



**Earnings Conference Call  
Fourth Quarter 2014**

**February 26, 2015**

# Safe Harbor

Some of the matters discussed in this presentation may contain forward-looking statements that are subject to certain risks, uncertainties and assumptions. Such forward-looking statements are intended to be identified in this document by the words "anticipate", "believe", "estimate", "expect", "intend", "objective", "plan", "possible", "potential", "project" and similar expressions. Actual results may vary materially. Factors that could cause actual results to differ materially include, but are not limited to: general economic conditions, including the availability of credit, access to existing lines of credit, access to the commercial paper markets, actions of rating agencies and their impact on capital expenditures; the ability of the Company and its subsidiaries to access the capital markets and obtain financing on favorable terms as well as inflation rates and monetary fluctuations; prices and availability of electricity, coal, natural gas and natural gas liquids; the timing and extent of changes in commodity prices, particularly natural gas and natural gas liquids, the competitive effects of the available pipeline capacity in the regions Enable Midstream Partners serves, and the effects of geographic and seasonal commodity price differentials, including the effects of these circumstances on re-contracting available capacity on Enable Midstream Partners' interstate pipelines; the timing and extent of changes in the supply of natural gas, particularly supplies available for gathering by Enable Midstream Partners' gathering and processing business and transporting by Enable Midstream Partners' interstate pipelines, including the impact of natural gas and natural gas liquids prices on the level of drilling and production activities in the regions Enable Midstream Partners serves; business conditions in the energy and natural gas midstream industries; competitive factors including the extent and timing of the entry of additional competition in the markets served by the Company; unusual weather; availability and prices of raw materials for current and future construction projects; Federal or state legislation and regulatory decisions and initiatives that affect cost and investment recovery, have an impact on rate structures or affect the speed and degree to which competition enters the Company's markets; environmental laws and regulations that may impact the Company's operations; changes in accounting standards, rules or guidelines; the discontinuance of accounting principles for certain types of rate-regulated activities; the cost of protecting assets against, or damage due to, terrorism or cyber attacks and other catastrophic events; advances in technology; creditworthiness of suppliers, customers and other contractual parties; difficulty in making accurate assumptions and projections regarding future revenues and costs associated with the Company's equity investment in Enable Midstream Partners that the Company does not control; and other risk factors listed in the reports filed by the Company with the Securities and Exchange Commission including those listed in Risk Factors and Exhibit 99.01 to the Company's Form 10-K for the year ended December 31, 2014.



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# Fourth Quarter EPS Results

|  | <u>4Q 2014</u> | <u>4Q 2013</u> |
|--|----------------|----------------|
| <b>OG&amp;E</b>  | <b>\$0.19</b>  | <b>\$0.15</b>  |
| <b>OGE Holdings (Natural Gas<br/>Midstream Operations)</b> | <b>0.10</b>    | <b>0.14</b>    |
| <b>Hold. Co.</b>   | <b>-</b>       | <b>-</b>       |
| <b>Consolidated</b>  | <b>\$0.29</b>  | <b>\$0.29</b>  |

# 2014 EPS Results

|  | <u>2014</u>   | <u>2013</u>   |
|--|---------------|---------------|
| <b>OG&amp;E</b>  | <b>\$1.46</b> | <b>\$1.47</b> |
| <b>OGE Holdings (Natural Gas<br/>Midstream Operations)</b> | <b>0.51</b>   | <b>0.50</b>   |
| <b>Hold. Co.</b>   | <b>0.01</b>   | <b>(0.03)</b> |
| <b>Consolidated</b>  | <b>\$1.98</b> | <b>\$1.94</b> |

# Fourth Quarter Results – OG&E

Net income for OG&E was \$37 million or \$0.19 per share in 2014 as compared to net income of \$29 million or \$0.15 per share in 2013. Primary drivers include:

| In Millions of \$           | <u>4Q 2014</u> | <u>4Q 2013</u> | <u>Variance</u><br><u>Fav/(Unfav)</u> |
|-----------------------------|----------------|----------------|---------------------------------------|
| Gross Margin                | 289.2          | 276.6          | 12.6                                  |
| Operation & Maintenance     | 110.1          | 120.8          | 10.7                                  |
| Depreciation & Amortization | 72.1           | 62.6           | (9.5)                                 |
| Income Tax Expense          | 16.3           | 11.5           | (4.8)                                 |

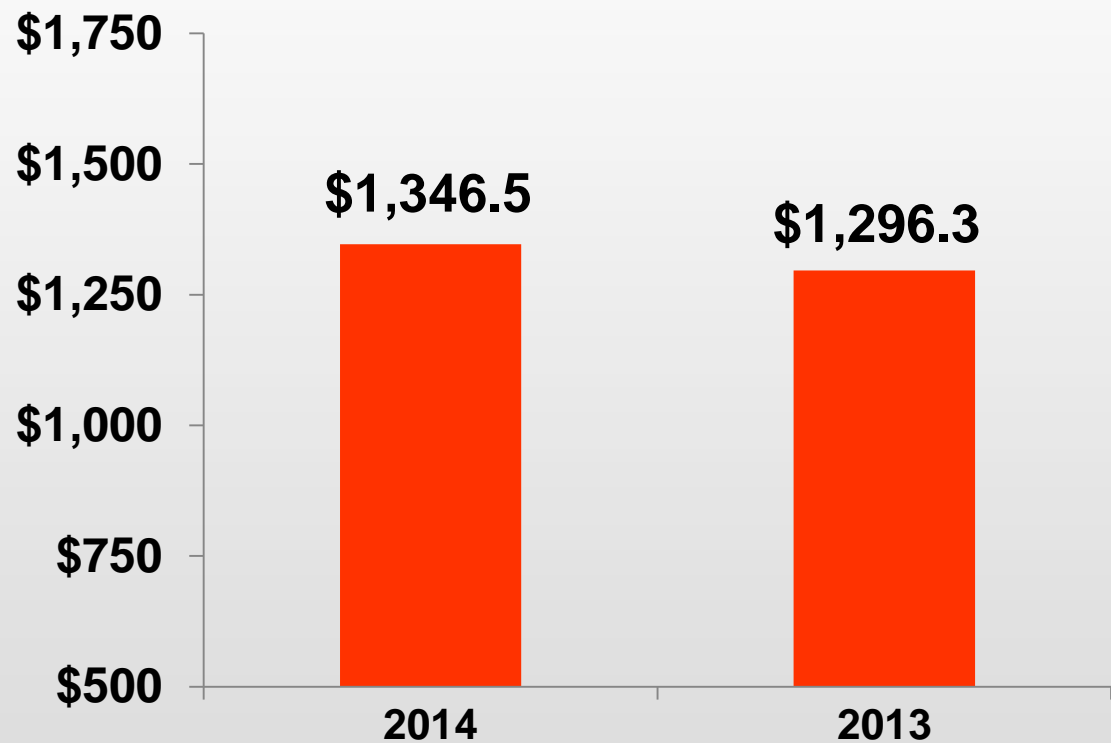
# 2014 Results – OG&E

Net income for OG&E was \$292 million or \$1.46 per share in 2014 as compared to net income of \$293 million or \$1.47 per share in 2013. Primary drivers include:

| In Millions of \$           | <u>2014</u> | <u>2013</u> | <u>Variance</u><br><u>Fav/(Unfav)</u> |
|-----------------------------|-------------|-------------|---------------------------------------|
| Gross Margin                | 1,346.5     | 1296.3      | 50.2                                  |
| Operation & Maintenance     | 453.2       | 438.8       | (14.4)                                |
| Depreciation & Amortization | 270.8       | 248.4       | (22.4)                                |
| Interest Expense            | 141.5       | 129.3       | (12.2)                                |

# 2014 Results - OG&E Gross Margin

Millions of \$



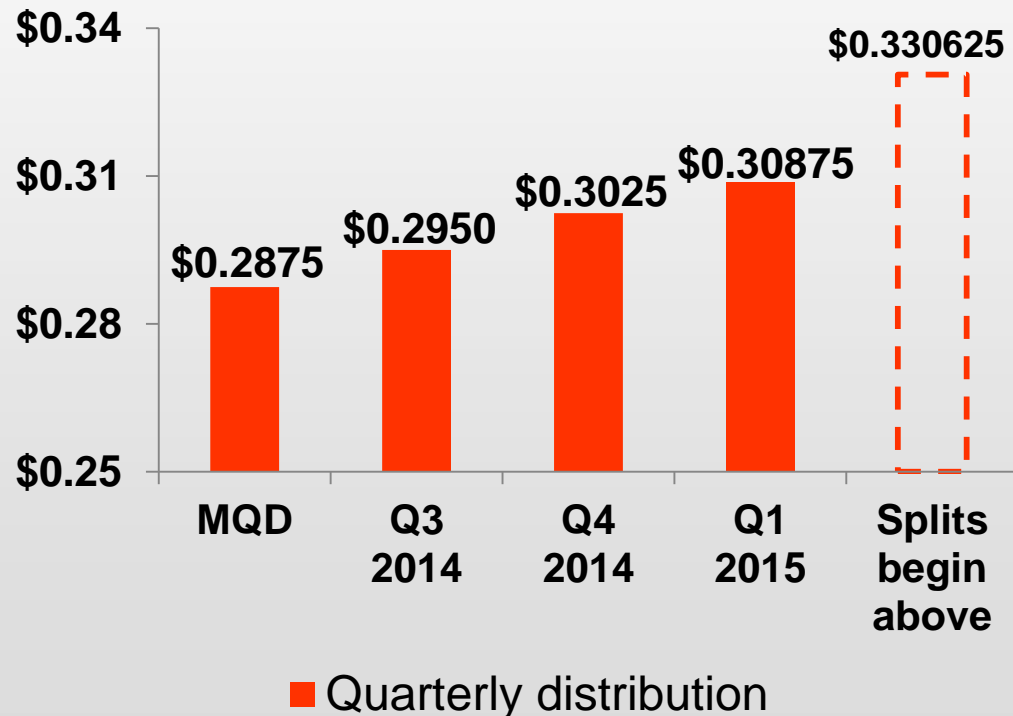
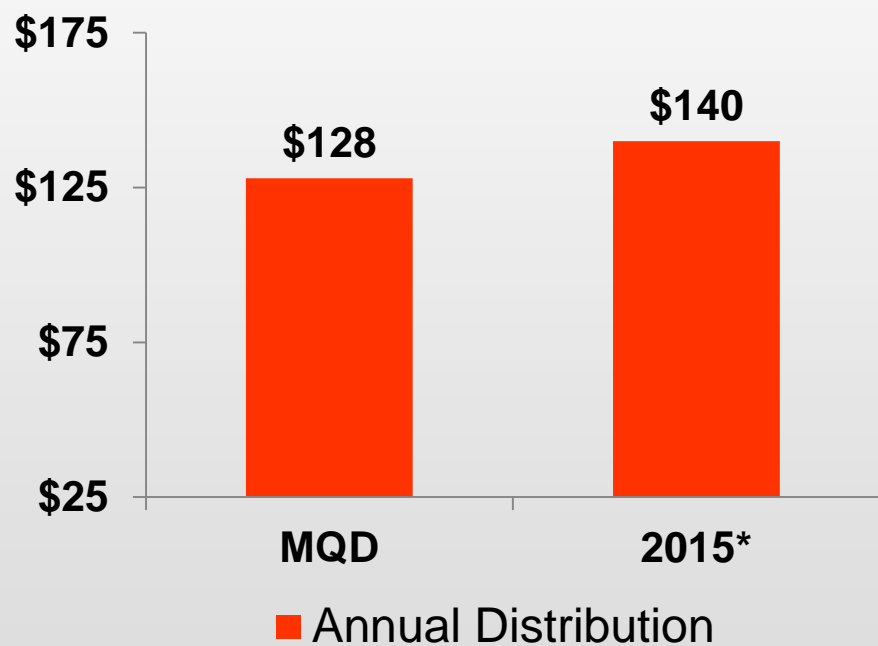
### *Gross Margin Drivers:*

- Transmission Revenues ↑
- Growth ↑
- Weather ↓



# 2014 Results – Natural Gas Midstream Operations

Enable Midstream made cash distributions of approximately \$144 million to OGE in 2014 and contributed earnings of \$102 million or \$.51 per share compared to \$100 million or \$.50 per share in 2013.



\*2015 distribution reflects the midpoint of guidance

# 2015 Outlook

- **OG&E is projected to earn between approximately \$282 million to \$298 million of net income or \$1.41 to \$1.49 per average diluted share assuming normal weather.**
- **OGE Enogex Holdings projects cash distributions from its ownership interest in Enable Midstream to be between approximately \$139 million to \$142 million, and the earnings contribution to be approximately \$70 million to \$80 million or \$0.35 to \$0.40 per average diluted share.**
- **OGE's dividend growth rate is projected to be 10% per year through 2019.**

# 2015 Cash Flow Projection

(in millions of \$)

## Sources of Cash

|                               |            |
|-------------------------------|------------|
| Utility Cash from Operations* | \$ 710     |
| Enable Distributions*         | 140        |
| DRIP Equity                   | 10         |
| Total Sources of Cash         | <u>860</u> |

## Uses of Cash

|                              |                      |
|------------------------------|----------------------|
| Utility Capital Expenditures | 545                  |
| Dividends Paid               | 200                  |
| Total Uses of Cash           | <u>745</u>           |
| Net Cash provided (used)     | <u><u>\$ 115</u></u> |

\*Midpoint of 2015 guidance



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**Appendix**

# 2015 Assumptions – OG&E

The Company projects OG&E to earn approximately \$282 million to \$298 million or \$1.41 to \$1.49 per average diluted share in 2015 and is based on the following assumptions:

- Normal weather patterns are experienced for the remainder of the year;
- Gross margin on revenues of approximately \$1.375 billion to \$1.385 billion based on sales growth of approximately 1 percent on a weather adjusted basis;
  - Approximately \$114 million of gross margin is primarily attributed to regionally allocated transmission projects;
- Operating expenses of approximately \$844 million to \$861 million with operation and maintenance expenses approximately 54% of the total;
- Interest expense of approximately \$146 million which assumes a \$5 million ABFUDC reduction to interest expense
- AEFUDC of approximately \$9 million; and
- An effective tax rate of approximately 27%.

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

# Reg. G Reconciliation of Gross Margin to Revenue

| <i>(In millions)</i>     | Three Months Ended<br>December 31, |          | Twelve Months Ended<br>December 31, |            |
|--------------------------|------------------------------------|----------|-------------------------------------|------------|
|                          | 2014                               | 2013     | 2014                                | 2013       |
| Operating revenues       | \$ 526.2                           | \$ 508.9 | \$ 2,453.1                          | \$ 2,262.2 |
| Fuel and purchased power | 237.0                              | 232.3    | 1,106.6                             | 965.9      |
| Gross Margin             | \$ 289.2                           | \$ 276.6 | \$ 1,346.5                          | \$ 1,296.3 |

Gross Margin is defined by OG&E as operating revenues less fuel, purchased power and transmission expenses. Gross margin is a non-GAAP financial measure because it excludes depreciation and amortization, and other operation and maintenance expenses. Expenses for fuel, purchased power and transmission expenses are recovered through fuel adjustment clauses and as a result changes in these expenses are offset in operating revenues with no impact on net income. OG&E believes gross margin provides a more meaningful basis for evaluating its operations across periods than operating revenues because gross margin excludes the revenue effect of fluctuations in these expenses. Gross margin is used internally to measure performance against budget and in reports for management and the Board of Directors. OG&E's definition of gross margin may be different from similar terms used by other companies.

# Reg. G Reconciliation of Gross Margin to Revenue

| <b>(in millions)</b>            | <b>Twelve Months<br/>Ended December 31,<br/>2015E (A)</b> |
|---------------------------------|---|
| <b>Operating revenues</b>       | <b>\$ 2,188</b>   |
| <b>Fuel and purchased power</b> | <b>808</b>  |
| <b>Gross Margin</b>             | <b>\$ 1,380</b>   |

**(A) Based on the midpoint of OG&E earnings guidance for 2015**

Gross Margin is defined by OG&E as operating revenues less fuel, purchased power and transmission expenses. Gross margin is a non-GAAP financial measure because it excludes depreciation and amortization, and other operation and maintenance expenses. Expenses for fuel, purchased power and transmission expenses are recovered through fuel adjustment clauses and as a result changes in these expenses are offset in operating revenues with no impact on net income. OG&E believes gross margin provides a more meaningful basis for evaluating its operations across periods than operating revenues because gross margin excludes the revenue effect of fluctuations in these expenses. Gross margin is used internally to measure performance against budget and in reports for management and the Board of Directors. OG&E's definition of gross margin may be different from similar terms used by other companies.



# Projected Capital Expenditures 2015 – 2019

| Dollars in millions                                 | 2015  | 2016  | 2017  | 2018  | 2019  |
|---|-------|-------|-------|-------|-------|
| OG&E Base Transmission                              | \$ 40 | \$ 30 | \$ 30 | \$ 30 | \$ 30 |
| OG&E Base Distribution                              | 175   | 175   | 175   | 175   | 175   |
| OG&E Base Generation                                | 90    | 75    | 75    | 75    | 75    |
| OG&E Other  | 50    | 25    | 25    | 25    | 25    |
| Total OG&E Base T&D, Gen & Other                    | 355   | 305   | 305   | 305   | 305   |
| OG&E Known and Committed Projects:                  |       |       |       |       |       |
| Transmission Projects                               |       |       |       |       |       |
| Regionally Allocated Base Projects (1)              | 20    | 20    | 20    | 20    | 20    |
| Balanced Portfolio 3E Projects (2)                  | -     | -     | -     | -     | -     |
| SPP Priority Projects (2)                           | -     | -     | -     | -     | -     |
| ITP 10-year Projects (2)                            | 30    | 35    | 25    | 10    | 60    |
| Total Transmission Projects                         | 50    | 55    | 45    | 30    | 80    |
| Other Projects:                                     |       |       |       |       |       |
| Smart Grid Program                                  | 10    | 10    | -     | -     | -     |
| Environmental - Low NOX                             | 35    | 20    | 10    | -     | -     |
| Environmental - Activated Carbon Injection          | 20    | -     | -     | -     | -     |
| Environmental - Natural Gas Conversion              | -     | -     | -     | 40    | 35    |
| Environmental - Scrubbers                           | 60    | 115   | 75    | 215   | 55    |
| Combustion Turbines - Environmental Compliance Plan | 15    | 45    | 175   | 165   | -     |
| Total Other Projects                                | 140   | 190   | 260   | 420   | 90    |
| Total Known and Committed Projects                  | 190   | 245   | 305   | 450   | 170   |
| Total OG&E  | 545   | 550   | 610   | 755   | 475   |

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

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