/s/ James R. Hatfield
James R. Hatfield
Vice President and Treasurer

Supplementary Data

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Interim Consolidated Financial Information (Unaudited)

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

Quarter ended (DOLLARS IN THOUSANDS EXCEPT PER SHARE DATA)		Dec 31	Sep 30	Jun 30	Mar 31
=====					
Operating revenues.....	1998	\$ 361,750	\$ 555,999	\$ 412,621	\$ 287,367
	1997	344,580	474,587	333,228	291,215
	1996	311,515	449,224	348,644	278,052
=====					
Operating income.....	1998	\$ 25,147	\$ 126,602	\$ 64,660	\$ 14,404
	1997	26,680	103,268	48,049	16,001
	1996	23,227	107,152	53,623	17,217
=====					
Net income (loss).....	1998	\$ 10,230	\$ 108,117	\$ 47,865	\$ (340)
	1997	12,205	89,520	31,085	(260)
	1996	7,301	90,165	35,328	538
=====					
Earnings (loss) available for common.....	1998	\$ 10,230	\$ 108,117	\$ 47,865	\$ (1,073)
	1997	11,634	88,949	30,513	(831)
	1996	6,729	89,593	34,749	(41)
=====					
Earnings (loss) per average common share.....	1998	\$ 0.13	\$ 1.34	\$ 0.59	\$ (0.01)
	1997	0.14	1.10	0.38	(0.01)
	1996	0.08	1.11	0.43	0.00
=====					

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING

AND FINANCIAL DISCLOSURE.

Not Applicable.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT.

ITEM 11. EXECUTIVE COMPENSATION.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL

OWNERS AND MANAGEMENT.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

Items 10, 11, 12 and 13 are omitted pursuant to General Instruction G of Form 10-K, since the Company filed copies of a definitive proxy statement with the Securities and Exchange Commission on or about March 29, 1999. Such proxy statement is incorporated herein by reference. In accordance with Instruction G of Form 10-K, the information required by Item 10 relating to Executive Officers has been included in Part I, Item 4, of this Form 10-K.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND

Reports on Form 8-K.

(A) 1. FINANCIAL STATEMENTS

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

- o Consolidated Balance Sheets at December 31, 1998, 1997 and 1996
- o Consolidated Statements of Income for the years ended December 31, 1998, 1997 and 1996
- o Consolidated Statements of Retained Earnings for the years ended December 31, 1998, 1997 and 1996
- o Consolidated Statements of Capitalization at December 31, 1998, 1997 and 1996
- o Consolidated Statements of Cash Flows for the years ended December 31, 1998, 1997 and 1996
- o Notes to Consolidated Financial Statements
- o Report of Independent Public Accountants
- o Report of Management

Supplementary Data

o Interim Consolidated Financial Information

2. FINANCIAL STATEMENT SCHEDULE (INCLUDED IN PART IV)	PAGE
-----	----
Schedule II - Valuation and Qualifying Accounts	85
Report of Independent Public Accountants	86
Financial Data Schedule	120

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

3. EXHIBITS

EXHIBIT NO.	DESCRIPTION
-----	-----
3.01	Copy of Restated Certificate of Incorporation. (Filed as Exhibit 3.01 to OGE Energy's Form 10-K for the year ended December 31, 1996 (File No. 1-12579) and incorporated by reference herein)
3.02	By-laws. (Filed as Exhibit 3.02 to OGE Energy's Form 10-K for the year ended December 31, 1996 (File No. 1-12579) and incorporated by reference herein)
4.01	Copy of Trust Indenture dated October 1, 1995, from OG&E to Boatmen's First National Bank of Oklahoma, Trustee. (Filed as Exhibit 4.29 to Registration Statement No. 33-61821 and incorporated by reference herein)
4.02	Copy of Supplemental Trust Indenture No. 1 dated October 16, 1995, being a supplemental instrument to Exhibit 4.01 hereto. (Filed as Exhibit 4.01 to OG&E's Form 8-K Report dated October 23, 1995, File No. 1-1097, and incorporated by reference herein)
4.03	Supplemental Indenture No. 2, dated as of July 1, 1997, being a supplemental instrument to Exhibit 4.01 hereto. (Filed as Exhibit 4.01 to OG&E's Form 8-K filed on July 17, 1997, (File No. 1-1097) and incorporated by reference herein)

- 4.04 Supplemental Indenture No. 3, dated as of April 1, 1998, being a supplemental instrument to Exhibit 4.01 hereto. (Filed as Exhibit 4.01 to OG&E's Form 8-K filed on April 16, 1998 (File No. 1-1097) and incorporated by reference herein)
- 10.01 Coal Supply Agreement dated March 1, 1973, between OG&E and Atlantic Richfield Company. (Filed as Exhibit 5.19 to Registration Statement No. 2-59887 and incorporated by reference herein)
- 10.02 Amendment dated April 1, 1976, to Coal Supply Agreement dated March 1, 1973, between OG&E and Atlantic Richfield Company, together with related correspondence. (Filed as Exhibit 5.21 to Registration Statement No. 2-59887 and incorporated by reference herein)
- 10.03 Second Amendment dated March 1, 1978, to Coal Supply Agreement dated March 1, 1973, between OG&E and Atlantic Richfield Company. (Filed as Exhibit 5.28 to Registration Statement No. 2-62208 and incorporated by reference herein)
- 10.04 Amendment dated June 27, 1990, between OG&E and Thunder Basin Coal Company, to Coal Supply Agreement dated March 1, 1973, between OG&E and Atlantic Richfield Company. (Filed as Exhibit 10.04 to OG&E's Form 10-K Report for the year ended December 31, 1994, File No. 1-1097, and incorporated by reference herein) [Confidential Treatment has been requested for certain portions of this exhibit.]
- 10.05 Form of Change of Control Agreement for Officers of the Company and OG&E. (Filed as Exhibit 10.07 to OGE Energy's Form 10-K for the year ended December 31, 1996 (File No. 1-12579) and incorporated by reference herein)
- 10.06 Amended and Restated Stock Equivalent and Deferred Compensation Plan for Directors, as amended. (Filed as Exhibit 10.08 to OGE Energy's Form 10-K for the year ended December 31, 1996 (File No. 1-12579) and incorporated by reference herein)
- 10.07 Company's Stock Incentive Plan.

- 10.08 Agreement and Plan of Reorganization, dated May 14, 1986, between OG&E and Mustang Fuel Corporation. (Attached as Appendix A to Registration Statement No. 33-7472 and incorporated by reference herein)
- 10.09 OG&E's Restoration of Retirement Income Plan, as amended. (Filed as Exhibit 10.12 to OGE Energy's Form 10-K for the year ended December 31, 1996 (File No. 1-12579) and incorporated by reference herein)
- 10.10 Company's Restoration of Retirement Savings Plan, as amended. (Filed as Exhibit 10.13 to OGE Energy's Form 10-K for the year ended December 31, 1996 (File No. 1-12579) and incorporated by reference herein)
- 10.11 OG&E's Supplemental Executive Retirement Plan, as amended. (Filed as Exhibit 10.15 to OGE Energy's Form 10-K for the year ended December 31, 1996 (File No. 1-12579) and incorporated by reference herein)
- 10.12 Company's Annual Incentive Compensation Plan.
- 21.01 Subsidiaries of the Registrant.
- 23.01 Consent of Arthur Andersen LLP.
- 24.01 Power of Attorney.
- 27.01 Financial Data Schedule.
- 99.01 Cautionary Statement for Purposes of the "Safe Harbor" Provisions of the Private Securities Litigation Reform Act of 1995.
- 99.02 Description of Common Stock.

Executive Compensation Plans and Arrangements

- 10.05 Form of Change of Control Agreement for Officers of the Company and OG&E. (Filed as Exhibit 10.07 to OGE Energy's Form 10-K for the year ended December 31, 1996 (File No. 1-12579) and incorporated by reference herein)
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- 10.12 Company's Annual Incentive Compensation Plan.

(B) REPORTS ON FORM 8-K

- Item 5. Other Events, dated January 6, 1998.
- Item 5. Other Events, dated May 21, 1998.
- Item 7. Exhibits, dated May 21, 1998.
- Item 5. Other Events, dated June 12, 1998.
- Item 5. Other Events, dated November 20, 1998.
- Item 7. Exhibits, dated November 20, 1998.
- Item 5. Other Events, dated December 28, 1998.
- Item 7. Exhibits, dated December 28, 1998.

OGE ENERGY CORP.

SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS

DESCRIPTION - - - - -	COLUMN A	COLUMN B	COLUMN C		COLUMN D	COLUMN E
		BALANCE BEGINNING OF YEAR - - - - -	CHARGED TO COSTS AND EXPENSES - - - - -	CHARGED TO OTHER ACCOUNTS - - - - -	DEDUCTIONS - - - - -	BALANCE END OF YEAR - - - - -
1998				(THOUSANDS)		
Reserve for Uncollectible Accounts		\$ 4,507	\$11,507	-	\$12,672	\$ 3,342
1997						
Reserve for Uncollectible Accounts		\$ 4,626	\$ 7,334	-	\$ 7,453	\$ 4,507
1996						
Reserve for Uncollectible Accounts		\$ 4,205	\$ 7,720	-	\$ 7,299	\$ 4,626

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To OGE Energy Corp.:

We have audited in accordance with generally accepted auditing standards, the consolidated financial statements of OGE Energy Corp. (an Oklahoma Corporation), formerly Oklahoma Gas & Electric Company, and its subsidiaries included in this Form 10-K, and have issued our report thereon dated January 21, 1999. Our audits were made for the purpose of forming an opinion on those statements taken as a whole. The schedule listed on Page 81 Item 14 (a) 2. is the responsibility of the Company's management and is presented for purposes of complying with the Securities and Exchange Commission's rules and is not part of the basic financial statements. This schedule has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, fairly states in all material respects the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

/ s / Arthur Andersen LLP
Arthur Andersen LLP

Oklahoma City, Oklahoma,
January 21, 1999

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Oklahoma City, and State of Oklahoma on the 26th day of March, 1999.

OGE ENERGY CORP.
(REGISTRANT)

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

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

Signature	Title	Date
- - - - -	- - - - -	- - - - -
/ s / Steven E. Moore Steven E. Moore	Principal Executive Officer and Director;	March 26, 1999
/ s / James R. Hatfield James R. Hatfield	Principal Financial Officer.	March 26, 1999
/ s / Donald R. Rowlett Donald R. Rowlett	Principal Accounting Officer.	March 26, 1999
Herbert H. Champlin	Director;	
Luke R. Corbett	Director;	
William E. Durrett	Director;	
Martha W. Griffin	Director;	
Hugh L. Hembree, III	Director;	
Robert Kelley	Director;	
Bill Swisher	Director; and	
Ronald H. White, M.D.	Director.	
/ s / Steven E. Moore By Steven E. Moore (attorney-in-fact)		March 26, 1999

EXHIBIT INDEX

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- 10.07 Company's Stock Incentive Plan.
- 10.09 OG&E's Restoration of Retirement Income Plan, as amended. (Filed as Exhibit 10.12 to OGE Energy's Form 10-K for the year ended December 31, 1996 (File No. 1-12579) and incorporated by reference herein)
- 10.10 Company's Restoration of Retirement Savings Plan, as amended. (Filed as Exhibit 10.13 to OGE Energy's Form 10-K for the year ended December 31, 1996 (File No. 1-12579) and incorporated by reference herein)
- 10.11 OG&E's Supplemental Executive Retirement Plan, as amended. (Filed as Exhibit 10.15 to OGE Energy's Form 10-K for the year ended December 31, 1996 (File No. 1-12579) and incorporated by reference herein)
- 10.12 Company's Annual Incentive Compensation Plan.
- 21.01 Subsidiaries of the Registrant.

- 23.01 Consent of Arthur Andersen LLP.
- 24.01 Power of Attorney.
- 27.01 Financial Data Schedule.
- 99.01 Cautionary Statement for Purposes of the "Safe Harbor"
Provisions of the Private Securities Litigation
Reform Act of 1995
- 99.02 Description of Common Stock.

OGE ENERGY CORP. STOCK INCENTIVE PLAN

SECTION 1. PURPOSES/DEFINITIONS.

The purpose of the Plan is to give the Company and its Affiliates a competitive advantage in attracting, retaining and motivating non-employee directors, officers and employees and to provide the Company and its Affiliates with the ability to provide incentives more directly linked to the profitability of the Company's businesses, increases in shareowner value and enhancement of performance relative to customers.

For purposes of the Plan, the following terms are defined as set forth below:

a. "Affiliate" means (i) a corporation at least 50 percent of the common stock or voting power of which is owned, directly or indirectly by the Company, and (ii) any other corporation or other entity controlled by the Company and designated by the Committee from time to time.

b. "Award" means a Stock Appreciation Right, Stock Option, Restricted Stock or Performance Unit.

c. "Award Cycle" shall mean a period of consecutive fiscal years or portions thereof designated by the Committee over which Performance Units are to be earned.

d. "Board" means the Board of Directors of the Company.

e. "Change of Control" and "Change of Control Price" have the meanings set forth in Section 9(b) and (c); respectively.

f. "Code" means the Internal Revenue Code of 1986, as amended from time to time, and any successor thereto.

g. "Commission" means the Securities and Exchange Commission or any successor agency.

h. "Committee" means the Committee referred to in Section 2.

i. "Common Stock" means common stock, par value \$.01 per share, of the Company.

j. "Company" means OGE Energy Corp., an Oklahoma corporation.

k. "Covered Employee" shall mean a participant designated prior to the grant of shares of Restricted Stock or Performance Units by the Committee who is or may be a "covered

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employee" within the meaning of Section 162(m)(3) of the Code in the year in which Restricted Stock or Performance Units are taxable to such participant.

l. "Disability" means permanent and total disability as determined under procedures established by the Committee for purposes of the Plan.

m. "Disinterested Person" means a member of the Board who qualifies as a non-employee director as defined in Rule 16b-3, as promulgated by the Commission under the Exchange Act, or any successor definition adopted by the Commission, and as an "outside director" for purposes of Section 162(m).

n. "Early Retirement" of an employee means Termination of Employment with the Company or an Affiliate at a time when the employee is entitled to early retirement benefits pursuant to the early retirement provisions of the applicable pension plan of such employer.

o. "Exchange Act" means the Securities Exchange Act of 1934, as amended from time to time, and any successor thereto.

p. "Fair Market Value" means, as of any given date, the mean between the highest and lowest reported sales prices of the Common Stock on the New York Stock Exchange Composite Tape or, if not listed on such exchange, on any other national securities exchange on which the Common Stock is listed or on NASDAQ. If there is no regular public trading market for such Common Stock, the Fair Market Value of the Common Stock will be determined by the Committee in good faith.

q. "Incentive Stock Option" means any Stock Option designated

as, and qualified as, an "incentive stock option" within the meaning of Section 422 of the Code.

r. "Non-Qualified Stock Option" means any Stock Option that is not an Incentive Stock Option.

s. "Normal Retirement" means (i) with respect to an employee, Termination of Employment with the Company or an Affiliate at a time when the employee is entitled to retirement benefits pursuant to the applicable pension plan of such employer and (ii) with respect to a non-employee director, retirement from the Board pursuant to the applicable rules for the Board.

t. "Performance Goals" means the performance goals established by the Committee prior to the grant of Restricted Stock or Performance Units that are based on the attainment of goals relating to one or more of the following: total shareholder return, return on capital, earnings per share, market share, stock price, sales, costs, net operating income, net income, return on assets, earnings before income taxes, depreciation and amortization, return on total assets employed, capital expenditures, earnings before income taxes, economic value added, cash flow, retained earnings, return on equity, results of customer satisfaction surveys, aggregate product price and other product price measures, safety record, service reliability, demand-side management (including conservation and load management), operating and/or maintenance costs management (including operation and maintenance expenses per Kwh), and energy production availability. At the time of establishing a Performance Goal, the Committee shall specify the manner in which the Performance Goal shall be calculated. In so doing, the Committee may exclude the impact of certain specified events from the calculation of the Performance Goal. Such Performance Goals also may be based upon the attainment of specified levels of performance of the Company or one or more Affiliates under one or more of the measures described above relative to

the performance of other corporations. With respect to Covered Employees, all Performance Goals shall be objective performance goals satisfying the requirements for "performance-based compensation" within the meaning of Section 162(m)(4) of the Code, and shall be set by the Committee within the time period prescribed by Section 162(m) and related regulations.

8. u. "Performance Units" means an award made pursuant to Section

v. "Plan" means the OGE Energy Corp. Stock Incentive Plan, as set forth herein and as hereinafter amended from time to time.

w. "Restricted Stock" means an award granted under Section 7.

x. "Retirement" means Normal or Early Retirement.

y. "Rule 16b-3" means Rule 16b-3, as promulgated by the Commission under Section 16(b) of the Exchange Act, as amended from time to time.

z. "Section 162(m)" means Section 162(m) of the Code, as amended from time to time.

aa. "Stock Appreciation Right" means a right granted under Section 6.

bb. "Stock Option" means an option granted under Section 5.

cc. "Termination of Employment" means (i) with respect to an employee, the termination of participant's employment with the Company and any Affiliate and (ii) with respect to a non-employee director, termination of service on the Board. A participant employed by an Affiliate shall also be deemed to incur a Termination of Employment if the Affiliate ceases to be an Affiliate and the participant does not immediately thereafter become or remain an employee of the Company or another Affiliate.

In addition, certain other terms that are defined herein shall have the definitions so ascribed to them.

SECTION 2. ADMINISTRATION.

The Plan shall be administered by the Compensation Committee of the Board or such other committee of the Board as the Board may from time to time determine, which committee, to the extent required to comply with Rule 16-3 and Section 162(m), shall be composed solely of not less than two Disinterested Persons, each of whom shall be appointed by and serve at the pleasure of the Board. The Committee shall have plenary authority to grant Awards pursuant to the terms of the Plan to non-employee directors of the Company and officers and employees of the Company and its Affiliates. Among other things, the Committee shall have the authority, subject to the terms of the Plan:

(a) to select the non-employee directors, officers and employees to whom Awards may from time to time be granted;

(b) to determine whether and to what extent Incentive Stock Options, Non-Qualified Stock Options, Stock Appreciation Rights, Restricted Stock and Performance Units or any combination thereof are to be granted hereunder;

(c) to determine the number of shares of Common Stock to be covered by each Award granted hereunder;

(d) to determine the terms and conditions of any Award granted hereunder (including, but not limited to, the option price (subject to Section 5(a)), any vesting condition, restriction or limitation (which may be related to the performance of the participant, the Company or any Affiliate) and any vesting acceleration or forfeiture waiver regarding any Award and the shares of Common Stock relating thereto, based on such factors as the Committee shall determine;

(e) to modify, amend or adjust the terms and conditions of any Award, at any time or from time to time, including but not limited to Performance Goals; provided, however, that the Committee may not adjust upwards the amount payable to a designated Covered Employee with respect to a particular Award upon the satisfaction of applicable Performance Goals or take any other such action to the extent such action or the Committee's ability to take such action would cause any Award under the Plan to any Covered Employee to fail to qualify as "performance based compensation" within the meaning of Section 162(m) and the regulations issued thereunder;

(f) to determine to what extent and under what circumstances Common Stock and other amounts payable with respect to an Award shall be deferred; and

(g) to determine under what circumstances an Award may be settled in cash or Common Stock under Section 8(b)(i).

The Committee shall have the authority to adopt, alter and repeal such administrative rules, guidelines and practices governing the Plan as it shall from time to time deem advisable, to interpret the terms and provisions of the Plan and any Award issued under the Plan (and any agreement relating thereto) and to otherwise supervise the administration of the Plan.

The Committee may act only by a majority of its members then in office, except that the members thereof may (i) delegate to an officer of the Company the authority to make decisions pursuant to paragraphs (c), (f), (g), (h) and (i) of Section 5 (provided that no such delegation may be made that would cause Awards or other transactions under the Plan to cease to be exempt from Section 16(b) of the Exchange Act) and (ii) authorize any one or more of their number or any officer of the Company to execute and deliver documents on behalf of the Committee.

Any determination made by the Committee or pursuant to delegated authority pursuant to the provisions of the Plan with respect to any Award shall be made in the sole discretion of the Committee or such delegate at the time of the grant of the Award or, unless in contravention of any express term of the Plan, at any time thereafter. All decisions made by the Committee or any appropriately delegated officer pursuant to the provisions of the Plan shall be final and binding on all persons, including the Company and its Affiliates and Plan participants.

SECTION 3. COMMON STOCK SUBJECT TO PLAN; OTHER LIMITATIONS.

The total number of shares of Common Stock reserved and available for issuance under the Plan shall be 2,000,000; provided, that not more than 500,000 of such shares shall be issued as Restricted Stock. No participant may be granted Awards covering in excess of 250,000 shares of Common Stock in any one calendar year and no participant who is a non-employee director of the Company may be granted, in any one calendar year, Awards covering in excess of 2,500 shares of Common Stock. Shares subject to an Award under the Plan may be authorized and unissued shares or may be treasury shares. No participant may be granted Performance Units in any one calendar year payable in cash in an amount that would exceed \$1,000,000 and no participant who is a non-employee director of the Company may be granted Performance Units in any one calendar year payable in cash in an amount that would exceed \$15,000.

Subject to Section 7(c)(iv), if any shares of Restricted Stock are forfeited for which the participant did not receive any benefits of ownership (as such phrase is construed by the Commission or its staff), or if any Stock Option (and related Stock Appreciation Right, if any) terminates without being exercised, or if any Stock Appreciation Right is exercised for cash, shares subject to such Awards shall again be available for distribution in connection with Awards under the Plan.

In the event of any change in corporate capitalization, such as a stock split, or a corporate transaction, such as any merger, consolidation, share exchange, separation, including a spin-off, or other distribution of stock or property of the Company, any reorganization (whether or not such reorganization comes within the definition of such term in Section 368 of the Code) or any partial or complete liquidation of the Company, the Committee or Board may make such substitution or adjustments in the aggregate number and kind of shares reserved for issuance under the Plan, in the number, kind and option price of shares subject to outstanding Stock Options and Stock Appreciation Rights, in the number and kind of shares subject to other outstanding Awards granted under the Plan and/or such other equitable substitution or adjustments as it may determine to be appropriate in its sole discretion; provided, however, that the number of shares subject to any Award shall always be a whole number. Such adjusted option price shall also be used to determine the amount payable by the Company upon the exercise of any Stock Appreciation Right associated with any Stock Option.

SECTION 4. ELIGIBILITY.

Officers and employees of the Company and its Affiliates who are responsible for or contribute to the management, growth and profitability of the business of the Company and its Affiliates and non-employee directors of the Company are eligible to be granted Awards under the Plan.

SECTION 5. STOCK OPTIONS.

Stock Options may be granted alone or in addition to other Awards granted under the Plan and may be of two types: Incentive Stock Options and Nonqualified Stock Options. Any Stock Option granted under the Plan shall be in such form as the Committee may from time to time approve.

The Committee shall have the authority to grant any optionee Incentive Stock Options, Nonqualified Stock Options or both types of Stock Options (in each case with or without Stock Appreciation Rights); provided, however, that grants hereunder are subject to the aggregate limits on grants to individual participants set forth in Section 3. Incentive Stock Options may be granted only to employees of the Company and its subsidiaries (within the meaning of Section 424(f) of the Code). To

the extent that any Stock Option is not designated as an Incentive Stock Option or, even if so designated, does not qualify as an Incentive Stock Option, it shall constitute a Nonqualified Stock Option.

Stock Options shall be evidenced by option agreements, the terms and provisions of which may differ. An option agreement shall indicate on its face whether it is intended to be an agreement for an Incentive Stock Option or a Nonqualified Stock Option. The grant of a Stock Option shall occur on the date the Committee by resolution selects an individual to be a participant in any grant of a Stock Option, determines the number of shares of Common Stock to be subject to such Stock Option to be granted to such individual and specifies the terms and provisions of the Stock Option. The Company shall notify a participant of any grant of a Stock Option, and a written option agreement or agreements shall be duly executed and delivered by the Company to the participant. Such agreement or agreements shall become effective upon execution by the Company and the participant.

Anything in the Plan to the contrary notwithstanding, no term of the Plan relating to Incentive Stock Options shall be interpreted, amended or altered nor shall any discretion or authority granted under the Plan be exercised so as to disqualify the Plan under Section 422 of the Code or, without the consent of the optionee affected, to disqualify any Incentive Stock Option under such Section 422.

Stock Options granted under the Plan shall be subject to the following terms and conditions and shall contain such additional terms and conditions as the Committee shall deem desirable:

(a) OPTION PRICE. The option exercise price per share of Common Stock purchasable under a Stock Option shall be determined by the Committee and set forth in the option agreement, and shall not be less than the Fair Market Value of the Common Stock subject to the Stock Option on the date of grant.

(b) OPTION TERM. The term of each Stock Option shall be fixed by the Committee, but no Incentive Stock Option shall be exercisable more than 10 years after the date the Stock Option is granted.

(c) EXERCISABILITY. Except as otherwise provided herein, Stock Options shall be exercisable at such time or times and subject to such terms and conditions as shall be determined by the Committee. If the Committee provides that any Stock Option is exercisable only in installments, the Committee may at any time waive such installment exercise provisions, in whole or in part, based on such factors as the Committee may determine. In addition, the Committee may at any time accelerate the exercisability of any Stock Option.

(d) METHOD OF EXERCISE. Subject to the provisions of this Section 5, Stock Options may be exercised, in whole or in part, at any time during the option term by giving written notice of exercise to the Company specifying the number of shares of Common Stock subject to the Stock Option to be purchased.

Such notice shall be accompanied by payment in full of the purchase price by certified or bank check or such other instrument as the Company may accept, or in such other manner as the Committee approves. If approved by the Committee, payment in full or in part may also be made in the form of unrestricted Common Stock already owned by the optionee of the same class as the Common Stock subject to the Stock Option and, in the case of the exercise of a Nonqualified Stock Option, Restricted Stock subject to an Award hereunder which is of the same class as the Common Stock subject to the Stock Option (based, in each case, on the Fair Market Value of the Common Stock on the date the Stock

Option is exercised); PROVIDED, HOWEVER, that, in the case of an Incentive Stock Option, the right to make a payment in the form of already owned shares of Common Stock of the same class as the Common Stock subject to the Stock Option may be authorized only at the time the Stock Option is granted.

If payment of the option exercise price of a Nonqualified Stock Option is made in whole or in part in the form of Restricted Stock, the number of shares of Common Stock to be received upon such exercise equal to the number of shares of Restricted Stock used for payment of the option exercise price shall be subject to the same forfeiture restrictions to which such Restricted Stock was subject, unless otherwise determined by the Committee.

In the discretion of the Committee, payment for any shares subject to a Stock Option may also be made by delivering a properly executed exercise notice to the Company, together with a copy of irrevocable instructions to a broker to deliver promptly to the Company the amount of sale or loan proceeds to pay the purchase price, and, if requested by the Company, the amount of any federal, state, local or foreign withholding taxes. To facilitate the foregoing, the Company may enter into agreements for coordinated procedures with one or more brokerage firms.

No shares of Common Stock shall be issued until full payment therefor has been made. Subject to any forfeiture restrictions that may apply if a Stock Option is exercised using Restricted Stock, an optionee shall have all of the rights of a shareholder of the Company holding the class or series of Common Stock that is subject to such Stock Option (including, if applicable, the right to vote the shares and the right to receive dividends), when the optionee has given written notice of exercise, has paid in full for such shares and, if requested, has given the representation described in Section 13(a).

(e) NONTRANSFERABILITY OF STOCK OPTIONS. No Stock Option shall be transferable by the optionee other than (i) by will or by the laws of descent and distribution or (ii) in the case of a Nonqualified Stock Option, pursuant to a gift to such optionee's children, whether directly or indirectly or by means of a trust or partnership or otherwise, if expressly permitted under the applicable option agreement. All Stock Options shall be exercisable, during the optionee's lifetime, only by the optionee or by the guardian or legal representative of the optionee, it being understood that the terms "holder" and "optionee" include the guardian and legal representative of the optionee named in the option agreement and any person to whom an option is transferred by will or the laws of descent and distribution or, in the case of a Nonqualified Stock Option, a gift permitted under the applicable option agreement.

(f) TERMINATION OF EMPLOYMENT BY DEATH. Unless otherwise determined by the Committee, if an optionee incurs a Termination of Employment by reason of death, any Stock Option held by such optionee shall immediately become exercisable and may thereafter be exercised by the holder for a period of one year (or such other period as the Committee may specify in the option agreement) from the date of such death or until the expiration of the stated term of such Stock Option, whichever period is the shorter.

(g) TERMINATION OF EMPLOYMENT BY REASON OF DISABILITY. Unless otherwise determined by the Committee, if an optionee incurs a Termination of Employment by reason of Disability, any Stock Option held by such optionee shall immediately become exercisable and may thereafter be exercised by the optionee for a period of three years (or such shorter period as the Committee may specify in the option agreement) from the date of such Termination of Employment or until the expiration of the stated term of such Stock Option, whichever period is the shorter; provided, however, that if the optionee dies within such three-year period (or such shorter period), any unexercised Stock Option held by such optionee shall, notwithstanding the expiration of such three-year (or such

shorter) period, continue to be exercisable for a period of 12 months from the date of such death or until the expiration of the stated term of such Stock Option, whichever period is the shorter. In the event of Termination of Employment by reason of Disability, if an Incentive Stock Option is exercised after the expiration of the exercise periods that apply for purposes of Section 422 of the Code, such Stock Option will thereafter be treated as a Nonqualified Stock Option.

(h) TERMINATION OF EMPLOYMENT BY REASON OF RETIREMENT. Unless otherwise determined by the Committee, if an optionee incurs a Termination of Employment by reason of Retirement, any Stock Option held by such optionee shall immediately become exercisable and may thereafter be exercised by the optionee for a period of three years (or such shorter period as the Committee may specify in the option agreement) from the date of such Termination of Employment or until the expiration of the stated term of such Stock Option, whichever period is the shorter; provided, however, that if the optionee dies within such three-year (or such shorter) period any unexercised Stock Option held by such optionee shall, notwithstanding the expiration of such three-year (or such shorter) period, continue to be exercisable for a period of 12 months from the date of such death or until the expiration of the stated term of such Stock Option, whichever period is the shorter. In the event of Termination of Employment by reason of Retirement, if an Incentive Stock Option is exercised after the expiration of the exercise periods that apply for purposes of Section 422 of the Code, such Stock Option will thereafter be treated as a Nonqualified Stock Option.

(i) OTHER TERMINATION OF EMPLOYMENT. Unless otherwise determined by the Committee, if an optionee incurs a Termination of Employment for any reason other than death, Disability or Retirement, any Stock Option held by such optionee shall thereupon terminate, except that such Stock Option, to the extent then exercisable, or on such accelerated basis as the Committee may determine, may be exercised for the lesser of three months from the date of such Termination of Employment or the balance of such Stock Option's stated term if such Termination of Employment of the optionee is involuntary; provided, however, that if the optionee dies within such three-month period, any unexercised Stock Option held by such optionee shall, notwithstanding the expiration of such three-month period, continue to be exercisable to the extent to which it was exercisable at the time of death for a period of 12 months from the date of such death or until the expiration of the stated term of such Stock Option, whichever period is the shorter. Notwithstanding the foregoing, if an optionee incurs a Termination of Employment at or after a Change of Control (as defined in Section 9(b)), other than by reason of death, Disability or Retirement, any Stock Option held by such optionee shall be exercisable for the lesser of (1) six months and one day from the date of such Termination of Employment, or (2) the balance of such Stock Option's stated term. In the event of Termination of Employment, if an Incentive Stock Option is exercised after the expiration of the exercise periods that apply for purposes of Section 422 of the Code, such Stock Option will thereafter be treated as a Nonqualified Stock Option.

(j) CHANGE OF CONTROL CASH-OUT. Notwithstanding any other provision of the Plan, during the 60-day period from and after a Change of Control (the "Exercise Period"), unless the Committee shall determine otherwise at the time of grant or pursuant to Section 13(i) hereof, an optionee shall have the right, whether or not the Stock Option is fully exercisable and in lieu of the payment of the exercise price for the shares of Common Stock being purchased under the Stock Option and by giving notice to the Company, to elect (within the Exercise Period) to surrender all or part of the Stock Option to the Company and to receive cash, within 30 days of such notice, in an amount equal to the amount by which the Change of Control Price per share of Common Stock on the date of such election shall exceed the exercise price per share of Common Stock under the Stock Option (the "Spread") multiplied by the number of shares of Common Stock granted under the Stock Option as to which the right granted under this Section 5(j) shall have been exercised.

SECTION 6. STOCK APPRECIATION RIGHTS.

(a) GRANT AND EXERCISE. Stock Appreciation Rights may be granted in conjunction with all or part of any Stock Option granted under the Plan. In the case of a Nonqualified Stock Option, such rights may be granted either at or after the time of grant of such Stock Option. In the case of an Incentive Stock Option, such rights may be granted only at the time of grant of such Stock Option. A Stock Appreciation Right shall terminate and no longer be exercisable upon the termination or exercise of the related Stock Option.

A Stock Appreciation Right may be exercised by an optionee in accordance with Section 6(b) by surrendering the applicable portion of the related Stock Option in accordance with procedures established by the Committee. Upon such exercise and surrender, the optionee shall be entitled to receive an amount determined in the manner prescribed in Section 6(b). Stock Options which have been so surrendered shall no longer be exercisable to the extent the related Stock Appreciation Rights have been exercised.

(b) TERMS AND CONDITIONS. Stock Appreciation Rights shall be subject to such terms and conditions as shall be determined by the Committee, including the following:

(i) Stock Appreciation Rights shall be exercisable only at such time or times and to the extent that the Stock Options to which they relate are exercisable in accordance with the provisions of Section 5 and this Section 6.

(ii) Upon the exercise of a Stock Appreciation Right, an optionee shall be entitled to receive an amount in cash, shares of Common Stock or both equal in value to the excess of the Fair Market Value of one share of Common Stock over the option price per share specified in the related Stock Option multiplied by the number of shares in respect of which the Stock Appreciation Right shall have been exercised, with the Committee having the right to determine the form of payment.

(iii) Stock Appreciation Rights shall be transferable only to permitted transferees of the underlying Stock Option in accordance with Section 5(e).

(iv) Upon the exercise of a Stock Appreciation Right, the Stock Option or part thereof to which such Stock Appreciation Right is related shall be deemed to have been exercised for the purpose of the limitation set forth in Section 3 on the number of shares of Common Stock to be issued under the Plan, but only to the extent of the number of shares as to which the Stock Appreciation Right is exercised at the time of exercise.

SECTION 7. RESTRICTED STOCK.

(a) ADMINISTRATION. Shares of Restricted Stock may be awarded either alone or in addition to other Awards granted under the Plan. The Committee shall determine the non-employee directors, officers and employees to whom and the time or times at which grants of Restricted Stock will be awarded, the number of shares to be awarded to any participant (subject to the aggregate limits on grants to individual participants set forth in Section 3), the conditions for vesting, the time or times within which such Awards may be subject to forfeiture and any other terms and conditions of the Awards, in addition to those contained in Section 7(c).

The Committee shall in the case of Covered Employees, and may in the case of other participants, condition the vesting of Restricted Stock upon the attainment of Performance Goals established before or at the time of grant and, in each instance, may establish the various levels of achievement of Performance Goals at which a portion or all of such Restricted Stock vests. In the case of Covered Employees, prior to the vesting of any Restricted Stock, the Committee shall certify that the applicable Performance Goals have been satisfied. The Committee may, in addition to requiring satisfaction of any applicable Performance Goals, also condition vesting upon the continued service of the participant. The provisions of Restricted Stock Awards (including the applicable Performance Goals) need not be the same with respect to each recipient.

(b) AWARDS AND CERTIFICATES. Shares of Restricted Stock shall be evidenced in such manner as the Committee may deem appropriate, including book-entry registration or issuance of one or more stock certificates. Any certificate issued in respect of shares of Restricted Stock shall be registered in the name of such participant and shall bear an appropriate legend referring to the terms, conditions, and restrictions applicable to such Award, substantially in the following form:

"The transferability of this certificate and the shares of stock represented hereby are subject to the terms and conditions (including forfeiture) of the OGE Energy Corp. Stock Incentive Plan and a Restricted Stock Agreement. Copies of such Plan and Agreement are on file at the offices of OGE Energy Corp. at 101 North Robinson, Oklahoma City, Oklahoma 73102."

The Committee may require that the certificates evidencing such shares be held in custody by the Company until the restrictions thereon shall have lapsed and that, as a condition of any Award of Restricted Stock, the participant shall have delivered a stock power, endorsed in blank, relating to the Common Stock covered by such Award.

(c) TERMS AND CONDITIONS. Shares of Restricted Stock shall be subject to the following terms and conditions:

(i) Subject to the provisions of the Plan (including Section 5(d)) and the Restricted Stock Agreement referred to in Section 7(c)(vi), during the period, if any, set by the Committee, commencing with the date of such Award for which such participant's continued service is required (the "Restriction Period"), and until the later of (i) the expiration of the Restriction Period and (ii) the date the applicable Performance Goals (if any) are satisfied, the participant shall not be permitted to sell, assign, transfer, pledge or otherwise encumber shares of Restricted Stock. Within these limits, the Committee may provide for the lapse of restrictions based upon period of service in installments or otherwise and may accelerate or waive, in whole or in part, restrictions based upon period of service or upon performance; provided, however, that in the case of Restricted Stock with respect to which a participant is a Covered Employee, any applicable Performance Goals have been satisfied.

(ii) Except as provided in this paragraph (ii) and Section 7(c)(i) and the Restricted Stock Agreement, the participant shall have, with respect to the shares of Restricted Stock, all of the rights of a shareholder of the Company holding the class or series of Common Stock that is the subject of the Restricted Stock, including, if applicable, the right to vote the shares and the right to receive any cash dividends. If so determined by the Committee in the applicable Restricted Stock Agreement and subject to Section 13(f) of the Plan (1) cash dividends on the class or series of Common Stock that is the subject of the Restricted Stock Award shall be automatically deferred and reinvested in additional Restricted Stock, held subject to the vesting of

the underlying Restricted Stock, or held subject to meeting Performance Goals applicable only to dividends, and (2) dividends payable in Common Stock shall be paid in the form of Restricted Stock of the same class as the Common Stock with which such dividend was paid, held subject to the vesting of the underlying Restricted Stock, or held subject to meeting Performance Goals applicable only to dividends.

(iii) Except to the extent otherwise provided in the applicable Restricted Stock Agreement, any applicable employment agreement and Sections 7(c)(i), 7(c)(iv) and 9(a)(ii), upon a participant's Termination of Employment for any reason during the Restriction Period or before the applicable Performance Goals are satisfied, all shares still subject to restriction shall be forfeited by the participant.

(iv) Except to the extent otherwise provided in Section 9(a)(ii), in the event that a participant incurs a Termination of Employment due to Retirement or involuntary termination, the Committee shall have the discretion to waive in whole or in part any or all remaining restrictions (other than, in the case of Restricted Stock with respect to which a participant is a Covered Employee, satisfaction of the applicable Performance Goals unless the participant's Termination of Employment is due to death or Disability) with respect to any or all of such participant's shares of Restricted Stock.

(v) If and when the applicable Performance Goals are satisfied for any shares of Restricted Stock and the Restriction Period expires without a prior forfeiture of such shares of Restricted Stock, unlegended certificates for such shares shall be delivered to the participant upon surrender of the legended certificates.

(vi) Each Award shall be confirmed by, and be subject to the terms of, a Restricted Stock Agreement.

SECTION 8. PERFORMANCE UNITS.

(a) ADMINISTRATION. Performance Units may be awarded either alone or in addition to other Awards granted under the Plan. Performance Units may be denominated in shares of Common Stock or cash, or may represent the right to receive dividend equivalents with respect to shares of Common Stock, as the Committee shall determine. The Committee shall determine the non-employee directors, officers and employees to whom and the time or times at which Performance Units shall be awarded, the form and number of Performance Units to be awarded to any participant (subject to the aggregate limits on grants to individual participants set forth in Section 3), the duration of the Award Cycle and any other terms and conditions of the Award, in addition to those contained in Section 8(b).

The Committee shall condition the settlement of Performance Units upon the attainment of Performance Goals, which shall be established before or at the time of grant. The provisions of such Awards (including the applicable Performance Goals) need not be the same with respect to each recipient.

(b) TERMS AND CONDITIONS. Performance Units Awards shall be subject to the following terms and conditions:

(i) Subject to the provisions of the Plan and the Performance Unit Agreement referred to in Section 8(b)(vi), Performance Units may not be sold, assigned, transferred, pledged

or otherwise encumbered during the Award Cycle. At the expiration of the Award Cycle, the Committee shall evaluate actual performance in light of the Performance Goals for such Award, shall certify the extent to which such Performance Goals have been satisfied and shall determine the number of Performance Units granted to the participant which have been earned and the Committee may then elect to deliver cash, shares of Common Stock, or a combination thereof, in settlement of the earned Performance Units, in accordance with the terms thereof.

(ii) Except to the extent otherwise provided in the applicable Performance Unit Agreement and Sections 8(b)(iii) and 9(a)(iii), upon a participant's Termination of Employment for any reason during the Award Cycle or before the applicable Performance Goals are satisfied, the rights to the shares still covered by the Performance Units Award shall be forfeited by the participant.

(iii) Except to the extent otherwise provided in the applicable Performance Unit Agreement and Section 9(a)(iii), in the event that a participant incurs a Termination of Employment due to death, Disability or Retirement, such participant shall receive a prorated payment based on such participant's number of full months of service during the Award Cycle, further adjusted based on the achievement of the Performance Goals during the entire Award Cycle, as certified by the Committee. Payment shall be made at the time payments are made to participants who did not terminate service during the Award Cycle.

(iv) A participant may elect to further defer receipt of the Performance Units payable under an Award (or an installment of an Award) for a specified period or until a specified event, subject in each case to the Committee's approval and to such terms as are determined by the Committee (the "Elective Deferral Period"). Subject to any exceptions adopted by the Committee, such election must generally be made prior to commencement of the Award Cycle for the Award (or for such installment of an Award).

(v) If and when the applicable Performance Goals are satisfied and the Elective Deferral Period expires without a prior forfeiture of the Performance Units, payment in accordance with Section 8(b)(i) hereof shall be made to the participant.

(vi) Each Award shall be confirmed by, and be subject to the terms of, a Performance Unit Agreement.

SECTION 9. CHANGE OF CONTROL PROVISIONS.

(a) IMPACT OF EVENT. Notwithstanding any other provision of the Plan to the contrary, in the event of a Change of Control:

(i) Any Stock Options and Stock Appreciation Rights outstanding as of the date such Change of Control is determined to have occurred and not then exercisable and vested shall become fully exercisable and vested to the full extent of the original grant.

(ii) The restrictions applicable to any Restricted Stock shall lapse, and such Restricted Stock shall become free of all restrictions and become fully vested and transferable to the full extent of the original grant.

(iii) All Performance Units shall be considered to be earned and payable in full and any deferral or other restriction shall lapse and such Performance Units shall be settled in cash as promptly as is practicable.

(b) DEFINITION OF CHANGE OF CONTROL. For purposes of the Plan, a "Change of Control" shall mean the happening of any of the following events:

(i) An acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Exchange Act) (a "Person") of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 20% or more of either (1) the then outstanding shares of common stock of the Company (the "Outstanding Company Common Stock") or (2) the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors (the "Outstanding Company Voting Securities"); excluding, however, the following: (1) any acquisition directly from the Company, (2) any acquisition by the Company, (3) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any corporation controlled by the Company or (4) any acquisition by any corporation pursuant to a transaction which complies with clauses (1), (2) and (3) of subsection (iii) of this Section 9(b); or

(ii) A change in the composition of the Board such that the individuals who, as of January 1, 1998, constitute the Board (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; provided, however, for purposes of this Section 9(b), that any individual who becomes a member of the Board subsequent to January 1, 1998, whose election, or nomination for election by the Company's shareholders, was approved by a vote of at least a majority of those individuals then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board; but, provided further, that any such individual whose initial assumption of office occurs as a result of either an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board shall not be so considered as a member of the Incumbent Board; or

(iii) Consummation of a reorganization, merger, share exchange or consolidation or sale or other disposition of all or substantially all of the assets of the Company (a "Business Combination"), excluding, however, such a Business Combination pursuant to which (1) all or substantially all of the individuals and entities who are the beneficial owners, respectively, of the Outstanding Company Common Stock and Outstanding Company Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than 60% of, respectively, the outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such Business Combination (including, without limitation, a corporation which as a result of such transaction owns the Company or all or substantially all of the Company's assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership, immediately prior to such Business Combination, of the Outstanding Company Common Stock and Outstanding Company Voting Securities, as the case may be, (2) no Person (other than the corporation resulting from such Business Combination or any employee benefit plan (or related trust) of the Company or such corporation resulting from such Business Combination) beneficially owns, directly or indirectly, 20% or more of, respectively, the outstanding shares of common stock of the corporation resulting from such Business Combination or the combined voting power of the outstanding voting securities of such

corporation except to the extent that such ownership existed prior to the Business Combination and (3) at least a majority of the members of the board of directors of the corporation resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement, or the action of the Board, providing for such Business Combination; or

(iv) The approval by the shareholders of the Company of a complete liquidation or dissolution of the Company.

(c) CHANGE OF CONTROL PRICE. For purposes of the Plan, "Change of Control Price" means the higher of (i) the highest reported sales price, regular way, of a share of Common Stock in any transaction reported on the New York Stock Exchange Composite Tape or other national exchange on which such shares are listed or on NASDAQ during the 60-day period prior to and including the date of a Change of Control or (ii) if the Change of Control is the result of a tender or exchange offer or a Business Combination, the highest price per share of Common Stock paid in such tender or exchange offer or Business Combination; provided, however, that in the case of Incentive Stock Options and Stock Appreciation Rights relating to Incentive Stock Options, the Change of Control Price shall be in all cases the Fair Market Value of the Common Stock on the date such Incentive Stock Option or Stock Appreciation Right is exercised. To the extent that the consideration paid in any such transaction described above consists all or in part of securities or other non-cash consideration, the value of such securities or other non-cash consideration shall be determined in the sole discretion of the Board.

SECTION 10. LOANS.

The Company may make loans to a participant in connection with Awards subject to the following terms and conditions and such other terms and conditions not inconsistent with the Plan as the Committee shall impose from time to time, including without limitation the rate of interest, if any, and whether such loan shall be recourse or non-recourse.

No loan made under the Plan shall exceed the sum of (i) the aggregate price payable with respect to the Award in relation to which the loan is made, plus (ii) the amount of the reasonably estimated combined amounts of Federal and state income taxes payable by the participant.

No loan shall have an initial term exceeding ten (10) years; provided that the loans under the Plan shall be renewable at the discretion of the Committee; and provided, further, that the indebtedness under each loan shall become due and payable, as the case may be, on a date no later than (i) one year after Termination of Employment due to death, Retirement or Disability, or (ii) the day of Termination of Employment for any reason other than death, Retirement or Disability.

Loans under the Plan may be satisfied by the participant, as determined by the Committee, in cash or, with the consent of the Committee, in whole or in part in the form of unrestricted Common Stock already owned by the participant where such Common Stock shall be valued at Fair Market Value on the date of such payment.

When a loan shall have been made, Common Stock with a Fair Market Value on the date of such loan equivalent to the amount of the loan shall be pledged by the participant to the Company as security for payment of the unpaid balance of the loan. Any portions of such Common Stock may, in the discretion of the Committee, be released from time to time as it deems not to be needed as security.

The making of any loan is subject to satisfying all applicable laws, as well as any regulations and rules of the Federal Reserve Board and any other governmental agency having jurisdiction.

SECTION 11. TERM, AMENDMENT AND TERMINATION.

The Plan will terminate 10 years after the effective date of the Plan. Under the Plan, Awards outstanding as of such date shall not be affected or impaired by the termination of the Plan.

The Board may amend, alter, or discontinue the Plan, but no amendment, alteration or discontinuation shall be made which would (i) impair the rights of an optionee under a Stock Option or a recipient of a Stock Appreciation Right, Restricted Stock Award or Performance Unit Award theretofore granted without the optionee's or recipient's consent, except such an amendment made to cause the Plan to qualify or continue to qualify for the exemption provided by Rule 16b-3, or (ii) disqualify the Plan from the exemption provided by Rule 16b-3. In addition, no such amendment shall be made without the approval of the Company's shareholders to the extent such approval is required by law or agreement.

The Committee may amend the terms of any Stock Option or other Award theretofore granted, prospectively or retroactively, except that: (i) no such amendment shall impair the rights of any holder without the holder's consent except such an amendment made to cause the Plan or Award to qualify for the exemption provided by Rule 16b-3 and (ii) no such amendment shall lower the option exercise price of an Option other than as permitted by Section 3 in connection with a change in corporate capitalization or other transaction described in Section 3.

Subject to the above provisions, the Board shall have authority to amend the Plan to take into account changes in law and tax and accounting rules, as well as other developments and to grant Awards which qualify for beneficial treatment under such rules without shareholder approval.

SECTION 12. UNFUNDED STATUS OF PLAN.

It is presently intended that the Plan constitute an "unfunded" plan for incentive and deferred compensation. The Committee may authorize the creation of trusts or other arrangements to meet the obligations created under the Plan to deliver Common Stock or make payments; provided, however, that, unless the Committee otherwise determines, the existence of such trusts or other arrangements is consistent with the "unfunded" status of the Plan.

SECTION 13. GENERAL PROVISIONS.

(a) The Committee may require each person purchasing or receiving shares pursuant to an Award to represent to and agree with the Company in writing that such person is acquiring the shares without a view to the distribution thereof. The certificates for such shares may include any legend which the Committee deems appropriate to reflect any restrictions on transfer.

Notwithstanding any other provision of the Plan or agreements made pursuant thereto, the Company shall not be required to issue or deliver any certificate or certificates for shares of Common Stock under the Plan prior to fulfillment of all of the following conditions:

(1) The listing or approval for listing upon notice of issuance, of such shares on the New York Stock Exchange, Inc., or such other securities exchange as may at the time be the principal market for the Common Stock;

(2) Any registration or other qualification of such shares of the Company under any state or Federal law or regulation, or the maintaining in effect of any such registration or other qualification which the Committee shall, in its absolute discretion upon the advice of counsel, deem necessary or advisable; and

(3) The obtaining of any other consent, approval, or permit from any state or Federal governmental agency which the Committee shall, in its absolute discretion after receiving the advice of counsel, determine to be necessary or advisable.

(b) Nothing contained in the Plan shall prevent the Company or any Affiliate from adopting other or additional compensation arrangements for its employees.

(c) The adoption of the Plan shall not confer upon any employee any right to continued employment nor shall it interfere in any way with the right of the Company or any Affiliate to terminate the employment of any employee at any time.

(d) No later than the date as of which an amount first becomes includible in the gross income of the participant for Federal income tax purposes with respect to any Award under the Plan, the participant shall pay to the Company, or make arrangements satisfactory to the Company regarding the payment of, any Federal, state, local or foreign taxes of any kind required by law to be withheld with respect to such amount. Unless otherwise determined by the Company, withholding obligations may be settled with Common Stock, including Common Stock that is part of the Award that gives rise to the withholding requirement. The obligations of the Company under the Plan shall be conditional on such payment or arrangements, and the Company and its Affiliates shall, to the extent permitted by law, have the right to deduct any such taxes from any payment otherwise due to the participant. The Committee may establish such procedures as it deems appropriate, including the making of irrevocable elections, for the settlement of withholding obligations with Common Stock.

(e) The Plan and all Awards made and actions taken thereunder shall be governed by and construed in accordance with the laws of the State of Oklahoma, without reference to principles of conflict of laws.

(f) The reinvestment of dividends in additional Restricted Stock at the time of any dividend payment shall only be permissible if sufficient shares of Common Stock are available under Section 3 for such reinvestment (taking into account then outstanding Stock Options and other Awards).

(g) The Committee shall establish such procedures as it deems appropriate for a participant to designate a beneficiary to whom any amounts payable in the event of the participant's death are to be paid or by whom any rights of the participant, after the participant's death, may be exercised.

(h) In the case of a grant of an Award to any employee of an Affiliate, the Company may, if the Committee so directs, issue or transfer the shares of Common Stock, if any, covered by the Award to the Affiliate, for such lawful consideration as the Committee may specify, upon the condition or understanding that the Affiliate will transfer the shares of Common Stock to the employee in accordance with the terms of the Award specified by the Committee pursuant to the provisions of the Plan.

(i) Notwithstanding any other provision of the Plan, if any right granted pursuant to this Plan would make a Change of Control transaction ineligible for pooling of interests accounting under APB No. 16 (or any similar bulletin, rule or regulation) that but for the nature of such grant would otherwise be eligible for such accounting treatment, the Committee shall have the ability to substitute for the cash payable pursuant to such grant Common Stock (or the common stock of the issuer for which the Common Stock is being exchanged in such Change of Control transaction) with a Fair Market Value equal to the cash that would otherwise be payable hereunder.

SECTION 14. EFFECTIVE DATE OF PLAN.

The Plan shall be effective as of January 1, 1998, but only if it is subsequently approved by the affirmative vote of a majority of the votes entitled to be cast by the holders of the shares of common stock of the Company represented at a meeting and entitled to vote thereon.

IN WITNESS WHEREOF, OGE Energy Corp. has caused this Plan to be executed on its behalf by its Chairman of the Board, President and Chief Executive Officer.

OGE ENERGY CORP.

By: _____
Steven E. Moore
Chairman of the Board, President and
Chief Executive Officer

OGE ENERGY CORP.
ANNUAL INCENTIVE COMPENSATION PLAN

I. PURPOSE AND EFFECTIVE TIME OF THE PLAN

The purpose of the Annual Incentive Compensation Plan (the "Plan") is to maximize the efficiency and effectiveness of the operations of OGE Energy Corp. and its subsidiaries (the "Company") by providing incentive compensation opportunities to certain key executives and managers responsible for operational effectiveness. The Plan is intended to encourage and reward the achievement of certain results critical to meeting the Company's operational goals. It is also designed to assist in the attraction and retention of quality employees, to link further the financial interest and objectives of employees with those of the Company, and to foster accountability and teamwork throughout the Company.

This Plan is designed to provide incentive compensation opportunities; awards made under this Plan are in addition to base salary adjustments given to maintain market competitive salary levels.

Payments pursuant to Article 6 of the Plan are intended to qualify under the performance-based compensation exemption of Section 162(m)(4)(C) of the Internal Revenue Code of 1986, as amended.

The Plan shall be effective as of June 30, 1998, subject to approval of the Plan by the shareowners of OGE Energy Corp. at its 1998 annual meeting by the affirmative vote of a majority of the shares of common stock of OGE Energy Corp. present in person or represented by proxy at the meeting and entitled to vote.

II. DEFINITIONS

When used in the Plan, the following words and phrases shall have the following meanings:

2.1. "Base Salary" means the actual annual base salary in effect for

the first full pay period after the beginning of the Plan Year as shown in the personnel records of the Company, and, for a Participant who is added to the Plan during a Plan Year pursuant to Section 4.3, his or her annual base salary in effect at the time he or she becomes a Participant as shown in the personnel records of the Company.

2.2. "Board" means the Board of Directors of Energy Corp.

2.3. "Change of Control" shall mean the happening of any of the

following events:

(i) An acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Exchange Act) (a "Person") of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 20% or more of either (1) the then outstanding shares of common stock of Energy Corp. (the "Outstanding Company Common Stock") or (2) the combined voting power of the then outstanding voting securities of Energy Corp. entitled to vote generally in the election of directors (the "Outstanding Company Voting Securities"); excluding, however, the following: (1) any acquisition directly from Energy

Corp., (2) any acquisition by Energy Corp., (3) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by Energy Corp. or any corporation controlled by Energy Corp. or (4) any acquisition by any corporation pursuant to a transaction which complies with clauses (1), (2) and (3) of subsection (iii) below; or

(ii) A change in the composition of the Board such that the individuals who, as of January 1, 1998, constitute the Board (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; provided, however, that any individual who becomes a member of the Board subsequent to January 1, 1998, whose election, or nomination for election by Energy Corp.'s shareowners, was approved by a vote of at least a majority of those individuals then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board; but, provided further, that any such individual whose initial assumption of office occurs as a result of either an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other

than the Board shall not be so considered as a member of the Incumbent Board; or

(iii) Consummation of a reorganization, merger, share exchange or consolidation or sale or other disposition of all or substantially all of the assets of Energy Corp. (a "Business Combination"), excluding, however, such a Business Combination pursuant to which (1) all or substantially all of the individuals and entities who are the beneficial owners, respectively, of the Outstanding Company Common Stock and Outstanding Company Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than 60% of, respectively, the outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such Business Combination (including, without limitation, a corporation which as a result of such transaction owns Energy Corp. or all or substantially all of Energy Corp.'s assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership, immediately prior to such Business Combination, of the Outstanding Company Common Stock and Outstanding Company Voting Securities, as the case may be, (2) no Person (other than the corporation resulting from such Business Combination or any employee benefit plan (or related trust) of Energy Corp. or such corporation resulting from such Business Combination) beneficially owns, directly or indirectly, 20% or more of, respectively, the outstanding shares of common stock of the corporation resulting from such Business Combination or the combined voting power of the outstanding voting securities of such corporation except to the extent that such ownership existed prior to the Business Combination and (3) at least a majority of the members of the board of directors of the corporation resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement, or the action of the Board, providing for such Business Combination; or

(iv) The approval by the shareowners of Energy Corp. of a complete liquidation or dissolution of Energy Corp.

2.4. "Code" means the Internal Revenue Code of 1986, as amended.

2.5. "Committee" means the Compensation Committee of the Board or any

other Committee of the Board designated by resolution of the Board to perform certain administrative functions under the Plan provided that, to the extent awards under the Plan are intended to be exempt from Section 162(m) of

the Code, such Committee shall be comprised of two persons, each of whom shall qualify as an "outside director" for purposes of Section 162(m)(4) of the Code.

2.6. "Company" means Energy Corp., its subsidiary, Oklahoma Gas and Electric Company, and any domestic subsidiary or division of these entities, as designated by the Committee for participation in the Plan.

2.7. "Company Performance Goals" shall have the meaning ascribed to it by Section 6.2 hereof.

2.8. "Covered Employee" means, for any Plan Year, a Participant designated prior to the grant of a Target Company Award for such Plan Year who is or may be a "covered employee" within the meaning of Section 162(m)(3) of the Code for such Plan Year.

2.9. "Earned Award" means the Earned Individual Award, if any, and the Earned Company Award, if any, for a Participant for the applicable Plan Year.

2.10. "Earned Company Award" means the actual award earned under a Participant's Target Company Award during a Plan Year as determined by the Committee after the end of the Plan Year (pursuant to Section 6.3 hereof).

2.11. "Earned Individual Award" means the actual award earned under a Participant's Target Individual Award during a Plan Year as determined by the Committee after the end of the Plan Year (pursuant to Section 5.4 hereof).

2.12. "Energy Corp." shall mean OGE Energy Corp. and its successors and assigns.

2.13. "Participant" means any officer, executive or other key employee of the Company selected by the Committee to be eligible to receive an award under the Plan. Members of the Board who are not employed on a full-time basis by the Company are not eligible to receive awards under the Plan.

2.14. "Performance Matrix" means the chart or charts or other schedules approved by the Committee that are used to determine the percentage of each Participant's Target Company Award which the Participant will actually receive as a result of the attainment of Company Performance Goals.

2.15. "Plan" means this Annual Incentive Compensation Plan, as it may be amended from time to time.

2.16. "Plan Year" means a fiscal year beginning January 1 and ending December 31.

2.17. "Target Company Award" means an award established pursuant to Article 6 hereof. Such Target Company Award shall be expressed as a percentage of the Participant's Base Salary.

2.18. "Target Individual Award" means an award established pursuant to Article 5 hereof. Such Target Individual Award shall be expressed as a percentage of the Participant's Base Salary.

III. ADMINISTRATION OF THE PLAN

The Plan shall be administered by the Committee to the extent provided herein. Subject to the provisions of the Plan, the Board shall have exclusive authority to amend, modify, suspend or terminate the Plan at any time.

IV. ELIGIBILITY AND PARTICIPATION

4.1. Eligibility. Eligibility for participation in the Plan shall be

limited to those officers, executives or other key employees who are nominated for participation by the Chief Executive Officer of Energy Corp. (the "Chief Executive Officer") and then selected by the Committee to participate in the Plan.

4.2. Participation. Participation in the Plan shall be determined

annually based upon nomination by the Chief Executive Officer and selection by the Committee. Specific criteria for participation shall be determined by the Committee prior to the beginning of each Plan Year. Persons selected for participation shall be notified in writing of their selection, and of their individual performance goals and Company Performance Goals and related Target Individual Awards and Target Company Awards, as soon after approval as is practicable.

4.3. Partial Plan Year Participation. Subject to Article 6 herein, the

Committee may, upon recommendation of the Chief Executive Officer, allow an individual who becomes eligible after the beginning of a Plan Year to participate in the Plan for that period. In such case, the Participant's Earned Award normally shall be prorated based on the number of full months of participation during such Plan Year. However, subject to Section 5.1 and Article 6 herein, the Chief Executive Officer, subject to Committee approval, may authorize an unreduced Earned Award.

4.4. Termination of Approval. In its sole discretion, the Committee may

withdraw its approval for participation in the Plan with respect to a Plan Year for a Participant at any time during such Plan Year; provided, however, that such withdrawal must occur before the end of such Plan Year and provided further that, in the event a Change of Control occurs during a Plan Year, the Committee may not thereafter withdraw its approval for a Participant during such Plan Year. In the event of such withdrawal, the employee concerned shall cease to be a Participant as of the date designated by the Committee, and the employee shall not be entitled to any part of an Earned Award for the Plan Year in which such withdrawal occurs. Such employee shall be notified of such withdrawal in writing as soon as practicable following such action.

V. INDIVIDUAL AWARDS

5.1. Award Opportunities. At the beginning of each Plan Year, the

Committee shall establish Target Individual Award levels for each Participant who is to be granted an opportunity to achieve an Earned Individual Award. The established levels may vary in relation to the responsibility level of the Participant. In the event a Participant changes job levels during the Plan Year, the Target Individual Award may be adjusted at the discretion of the Committee to reflect the amount of time at each job level. Notwithstanding any provision in this Plan to the contrary, (i) Target Individual Awards and Earned Individual Awards shall not be granted to Covered Employees, and (ii) Target Individual Awards shall not be dependent in any manner on, and shall be established independently of and in addition to, the establishment of any Target Company Awards or the payout of any Earned Company Awards pursuant to Article 6 herein.

5.2. Individual Performance Goals. At the beginning of each Plan Year,

the Chief Executive Officer shall recommend individual performance goals for each Participant who is granted a Target Individual Award. The Committee shall consider and approve or modify the recommendations as appropriate. The level of achievement of the individual performance goals by a Participant at the end of the Plan Year, as determined pursuant to Section 5.4 below, will determine such Participant's Earned Individual Award, which may range from 0% to 175% of such Participant's Target Individual Award.

5.3. Adjustment of Individual Performance Goals. The Chief Executive

Officer shall have the right to adjust the individual performance goals (either up or down) during the Plan Year if he determines that external changes or other unanticipated conditions have materially affected the fairness of the goals and unduly influenced a Participant's ability to meet them; provided, however, that no such adjustment to the Chief Executive Officer's individual performance goals shall be made unless approved by the Committee; and provided further that no adjustment of such individual performance goals for any Participant shall be made based upon the failure, or the expected failure, to attain or exceed the Company Performance Goals for any Target Company Award granted to such Participant under Article 6 herein and provided further that no adjustment shall be made of such individual performance goals for a Plan Year in which a Change of Control occurs.

5.4. Earned Individual Award Determination. At the end of each Plan

Year, the Chief Executive Officer shall review the performance of each Participant who received a Target Individual Award. Based on the Chief Executive Officer's determination as to a Participant's level of achievement of his or her individual performance goals, the Chief Executive Officer shall make a recommendation to the Committee as to the Earned Individual Award to be received by such Participant. The payment of all Earned Individual Awards is subject to approval by the Committee. The payment of an Earned Individual Award to a Participant shall not be contingent in any manner upon the attainment of, or failure to attain, the Company Performance Goals for the Target Company Awards granted to such Participant under Article 6.

5.5. Maximum Payable/Aggregate Award Cap. The maximum amount payable to

a Participant pursuant to this Article 5 for performance by the Participant during any fiscal year of the Company shall be \$250,000. The Committee also may establish guidelines governing the maximum Earned Individual Awards that may be earned by all Participants in the aggregate, in each Plan Year. These guidelines may be expressed as a percentage of a financial measure, or such other measure as the Committee shall from time to time determine.

5.6. Deferral of Payment. The Committee may in its sole discretion

delay payment to a Participant pursuant to this Article 5, until the Participant is no longer a "covered employee" under Section 162(m) of the Code, as amended from time to time, its legislative history, and any regulations promulgated thereunder.

VI. COMPANY AWARDS

In addition to any Target Individual Awards granted under Article 5, Target Company Awards based solely on Company performance may be established under this Article 6 for Participants. Earned Company Awards are intended to satisfy the performance-based compensation exemption under Code Section 162(m)(4)(C) and the related regulations and shall thus be subject to the requirements set forth in this Article 6.

6.1. Award Opportunities. On or before the 90th day of each Plan Year

and in any event before 25% or more of the Plan Year has elapsed, the Committee shall establish in writing for each Participant for whom a Target Company Award is to be granted under this Article 6, the Target Company Award and specific objective performance goals for the Plan Year, which goals shall meet the requirements of Section 6.2 herein (such goals are hereinafter referred to as "Company Performance Goals"). The extent, if any, to which an Earned Company Award will be payable to a Participant will be based solely upon the degree of achievement of such preestablished Company Performance Goals over the specified Plan Year; provided, however, that, unless and until a Change of Control occurs, the Committee may, in its sole discretion, reduce or eliminate the amount which would otherwise be payable with respect to a Plan Year. Payment of an Earned Company Award to a Participant shall consist of a cash award from the Company to be based upon a percentage (which may exceed 100%) of the Participant's Target Company Award.

6.2. Company Performance Goals. The Company Performance Goals

established by the Committee pursuant to Section 6.1 will be based on one or more of the following: total shareholder return, return on equity, return on capital, earnings per share, market share, stock price, sales, costs, net operating income, net income, return of assets, earnings before income taxes, depreciation and amortization, return on total assets employed, capital expenditures, earnings before income taxes, economic value added, cash flow, retained earnings, results of customer satisfaction surveys, aggregate product price and other product price measures, safety record, service reliability, demand-side management (including conservation and load management), operating and/or maintenance cost management (including operation and maintenance expenses per Kwh), and energy production availability performance measures. At the time of establishing a Company Performance Goal, the Committee shall specify the manner in which the Company Performance Goal shall be calculated. In so doing, the Committee may exclude the impact of certain specified events from the calculation of the Company Performance Goal. For example, if the Company Performance Goal were earnings per share, the Committee could, at the time this Company Performance Goal was established, specify that earnings per share are to be calculated without regard to any subsequent change in accounting standards required by the Financial Accounting Standards Board. Company Performance Goals also may be based on the attainment of specified levels of performance of Energy Corp. and/or any of its subsidiaries under one or more of the measures described above relative to the performance of other corporations. As part of the establishment of Company Performance Goals for a Plan Year, the Committee shall also establish a minimum level of achievement of the Company Performance Goals that must be met for a Participant to receive any portion of his Target Company Award. All of the provisions of this Section 6.2 are subject to the requirement that all Company Performance Goals shall be objective performance goals satisfying the requirement for "performance-based compensation" within the meaning of Section 162(m)(4) of the Code and the related regulations.

6.3. Payment of an Earned Company Award. At the time the Target Company

Award for a Participant is established, the Committee shall prescribe a formula to determine the percentage (which may exceed 100%) of the Target Company Award which may be payable to the Participant based upon the degree of attainment of the Company Performance Goals during the Plan Year. Such formula may be expressed in terms of a Performance Matrix, a form of which is attached hereto as Schedule B. If the minimum level of achievement of Company Performance Goals established by the Committee for a Participant for a Plan Year is not met, no payment of an Earned Company Award will be made to the Participant for that Plan Year. To the extent that the minimum level of achievement of Company Performance Goals is satisfied or surpassed for a Participant for a Plan Year, and upon written certification by the Committee that the Company Performance Goals have been satisfied to a particular extent and that any other material terms and conditions of the Company Performance Awards have been

satisfied, payment of an Earned Company Award shall be made to the Participant for that Plan Year in accordance with the prescribed formula except that, unless and until a Change of Control occurs, the Committee may determine, in its sole discretion, to reduce or eliminate the payment to be made.

6.4. Maximum Payable. The maximum amount payable to a Participant

pursuant to this Article 6 for performance by the Participant during any fiscal year of the Company shall be \$1,000,000.

6.5. Committee Discretion. Notwithstanding Articles 3 and 5 herein, the

Committee shall not have discretion to modify the terms of Target Company Awards or the formula for calculating Earned Company Awards, except as specifically set forth in this Article 6.

VII. FORM AND TIME OF PAYMENT OF AWARDS

Subject to Article 6 herein, as soon as practicable following the availability of the Company's audited financial statements pertaining to the applicable Plan Year, Earned Award payments, if any, for such Plan Year shall be paid in cash.

VIII. TERMINATION OF EMPLOYMENT

8.1. Termination of Employment Due to Death, Disability, or Retirement.

In the event a Participant's employment is terminated by reason of death, total and permanent disability (as determined by the Committee), or retirement (as determined by the Committee) during a Plan Year and such termination does not occur within twenty-four (24) months after a Change of Control, the Earned Award, determined in accordance with Section 5.4 and Section 6.3 herein, for such Plan Year shall be reduced to reflect participation prior to termination. This reduction shall be determined by multiplying said Earned Award by a fraction; the numerator of which is the months of participation through the date of termination rounded up to whole months and the denominator of which is 12. The Earned Award thus determined for a Plan Year shall be paid as soon as practicable following the release of the Company's audited financial statements pertaining to such Plan Year.

8.2. Termination of Employment for Other Reasons. In the event a

Participant's employment is terminated for any reason other than death, total and permanent disability (as determined by the Committee) or retirement (as determined by the Committee) during a Plan Year and such termination does not occur within twenty-four (24) months after a Change of Control, all of the Participant's rights to an Earned Award for the Plan Year then in progress shall be forfeited; provided that, except in the event of a termination of employment for cause (as determined in the sole discretion of the Committee and without regard to Section 10.2 hereof), the Committee, in its sole discretion, may pay a prorated award for the portion of that Plan Year that the Participant was employed by Energy Corp. or any of its subsidiaries, computed as determined by the Committee.

IX. BENEFICIARY DESIGNATION

Each Participant under the Plan may, from time to time, name any beneficiary or beneficiaries (who may be named contingently or successively and who may include a trustee under a will or living trust) to whom any benefit under the Plan is to be paid in case of his death before he received any or all of such benefit. Each designation will revoke all prior designations by the same Participant, shall be in a form prescribed by the Committee, and will be effective only when filed by the Participant in writing with the Committee during his lifetime. In the absence of any such designation, or if all designated

beneficiaries predecease the Participant, benefits remaining unpaid at the Participant's death shall be paid to the Participant's estate.

X. CHANGE OF CONTROL

10.1. Termination Other than for Cause. Notwithstanding any other

provisions of the Plan, in the event a Participant's employment with Energy Corp. or any of its subsidiaries is terminated voluntarily or involuntarily for any reason other than for cause (with cause being determined by the Committee in accordance with Section 10.2 hereof), within twenty-four (24) months after a Change of Control, all awards, if any, previously deferred (with earnings) shall be paid to the Participant within ten (10) business days of the termination, along with the Target Company Award and Target Individual Award established for the Participant for the Plan Year in progress at the time of the employment termination, prorated for the number of days in the Plan Year in which the Participant was employed by Energy Corp. or any of its subsidiaries, up to and including the date of termination; provided, however, any such payment to a Participant pursuant to this Section 10.1 shall be reduced to the extent the Participant otherwise received payment of such Target Company Award or Target Individual Award pursuant to the terms of any employment agreement, plan, contract or other arrangement involving the Participant and Energy Corp. or any of its subsidiaries.

10.2. Termination for Cause. In the event a Participant's employment

with Energy Corp. or any of its subsidiaries is terminated for cause (as determined by the Committee in the manner hereinafter set forth) within twenty-four (24) months after a Change of Control, no Earned Award will be paid for the Plan Year in progress at the time of the employment termination; provided that, following a Change of Control, a Participant shall be deemed to be terminated for cause only if his employment was terminated involuntarily at the written direction of the Committee due solely to: (i) the willful and continued failure of the Participant to substantially perform his duties (other than any such failure resulting from physical or mental illness) for a minimum period of two weeks after receiving a written demand for substantial performance from the Committee which specifically identifies the manner in which the Committee or Chief Executive Officer believes that the Participant has not substantially performed his duties or (ii) the willful engaging by the Participant in illegal conduct or gross misconduct that is materially and demonstrably injurious to the Company.

XI. MISCELLANEOUS

11.1. Nontransferability. No Participant shall have the right to

anticipate, alienate, sell, transfer, assign, pledge or encumber his or her right to receive any award made under the Plan until such an award becomes payable to him or her.

11.2. No Right to Company Assets. Any benefits which become payable

hereunder shall be paid from the general assets of Energy Corp. or applicable subsidiary. No Participant shall have any lien on any assets of the Company by reason of any award made under the Plan.

11.3. No Implied Rights; Employment. The adoption of the Plan or any

modification or amendment hereof does not imply any commitment to continue or adopt the same plan, or any modification thereof, or any other plan for incentive compensation for any succeeding year, provided, that no such modification or amendment shall adversely affect rights to receive any amount to which Participants have become entitled prior to such modifications and amendments. Neither the Plan nor any award made under the Plan shall create any employment contract between the Company and any Participant.

11.4. Participation. No Participant or other employee shall at any time

have a right to be selected for participation in the Plan for any Plan Year, despite having been selected for participation in a prior Plan Year. Nothing in this Plan shall interfere with or limit in any way the right of the Company to terminate any Participant's employment at any time, nor confer upon any Participant any right to continue in the employ of the Company.

11.5. All Determinations Final. All determinations of the Committee or

the Board as to any disputed questions arising under the Plan, including questions of construction and interpretation, shall be final, binding and conclusive upon all Participants and all other persons and shall not be reviewable.

11.6. Plan Description. Each Participant shall be provided with a Plan

description and a Plan agreement for each Plan Year which shall include Target Individual Awards, individual performance goals, Target Company Awards, Company Performance Goals and a Performance Matrix for each year. In the event of a conflict between the terms of the Plan description and the Plan, the terms of the Plan shall control unless the Committee decides otherwise.

11.7. Successors. This Plan shall be binding on the successors and

assigns of Energy Corp.

IN WITNESS WHEREOF, OGE Energy Corp. has caused this Plan to be executed on its behalf by its Chairman of the Board, President and Chief Executive Officer.

OGE ENERGY CORP.

By: _____

Steven E. Moore
Chairman of the Board, President and
Chief Executive Officer

OGE ENERGY CORP.
SUBSIDIARIES OF THE REGISTRANT

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

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

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation of our reports dated January 21, 1999 included in the OGE Energy Corp. Form 10-K for the year ended December 31, 1998, into the previously filed Post-Effective Amendment No. 1-B to Registration Statement No. 33-61699 and Post-Effective Amendment No. 2-B to Registration Statement No. 33-61699 and Form S-8 Registration Statement No. 333-71327.

/ s / Arthur Andersen LLP
Arthur Andersen LLP

Oklahoma City, Oklahoma,
March 29, 1999

POWER OF ATTORNEY

WHEREAS, OGE ENERGY CORP., an Oklahoma corporation (herein referred to as the "Company"), is about to file with the Securities and Exchange Commission, under the provisions of the Securities Exchange Act of 1934, as amended, its annual report on Form 10-K for the year ended December 31, 1998; and

WHEREAS, each of the undersigned holds the office or offices in the Company herein-below set opposite his or her name, respectively;

NOW, THEREFORE, each of the undersigned hereby constitutes and appoints STEVEN E. MOORE, JAMES R. HATFIELD and DONALD R. ROWLETT and each of them individually, his or her attorney with full power to act for him or her and in his or her name, place and stead, to sign his name in the capacity or capacities set forth below to said Form 10-K and to any and all amendments thereto, and hereby ratifies and confirms all that said attorney may or shall lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned have hereunto set their hands this 20th day of January 1999.

Steven E. Moore, Chairman, Principal
Executive Officer and Director

/ s / Steven E. Moore

Herbert H. Champlin, Director

/ s / Herbert H. Champlin

Luke R. Corbett, Director

/ s / Luke R. Corbett

William E. Durrett, Director

/ s / William E. Durrett

Martha W. Griffin, Director

/ s / Martha W. Griffin

Hugh L. Hembree, III, Director

/ s / Hugh L. Hembree, III

Robert Kelley, Director

/ s / Robert Kelley

Bill Swisher, Director

/ s / Bill Swisher

Ronald H. White, M.D., Director

/ s / Ronald H. White, M.D.

James R. Hatfield, Principal Financial Officer

/ s / James R. Hatfield

Donald R. Rowlett, Principal Accounting Officer

/ s / Donald R. Rowlett

STATE OF OKLAHOMA)
) SS
COUNTY OF OKLAHOMA)

On the date indicated above, before me, Lisa Thompson, Notary Public in and for said County and State, personally appeared the above named directors and officers of OGE ENERGY CORP., an Oklahoma corporation, and known to me to be the persons whose names are subscribed to the foregoing instrument, and they severally acknowledged to me that they executed the same as their own free act and deed.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal on the 20th day of January, 1999.

/s/ Lisa L. Thompson
Lisa L. Thompson
Notary Public in and for the County
of Oklahoma, State of Oklahoma

My Commission Expires:
January 16, 2000

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This schedule contains summary financial information extracted from the OGE Energy Corp. Consolidated Statements of Income, Balance Sheets, and Statements of Cash Flow as reported on Form 10-K as of December 31, 1998 and is qualified in its entirety by reference to such Form 10-K.

YEAR	DEC-31-1998	DEC-31-1998	PER-BOOK
	2,526,550		
	31,682		
	303,399		
	122,298		
		0	
		2,983,929	
			808
	512,806		
	529,768		
1,043,382		0	
			0
	935,583		
	0		
	0		
119,100			
2,000			
	0		
11,847			
		2,743	
869,274			
2,983,929			
1,617,737			
	108,644		
1,278,280			
1,386,924			
	230,813		
		5,758	
236,571			
	70,699		
		165,872	
	733		
165,139			
	107,434		
	60,856		
	292,269		
		2.04	
		2.04	

OGE ENERGY CORP. CAUTIONARY FACTORS

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

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

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transportation problems or other developments; environmental incidents; or electric transmission or gas pipeline system constraints;

- o Employee workforce factors including changes in key executives, collective bargaining agreements with union employees, or work stoppages;
- o Rate-setting policies or procedures of regulatory entities, including environmental externalities;
- o Social attitudes regarding the utility, natural gas and power industries;
- o Identification of suitable investment opportunities to enhance shareholder returns and achieve long-term financial objectives through business acquisitions;
- o Some future investments made by the Company could take the form of minority interests which would limit the Company's ability to control the development or operation of an investment;

- o Costs and other effects of legal and administrative proceedings, settlements, investigations, claims and matters, including but not limited to those described in Note 10 of the Notes to the Consolidated Financial Statements of the Company's Annual Report on Form 10-K for the year ended December 31, 1998, under the caption Commitments and Contingencies;
- o Technological developments, changing markets and other factors that result in competitive disadvantages and create the potential for impairment of existing assets;
- o Other business or investment considerations that may be disclosed from time to time in the Company's Securities and Exchange Commission filings or in other publicly disseminated written documents.

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

OG E ENERGY CORP.
DESCRIPTION OF COMMON STOCK

The following statements are summaries of certain provisions of the Restated Certificate of Incorporation of OGE Energy Corp. (the "Company") and are subject to the detailed provisions thereof. Such summaries do not purport to be complete, and reference is made to the Company's Restated Certificate of Incorporation (which is filed as Exhibit 3.01 to the Company's Form 10-K for the year ended December 31, 1996, File No. 1-12579) for a full and complete statement of such provisions.

AUTHORIZED SHARES

Under the Company's Restated Certificate of Incorporation, the Company is authorized to issue 125,000,000 shares of Common Stock, par value \$.01 per share (the "Common Stock"), of which approximately 77,801,317 shares were outstanding on February 26, 1999.

The Company also is authorized to issue 5,000,000 shares of preferred stock, par value \$.01 per share (the "Preferred Stock"). As discussed below under the caption "Rights to Purchase Series A Preferred Stock," the Company has created a series of Preferred Stock designated as "Series A Preferred Stock" and the number of shares constituting such series is 1,250,000. No shares of such Series A Preferred Stock and no shares of any other Preferred Stock are currently outstanding. Preferred Stock may be issued in the future in such series as may be designated by the Company's Board of Directors. In creating any such series, the Company's Board of Directors has the authority to fix the rights and preferences of each series with respect to, among other things, the dividend rate, redemption provisions, liquidation preferences, sinking fund provisions, conversion rights and voting rights.

DIVIDEND RIGHTS

Subject to the prior payment in full of all accrued and unpaid dividends on the Series A Preferred Stock and the possible prior rights of holders of other Preferred Stock that may be issued in the future, holders of the Company's Common Stock are entitled to receive such dividends as may be declared from time to time by the Board of Directors of the Company out of funds legally available therefor. The funds required by the Company to enable it to pay dividends on its Common Stock are expected to be derived principally from dividends paid by Oklahoma Gas and Electric Company, the Company's principal subsidiary ("OG&E"), on OG&E's common stock. The Company's ability to receive dividends on OG&E's common stock is subject to the prior rights of the holders of OG&E preferred stock and the covenants of OG&E's certificate of incorporation and its debt instruments limiting the ability of OG&E to pay dividends.

Under OG&E's certificate of incorporation if any shares of Preferred Stock, Cumulative Preferred Stock or \$25 Preferred Stock are outstanding, unless the capital represented by the OG&E common stock (including premiums on capital stock and retained earnings accounts) is 25% or more of total capital (which also includes debt maturing more than one year after date of issue), dividends (other than dividends payable in OG&E common stock) or distributions on, or acquisitions for value of, OG&E common stock may not exceed 75% of net income for the preceding twelve-month period after deducting dividends accruing on OG&E preferred stock during the period, and if the capital represented by the

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OG&E common stock is less than 20%, may not exceed 50% of such net income. No portion of the retained earnings of OG&E is presently restricted by this provision. OG&E's certificate of incorporation further provides that no dividend may be declared or paid on the OG&E common stock until all amounts required to be paid or set aside for any sinking fund for the redemption or purchase of OG&E Cumulative Preferred Stock, par value \$25 per share, have been paid or set aside. Currently, no shares of Preferred Stock, Cumulative Preferred Stock or \$25 Preferred Stock are outstanding.

VOTING RIGHTS

Each holder of Common Stock and each holder of Series A Preferred Stock that may be issued in the future is entitled to one vote per share upon all matters upon which shareowners have the right to vote. The Board of Directors of the Company has the authority to fix conversion and voting rights for any new series of Preferred Stock (including the right to elect directors upon a failure to pay dividends), provided that no share of Preferred Stock can have more than one vote per share. Notwithstanding the foregoing, if any Series A Preferred Stock is issued in the future and if when dividends payable on such Series A Preferred Stock that may be issued in the future shall be in default for six full quarterly dividends and thereafter until all defaults shall have been paid, the holders of the Series A Preferred Stock, voting separately as one class, to the exclusion of the holders of Common Stock, will be entitled to elect two (2) directors of the Company.

The Company's Restated Certificate of Incorporation also contains "fair price" provisions, which require the approval by the holders of at least 80% of the voting power of the Company's outstanding Voting Stock (as defined below) as a condition for mergers, consolidations, sales of substantial assets, issuances of capital stock and certain other business combinations and transactions involving the Company and any substantial (10% or more) holder of the Company's Voting Stock unless the transaction is either approved by a majority of the members of the Company's Board of Directors who are unaffiliated with the substantial holder or certain minimum price and procedural requirements are met. The provisions summarized in the foregoing sentence may be amended only by the approval of the holders of at least 80% of the voting power of the Company's outstanding Voting Stock. The Company's Voting Stock consists of all outstanding shares of the Company entitled to vote generally in the election of directors and currently consists of the Common Stock.

The Voting Stock of the Company does not have cumulative voting rights for the election of directors. Subject to the rights of the holders of the Series A Preferred Stock (if any are issued) to elect directors under certain circumstances, the Company's Restated Certificate of Incorporation and By-Laws contain provisions stating that: (1) the Board of Directors shall be divided into three classes as nearly equal in number as possible with staggered terms of office so that only approximately one-third of the directors are elected at each annual meeting of shareowners; (2) directors may be removed only with the approval of the holders of at least 80% of the voting power of the shares of the Company generally entitled to vote; (3) any vacancy on the Board of Directors shall be filled only by the remaining directors then in office, though less than a quorum; (4) advance notice of introduction by shareowners of business at annual shareowner meetings and of shareowner nominations for the election of directors shall be given and that certain information be provided with respect to such matters; (5) shareowner action may be taken only at an annual meeting of shareowners or a special meeting of shareowners called by the President or the Board of Directors; and (6) the foregoing provisions may be amended only by the approval of the holders of at least 80% of the voting power of the shares generally entitled to vote. These provisions, along with the "fair price" provisions discussed above and the Rights described below, may deter attempts to change control of the Company (by proxy contest, tender offer or otherwise) and will make more difficult a change in control of the Company that is opposed by the Company's Board of Directors.

LIQUIDATION RIGHTS

Subject to the prior rights of the holders of the Series A Preferred Stock that may be issued in the future and the possible prior rights of holders of other Preferred Stock that may be issued in the future in the event of liquidation, dissolution or winding up of the Company, whether voluntary or involuntary, the holders of the Common Stock are entitled to receive the remaining assets and funds pro rata, according to the number of shares of Common Stock held.

OTHER PROVISIONS

The Board of Directors may allot and issue shares of Common Stock for such consideration, not less than the par value thereof, as it may from time to time determine. No holder of Common Stock has the preemptive right to subscribe for or purchase any part of any new or additional issue of stock or securities convertible into stock. The Common Stock of the Company is not subject to further calls or to assessment by the Company.

RIGHTS TO PURCHASE SERIES A PREFERRED STOCK

On August 7, 1995, the Board of Directors of the Company declared a dividend of one preferred stock purchase right (a "Right" or "Rights") for each outstanding share of Common Stock of the Company. As a result of the 2 for 1 stock split on June 15, 1998, one-half a Right automatically trades with each share of Common Stock. If and when the Rights become exercisable, each Right will entitle the holder of record to purchase from the Company one one-hundredth of a share of Series A Preferred Stock, par value \$.01 per share ("Series A Preferred Stock") of the Company, at a price of \$95 per one one-hundredth of a share (the "Purchase Price"), although the price may be adjusted as described below. The description and terms of the Rights are set forth in a Rights Agreement (the "Rights Agreement") between the Company and ChaseMellon Shareholder Services LLC, as successor Rights Agent (the "Rights Agent").

Initially, (i) the Rights will not be exercisable, (ii) certificates will not be sent to shareowners, (iii) the Rights will be evidenced by the Common Stock certificates, (iv) the Rights will automatically trade with the Common Stock, (v) the Rights will be transferred with and only with such Common Stock certificates, (vi) new Common Stock certificates will contain a notation incorporating the Rights Agreement by reference and (vii) the surrender for transfer of any certificates for Common Stock outstanding will also constitute the transfer of the Rights associated with the Common Stock represented by such certificate.

Separate certificates representing the Rights will be distributed as soon as practicable after the "Distribution Date," which is the close of business on the earlier to occur of the tenth day following:

- (i) a public announcement (or, if earlier, the date a majority of the Board of Directors of the Company becomes aware) that a person or group of affiliated or associated persons acquired, or obtained the right to acquire, beneficial ownership of Common Stock or other securities of the Company representing 20% or more of the voting power of all securities of the Company then outstanding generally entitled to vote for the election of directors ("Voting Power") (such person or group being called an "Acquiring Person" and such date of first public announcement being called the "Stock Acquisition Date"), or

- (ii) the commencement of, or public announcement of an intention to commence, a tender or exchange offer the consummation of which would result in the ownership of 20% or more of the outstanding Voting Power (the earlier of the dates in clause (i) or (ii) being called the "Distribution Date").

As soon as practicable following the Distribution Date, separate certificates evidencing the Rights ("Right Certificates") will be mailed to holders of record of the Company's Common Stock as of the close of business on the Distribution Date, and such separate certificates alone will evidence the Rights from and after the Distribution Date.

Even if they have acquired, or obtained the right to acquire, beneficial ownership of 20% or more of the Voting Power of the Company, each of the following persons (an "Exempt Person") will not be deemed to be an Acquiring Person: (i) OG&E, the Company, any subsidiary of the Company, any employee benefit plan or employee stock plan of the Company or of any subsidiary of the Company or of OG&E; and (ii) any person who becomes an Acquiring Person solely by virtue of a reduction in the number of outstanding shares of Common Stock, unless and until such person shall become the beneficial owner of, or make a tender offer for any additional shares of Common Stock.

The holders of the Rights are not required to take any action until the Rights become exercisable. The Rights are not exercisable until the Distribution Date. The Rights will expire at the close of business on December 11, 2000, unless earlier redeemed or exchanged by the Company as described below.

In order to protect the value of the Rights to the holders, the Purchase Price and the number of shares of Series A Preferred Stock (or other securities or property) issuable upon exercise of the Rights are subject to adjustment from time to time (i) in the event of a stock dividend on, or subdivision, combination or reclassification of, the Company's Common Stock or Series A Preferred Stock, (ii) upon the grant to holders of the Series A Preferred Stock of certain rights or warrants to subscribe for Series A Preferred Stock or convertible securities at less than the current market price of the Series A Preferred Stock or (iii) upon the distribution to holders of the Series A Preferred Stock of evidences of indebtedness or assets (excluding dividends payable in Series A Preferred Stock) or of subscription rights or warrants (other than those referred to above).

These adjustments are called anti-dilution provisions and are intended to ensure that a holder of Rights will not be adversely affected by the occurrence of such events. With certain exceptions, the Company is not required to adjust the Purchase Price until cumulative adjustments require a change of at least 1% in the Purchase Price.

In the event (i) any Person (other than an Exempt Person) becomes an Acquiring Person (except pursuant to an offer for all outstanding shares of Common Stock that the independent directors determine prior to the time such offer is made to be fair to and otherwise in the best interest of the Company and its shareowners) or (ii) any Exempt Person who is the beneficial owner of 20% or more of the outstanding Voting Power of the Company fails to continue to qualify as an Exempt Person, then each holder of record of a Right, other than the Acquiring Person, will thereafter have the right to receive, upon payment of the Purchase Price, Common Stock (or, in certain circumstances, cash, property or other securities of the Company) having a market value at the time of the transaction equal to twice the Purchase Price. Rights are not exercisable following such event, however, until such time as the Rights are no longer redeemable by the Company as set forth below. Any Rights that are or were at any time, on or after the Distribution Date, beneficially owned by an Acquiring Person shall become null and void.

For example, at an exercise price of \$95 per Right, each Right not owned by an Acquiring Person (or by certain related parties) following an event set forth in the preceding paragraph would entitle its holder to purchase \$190 worth of Common Stock (or other consideration, as noted above) for \$95. Assuming that the Common Stock had a per share value of \$40 at such time, the holder of each valid Right would be entitled to purchase 4.75 shares of Common Stock for \$95.

After the Rights have become exercisable, if (i) the Company is acquired in a merger or other business combination (in which any shares of the Company's Common Stock are changed into or exchanged for other securities or assets) or (ii) more than 50% of the assets or earning power of the Company and its subsidiaries (taken as a whole) are sold or transferred in one or a series of related transactions, the Rights Agreement provides that proper provision shall be made so that each holder of record of a Right will have the right to receive, upon payment of the Purchase Price, that number of shares of common stock of the acquiring company having a market value at the time of such transaction equal to two times the Purchase Price.

To the extent that insufficient shares of Common Stock are available for the exercise in full of the Rights, holders of Rights will receive upon exercise shares of Common Stock to the extent available and then other securities of the Company, including units of shares of Series A Preferred Stock with rights substantially comparable to those of the Common Stock, property, or cash, in proportions determined by the Company, so that the aggregate value received is equal to twice the Purchase Price. The Company, however, shall not be required to issue any cash, property or debt securities upon exercise of the Rights to the extent their aggregate value would exceed the amount of cash the Company would otherwise be entitled to receive upon exercise in full of the then exercisable Rights.

No fractional shares of Series A Preferred Stock or Common Stock will be required to be issued upon exercise of the Rights and, in lieu thereof, a payment in cash may be made to the holder of such Rights equal to the same fraction of the current market value of a share of Series A Preferred Stock or, if applicable, Common Stock.

At any time until the earlier of (i) ten days after the Stock Acquisition Date (subject to extension by the Board of Directors) or (ii) the date the Rights are exchanged pursuant to the Rights Agreement, the Company may redeem the Rights in whole, but not in part, at a price of \$0.01 per Right (the "Redemption Price"). Immediately upon the action of the Board of Directors of the Company authorizing redemption of the Rights, the right to exercise the Rights will terminate, and the only right of the holders of Rights will be to receive the Redemption Price without any interest thereon.

At any time after any Person becomes an Acquiring Person, the Board of Directors may, at its option, exchange all or part of the outstanding Rights (other than Rights held by the Acquiring Person and certain related parties) for shares of Common Stock at an exchange ratio of one share of Common Stock per Right (subject to certain anti-dilution adjustments). The Board may not effect such an exchange, however, at any time any Person or group owns 50% or more of the Voting Power of the Company. Immediately after the Board orders such an exchange, the right to exercise the Rights shall terminate and the holders of Rights shall thereafter only be entitled to receive shares of Common Stock at the applicable exchange ratio.

Under presently existing federal income tax law, the issuance of the Rights is not taxable to the Company or to shareowners and will not change the way in which shareowners can presently trade the

Company's shares of Common Stock. If the Rights should become exercisable, shareowners, depending on then existing circumstances, may recognize taxable income.

The Rights Agreement may be amended by the Board of Directors of the Company. After the Distribution Date, however, the provisions of the Rights Agreement may be amended by the Board only to cure any ambiguity, to make changes which do not adversely affect the interests of holders of Rights (excluding the interests of any Acquiring Person or an affiliate or associate of an Acquiring Person), or to shorten or lengthen any time period under the Rights Agreement; provided, however, that no amendment to adjust the time period governing redemption shall be made at such time as the Rights are not redeemable. In addition, no supplement or amendment may be made which changes the Redemption Price, the final expiration date, the Purchase Price or the number of one one-hundredths of a share of Series A Preferred Stock for which a Right is exercisable, unless at the time of such supplement or amendment there has been no occurrence of a Stock Acquisition Date and such supplement or amendment does not adversely affect the interests of the holders of Right Certificates (other than an Acquiring Person or an associate or affiliate of an Acquiring Person).

Until a right is exercised, the holder, as such, will have no rights as a shareholder of the Company, including, without limitation, the right to vote or to receive dividends.

The Rights may have certain anti-takeover effects. The Rights will cause substantial dilution to a person or group that attempts to acquire the Company on terms not approved by the Board of Directors and, accordingly, will make more difficult a change of control that is opposed by the Company's Board of Directors. However, the Rights should not interfere with a proposed change of control (including a merger or other business combination) approved by a majority of the Board of Directors since the Rights may be redeemed by the Company at \$.01 per Right at any time until ten days after the Stock Acquisition Date (subject to extension by the Board of Directors). Thus, the Rights are intended to encourage persons who may seek to acquire control of the Company to initiate such an acquisition through negotiations with the Board of Directors. Nevertheless, the Rights also may discourage a third party from making a partial tender offer or otherwise attempting to obtain a substantial equity position in, or seeking to obtain control of, the Company. To the extent any potential acquirors are deterred by the Rights, the Rights may have the effect of preserving incumbent management in office.

This summary description of the Rights does not purport to be complete and is qualified in its entirety by reference to the Rights Agreement, which is filed as an Exhibit to the Company's Registration Statement on Form S-4, Registration Statement No. 33-61699, and is incorporated herein by reference.