OGE ENERGY CORP.
Form 10-Q
August 03, 2017

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)
x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 30, 2017

OR

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

Commission File Number: 1-12579
OGE ENERGY CORP.
(Exact name of registrant as specified in its charter)

Oklahoma	73-1481638
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

321 North Harvey
P.O. Box 321
Oklahoma City, Oklahoma 73101-0321
(Address of principal executive offices)
(Zip Code)

405-553-3000
(Registrant's telephone number, including area code)

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. þ Yes o No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). þ Yes o No

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

Large accelerated filer þ	Accelerated filer o
Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o
	Emerging growth company o

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

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

At June 30, 2017, there were 199,704,288 shares of common stock, par value $0.01 per share, outstanding.

OGE ENERGY CORP.

FORM 10-Q

FOR THE QUARTER ENDED JUNE 30, 2017

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GLOSSARY OF TERMS

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

Abbreviation	Definition
2016 Form 10-K	Annual Report on Form 10-K for the year ended December 31, 2016
ALJ	Administrative Law Judge
APSC	Arkansas Public Service Commission
ArcLight group	Bronco Midstream Holdings, LLC and Bronco Midstream Holdings II, LLC, collectively
ASU	Financial Accounting Standards Board Accounting Standards Update
CenterPoint	CenterPoint Energy Resources Corp., wholly-owned subsidiary of CenterPoint Energy, Inc.
CO_2	Carbon dioxide
Company	OGE Energy Corp., collectively with its subsidiaries
CSAPR	Cross-State Air Pollution Rule
Dry Scrubbers	Dry flue gas desulfurization units with spray dryer absorber
ECP	Environmental Compliance Plan
Enable	Enable Midstream Partners, LP, a partnership between OGE Energy, the ArcLight group and CenterPoint Energy, Inc. formed to own and operate the midstream businesses of OGE Energy and CenterPoint
Enogex Holdings	Enogex Holdings LLC, the parent company of Enogex LLC and a majority-owned subsidiary of OGE Holdings, LLC (prior to May 1, 2013)
Enogex LLC	Enogex LLC, collectively with its subsidiaries (effective July 30, 2013, the name was changed to Enable Oklahoma Intrastate Transmission, LLC)
EPA	U.S. Environmental Protection Agency
FASB	Financial Accounting Standards Board
Federal Clean Water Act	Federal Water Pollution Control Act of 1972, as amended
FERC	Federal Energy Regulatory Commission
FIP	Federal implementation plan
GAAP	Accounting principles generally accepted in the United States
IRP	Integrated Resource Plan
kV	Kilovolt
MATS	Mercury and Air Toxics Standards
Mustang Modernization Plan	OG&E's plan to replace the soon-to-be retired Mustang steam turbines in late 2017 with 462 MWs of new, efficient combustion turbines at the Mustang site in 2018 and 2019
MW	Megawatt
MWh	Megawatt-hour
NAAQS	National Ambient Air Quality Standards
NGLs	Natural gas liquids
NO_X	Nitrogen oxide
OCC	Oklahoma Corporation Commission
OG&E	Oklahoma Gas and Electric Company, wholly-owned subsidiary of OGE Energy
OGE Holdings	OGE Enogex Holdings, LLC, wholly-owned subsidiary of OGE Energy, parent company of Enogex Holdings (prior to May 1, 2013) and 25.7 percent owner of Enable Midstream Partners
Pension Plan	Qualified defined benefit retirement plan
ppb	Parts per billion
PUD	Public Utility Division of the Oklahoma Corporation Commission
QF	Qualified cogeneration facilities
Regional Haze Rule	The EPA's regional haze rule
Restoration of Retirement Income Plan	Supplemental retirement plan to the Pension Plan

SIP	State implementation plan
SO_2	Sulfur dioxide
SPP	Southwest Power Pool
System sales	Sales to OG&E's customers
TBtu/d	Trillion British thermal units per day

FORWARD-LOOKING STATEMENTS

Except for the historical statements contained herein, the matters discussed in this Form 10-Q, including those matters discussed in "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations," are forward-looking statements that are subject to certain risks, uncertainties and assumptions. Such forward-looking statements are intended to be identified in this document by the words "anticipate," "believe," "estimate," "expect," "intend," "objective," "plan," "possible," "potential," "project" and similar expressions. Actual results may vary materially from those expressed in forward-looking statements. In addition to the specific risk factors discussed in "Item 1A. Risk Factors" in the Company's 2016 Form 10-K and "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations" herein, factors that could cause actual results to differ materially from the forward-looking statements include, but are not limited to:

- general economic conditions, including the availability of credit, access to existing lines of credit, access to the commercial paper markets, actions of rating agencies and their impact on capital expenditures;
- the ability of the Company and its subsidiaries to access the capital markets and obtain financing on favorable terms as well as inflation rates and monetary fluctuations;
- the ability to obtain timely and sufficient rate relief to allow for recovery of items such as capital expenditures, fuel costs, operating costs, transmission costs and deferred expenditures;
- prices and availability of electricity, coal, natural gas and NGLs;
- the timing and extent of changes in commodity prices, particularly natural gas and NGLs, the competitive effects of the available pipeline capacity in the regions Enable serves, and the effects of geographic and seasonal commodity price differentials, including the effects of these circumstances on re-contracting available capacity on Enable's interstate pipelines;
- the timing and extent of changes in the supply of natural gas, particularly supplies available for gathering by Enable's gathering and processing business and transporting by Enable's interstate pipelines, including the impact of natural gas and NGLs prices on the level of drilling and production activities in the regions Enable serves;
- business conditions in the energy and natural gas midstream industries, including the demand for natural gas, NGLs, crude oil and midstream services;
- competitive factors including the extent and timing of the entry of additional competition in the markets served by the Company;
- the impact on demand for our services resulting from cost-competitive advances in technology, such as distributed electricity generation and customer energy efficiency programs;
- technological developments, changing markets and other factors that result in competitive disadvantages and create the potential for impairment of existing assets;
- factors affecting utility operations such as unusual weather conditions; catastrophic weather-related damage; unscheduled generation outages, unusual maintenance or repairs; unanticipated changes to fossil fuel, natural gas or coal supply costs or availability due to higher demand, shortages, transportation problems or other developments; environmental incidents; or electric transmission or gas pipeline system constraints;
- availability and prices of raw materials for current and future construction projects;
- the effect of retroactive pricing of transactions in the SPP markets or adjustments in market pricing mechanisms by the SPP;
- Federal or state legislation and regulatory decisions and initiatives that affect cost and investment recovery, have an impact on rate structures or affect the speed and degree to which competition enters the Company's markets;
- environmental laws, safety laws or regulations that may impact the cost of operations or restrict or change the way the Company operates its facilities;
- changes in accounting standards, rules or guidelines;
- the discontinuance of accounting principles for certain types of rate-regulated activities;
- the cost of protecting assets against, or damage due to, terrorism or cyber-attacks and other catastrophic events;
- creditworthiness of suppliers, customers and other contractual parties;

- social attitudes regarding the utility, natural gas and power industries;
- identification of suitable investment opportunities to enhance shareholder returns and achieve long-term financial objectives through business acquisitions and divestitures;
- increased pension and healthcare costs;
- costs and other effects of legal and administrative proceedings, settlements, investigations, claims and matters, including, but not limited to, those described in this Form 10-Q;
- difficulty in making accurate assumptions and projections regarding future revenues and costs associated with the Company's equity investment in Enable that the Company does not control; and
- other risk factors listed in the reports filed by the Company with the Securities and Exchange Commission including those listed in "Item 1A. Risk Factors" in the Company's 2016 Form 10-K.

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

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
(In millions except per share data)	2017	2016	2017	2016
OPERATING REVENUES	$586.4	$551.4	$1,042.4	$984.5
COST OF SALES	232.1	197.7	440.8	375.6
OPERATING EXPENSES				
Other operation and maintenance	114.8	127.6	238.8	241.5
Depreciation and amortization	74.7	80.1	130.3	158.6
Taxes other than income	21.3	20.1	45.2	45.0
Total operating expenses	210.8	227.8	414.3	445.1
OPERATING INCOME	143.5	125.9	187.3	163.8
OTHER INCOME (EXPENSE)				
Equity in earnings of unconsolidated affiliates	29.4	16.7	65.0	45.0
Allowance for equity funds used during construction	8.5	3.7	15.4	5.3
Other income	10.3	7.6	19.1	13.2
Other expense	(3.2)	(5.8)	(7.3)	(7.5)
Net other income	45.0	22.2	92.2	56.0
INTEREST EXPENSE				
Interest on long-term debt	39.2	35.7	75.1	71.5
Allowance for borrowed funds used during construction	(4.1)	(1.8)	(7.4)	(2.7)
Interest on short-term debt and other interest charges	2.0	2.1	4.4	3.5
Interest expense	37.1	36.0	72.1	72.3
INCOME BEFORE TAXES	151.4	112.1	207.4	147.5
INCOME TAX EXPENSE	46.6	40.6	66.6	50.8
NET INCOME	$104.8	$71.5	$140.8	$96.7
BASIC AVERAGE COMMON SHARES OUTSTANDING	199.7	199.7	199.7	199.7
DILUTED AVERAGE COMMON SHARES OUTSTANDING	199.9	199.8	200.0	199.8
BASIC EARNINGS PER AVERAGE COMMON SHARE	$0.52	$0.35	$0.70	$0.48
DILUTED EARNINGS PER AVERAGE COMMON SHARE	$0.52	$0.35	$0.70	$0.48
DIVIDENDS DECLARED PER COMMON SHARE	$0.30250	$0.27500	$0.60500	$0.55000

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
(In millions)	2017	2016	2017	2016
Net income	$104.8	$71.5	$140.8	$96.7
Other comprehensive income (loss), net of tax				
Pension Plan and Restoration of Retirement Income Plan:				
Amortization of deferred net loss, net of tax of $0.4, $0.4, $0.8 and $0.8, respectively	0.8	0.7	1.4	1.5
Settlement cost, net of tax of $0.0, $3.2, $0.0 and $3.2, respectively	—	5.0	—	5.0
Postretirement Benefit Plans:				
Amortization of prior service cost, net of tax of ($0.0), ($0.3), ($0.0) and ($0.5), respectively	—	(0.4)	—	(0.8)
Other comprehensive income, net of tax	0.8	5.3	1.4	5.7
Comprehensive income	$105.6	$76.8	$142.2	$102.4

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

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

	Six Months Ended June 30,	
(In millions)	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$140.8	$96.7
Adjustments to reconcile net income to net cash provided from operating activities		
Depreciation and amortization	130.3	158.6
Deferred income taxes and investment tax credits, net	68.0	52.2
Equity in earnings of unconsolidated affiliates	(65.0)	(45.0)
Distributions from unconsolidated affiliates	65.0	45.4
Allowance for equity funds used during construction	(15.4)	(5.3)
Stock-based compensation	4.5	3.2
Regulatory assets	(15.6)	(4.0)
Regulatory liabilities	(0.2)	(8.4)
Other assets	(3.5)	6.8
Other liabilities	11.7	5.7
Change in certain current assets and liabilities		
Accounts receivable, net	(12.0)	10.0
Accounts receivable - unconsolidated affiliates	0.4	3.1
Accrued unbilled revenues	(27.0)	(37.4)
Income taxes receivable	4.6	2.6
Fuel, materials and supplies inventories	1.1	11.2
Fuel clause under recoveries	(56.1)	—
Other current assets	5.7	(20.3)
Accounts payable	1.3	(56.8)
Fuel clause over recoveries	—	(20.0)
Other current liabilities	(41.2)	(32.3)
Net cash provided from operating activities	197.4	166.0
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures (less allowance for equity funds used during construction)	(491.1)	(331.1)
Investment in unconsolidated affiliates	(5.2)	—
Return of capital - equity method investments	5.6	25.2
Proceeds from sale of assets	0.4	0.2
Net cash used in investing activities	(490.3)	(305.7)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid on common stock	(120.8)	(109.8)
Proceeds from long-term debt	296.5	—
Increase in long-term revolver	160.0	—
Payment of long-term debt	(0.1)	(110.1)
Increase (decrease) in short-term debt	(43.0)	284.4
Net cash provided from financing activities	292.6	64.5
NET CHANGE IN CASH AND CASH EQUIVALENTS	(0.3)	(75.2)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	0.3	75.2
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$—	$—

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

OGE ENERGY CORP.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

(In millions)	June 30, 2017	December 31, 2016
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$—	$ 0.3
Accounts receivable, less reserve of $1.1 and $1.5, respectively	185.0	173.0
Accounts receivable - unconsolidated affiliates	2.1	2.5
Accrued unbilled revenues	86.7	59.7
Income taxes receivable	14.8	19.4
Fuel inventories	77.5	79.8
Materials and supplies, at average cost	82.9	81.7
Fuel clause under recoveries	107.4	51.3
Other	76.1	81.8
Total current assets	632.5	549.5
OTHER PROPERTY AND INVESTMENTS		
Investment in unconsolidated affiliates	1,159.1	1,158.6
Other	75.8	73.6
Total other property and investments	1,234.9	1,232.2
PROPERTY, PLANT AND EQUIPMENT		
In service	10,827.4	10,690.0
Construction work in progress	797.8	495.1
Total property, plant and equipment	11,625.2	11,185.1
Less accumulated depreciation	3,536.9	3,488.9
Net property, plant and equipment	8,088.3	7,696.2
DEFERRED CHARGES AND OTHER ASSETS		
Regulatory assets	406.8	404.8
Other	58.0	56.9
Total deferred charges and other assets	464.8	461.7
TOTAL ASSETS	$ 10,420.5	$ 9,939.6

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

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

(In millions)	June 30, 2017	December 31, 2016
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Short-term debt	$193.2	$236.2
Accounts payable	188.4	205.4
Dividends payable	60.4	60.4
Customer deposits	79.1	77.7
Accrued taxes	40.1	41.3
Accrued interest	43.7	40.4
Accrued compensation	33.0	45.1
Long-term debt due within one year	224.9	224.7
Other	63.4	96.0
Total current liabilities	926.2	1,027.2
LONG-TERM DEBT	2,863.0	2,405.8
DEFERRED CREDITS AND OTHER LIABILITIES		
Accrued benefit obligations	275.6	274.8
Deferred income taxes	2,379.4	2,334.5
Regulatory liabilities	321.6	299.7
Other	162.7	153.8
Total deferred credits and other liabilities	3,139.3	3,062.8
Total liabilities	6,928.5	6,495.8
COMMITMENTS AND CONTINGENCIES (NOTE 12)		
STOCKHOLDERS' EQUITY		
Common stockholders' equity	1,110.3	1,105.8
Retained earnings	2,409.6	2,367.3
Accumulated other comprehensive loss, net of tax	(27.9)	(29.3)
Total stockholders' equity	3,492.0	3,443.8
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$10,420.5	$9,939.6

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

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

(In millions)	Common Stock	Premium on Common Stock	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
Balance at December 31, 2016	$ 2.0	$ 1,103.8	$ 2,367.3	$ (29.3)	$ 3,443.8
Cumulative effect of change in accounting principle	—	—	22.3	—	22.3
Net income	—	—	140.8	—	140.8
Other comprehensive income, net of tax	—	—	—	1.4	1.4
Dividends declared on common stock	—	—	(120.8)	—	(120.8)
Stock-based compensation	—	4.5	—	—	4.5
Balance at June 30, 2017	$ 2.0	$ 1,108.3	$ 2,409.6	$ (27.9)	$ 3,492.0
Balance at December 31, 2015	$ 2.0	$ 1,099.3	$ 2,259.8	$ (35.1)	$ 3,326.0
Net income	—	—	96.7	—	96.7
Other comprehensive income, net of tax	—	—	—	5.7	5.7
Dividends declared on common stock	—	—	(109.8)	—	(109.8)
Stock-based compensation	—	3.2	—	—	3.2
Balance at June 30, 2016	$ 2.0	$ 1,102.5	$ 2,246.7	$ (29.4)	$ 3,321.8

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

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

1. Summary of Significant Accounting Policies

Organization

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

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

The natural gas midstream operations segment represents the Company's investment in Enable through its wholly owned subsidiary OGE Holdings. Enable is engaged in the business of gathering, processing, transporting and storing natural gas. Enable's natural gas gathering and processing assets are strategically located in four states and serve natural gas production from shale developments in the Anadarko, Arkoma and Ark-La-Tex basins. Enable also owns an emerging crude oil gathering business in the Bakken shale formation, principally located in the Williston basin of North Dakota. Enable's natural gas transportation and storage assets extend from western Oklahoma and the Texas Panhandle to Alabama and from Louisiana to Illinois.

Enable was formed effective May 1, 2013 by the Company, the ArcLight group and CenterPoint to own and operate the midstream businesses of the Company and CenterPoint. In the formation transaction, the Company and the ArcLight group contributed Enogex LLC to Enable, and the Company deconsolidated its previously held investment in Enogex Holdings and acquired an equity interest in Enable. The Company determined that its contribution of Enogex LLC to Enable met the requirements of being in substance real estate and was recorded at historical cost. The general partner of Enable is equally controlled by the Company and CenterPoint, who each have 50 percent management ownership. Based on the 50/50 management ownership, with neither company having control, the Company began accounting for its interest in Enable using the equity method of accounting.

Basis of Presentation

The Condensed Consolidated Financial Statements included herein have been prepared by the Company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to such rules and regulations; however, the Company believes that the disclosures are adequate to prevent the information presented from being misleading.
In the opinion of management, all adjustments necessary to fairly present the consolidated financial position of the Company at June 30, 2017 and December 31, 2016, the results of its operations for the three and six months ended

June 30, 2017 and 2016 and its cash flows for the six months ended June 30, 2017 and 2016 have been included and are of a normal, recurring nature except as otherwise disclosed. Management also has evaluated the impact of events occurring after June 30, 2017 up to the date of issuance of these Condensed Consolidated Financial Statements, and these statements contain all necessary adjustments and disclosures resulting from that evaluation.

Due to seasonal fluctuations and other factors, the Company's operating results for the three and six months ended June 30, 2017 are not necessarily indicative of the results that may be expected for the year ending December 31, 2017 or for any future period. The Condensed Consolidated Financial Statements and Notes thereto should be read in conjunction with the audited Consolidated Financial Statements and Notes thereto included in the Company's 2016 Form 10-K.

Accounting Records

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

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

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

(In millions)	June 30, 2017	December 31, 2016
Regulatory Assets		
Current		
Fuel clause under recoveries	$107.4	$ 51.3
Oklahoma demand program rider under recovery (A)	45.1	51.0
SPP cost tracker under recovery (A)	12.7	10.0
Other (A)	5.8	9.5
Total current regulatory assets	$171.0	$ 121.8
Non-current		
Benefit obligations regulatory asset	$225.1	$ 232.6
Income taxes recoverable from customers, net	69.8	62.3
Deferred storm expenses	44.6	35.7
Smart Grid	36.4	43.2
Unamortized loss on reacquired debt	12.7	13.4
Other	18.2	17.6
Total non-current regulatory assets	$406.8	$ 404.8
Regulatory Liabilities		
Current		
Other (B)	$3.9	$ 12.3
Total current regulatory liabilities	$3.9	$ 12.3
Non-current		
Accrued removal obligations, net	$276.5	$ 262.8
Pension tracker	35.8	35.5
Other	9.3	1.4
Total non-current regulatory liabilities	$321.6	$ 299.7

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

Management continuously monitors the future recoverability of regulatory assets. When in management's judgment future recovery becomes impaired, the amount of the regulatory asset is adjusted, as appropriate. If OG&E were required to discontinue the application of accounting principles for certain types of rate-regulated activities for some or all of its operations, it could result in writing off the related regulatory assets, which could have significant financial effects.

Investment in Unconsolidated Affiliate

The Company's investment in Enable is considered to be a variable interest entity because the owners of the equity at risk in this entity have disproportionate voting rights in relation to their obligations to absorb the entity's expected losses or to receive its expected residual returns. However, the Company is not considered the primary beneficiary of Enable since it does not have the power to direct the activities of Enable that are considered most significant to the economic performance of Enable; therefore, the Company accounts for its investment in Enable using the equity method of accounting. Under the equity method, the investment will be adjusted each period for contributions made, distributions received and the Company's share of the investee's comprehensive income as adjusted for basis differences. The Company's maximum exposure to loss related to Enable is limited to the Company's equity investment in Enable as presented on the Company's Condensed Consolidated Balance Sheet at June 30, 2017. The Company evaluates its equity method investments for impairment when events or changes in circumstances indicate there is a loss in value of the investment that is other than a temporary decline.

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

Asset Retirement Obligations

OG&E has asset retirement obligations primarily associated with the removal of company-owned wind turbines on leased land, as well as the removal of asbestos from certain power generating stations.

The following table summarizes changes to the Company's asset retirement obligations during the six months ended June 30, 2017 and 2016.

	Six Months Ended June 30,	
(In millions)	2017	2016
Balance at January 1	$69.6	$63.3
Accretion expense	1.5	1.4
Revisions in estimated cash flows	0.8	—
Balance at June 30	$71.9	$64.7

Accumulated Other Comprehensive Income (Loss)

The following table summarizes changes in the components of accumulated other comprehensive income (loss) attributable to the Company during the six months ended June 30, 2017 and 2016. All amounts below are presented net of tax.

	Pension Plan and Restoration of Retirement Income Plan		Postretirement Benefit Plans		
(In millions)	Net income (loss)	Prior service cost	Net income	Prior service cost	Total
Balance at December 31, 2016	$(32.1)	$ 0.1	$ 2.7	$ —	$(29.3)
Amounts reclassified from accumulated other comprehensive income (loss)	1.4	—	—	—	1.4

Balance at June 30, 2017	$(30.7)	$ 0.1	$ 2.7	$ —	$(27.9)

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(In millions)	Pension Plan and Restoration of Retirement Income Plan		Postretirement Benefit Plans		
	Net income (loss)	Prior service cost	Net income	Prior service cost	Total
Balance at December 31, 2015	$(39.2)	$ 0.1	$ 2.5	$ 1.5	$(35.1)
Amounts reclassified from accumulated other comprehensive income (loss)	1.5	—	—	(0.8)	0.7
Settlement cost	5.0	—	—	—	5.0
Net current period other comprehensive income (loss)	6.5	—	—	(0.8)	5.7
Balance at June 30, 2016	$(32.7)	$ 0.1	$ 2.5	$ 0.7	$(29.4)

The following table summarizes significant amounts reclassified out of accumulated other comprehensive income (loss) by the respective line items in net income during the three and six months ended June 30, 2017 and 2016.

Details about Accumulated Other Comprehensive Income (Loss) Components	Amount Reclassified from Accumulated Other Comprehensive Income (Loss)				Affected Line Item in the Condensed Consolidated Statements of Comprehensive Income
	Three Months Ended June 30,		Six Months Ended June 30,		
(In millions)	2017	2016	2017	2016	
Amortization of Pension Plan and Restoration of Retirement Income Plan items					
Actuarial losses (A)	$(1.2)	$(1.1)	$(2.2)	$(2.3)	Other Operation and Maintenance Expense
Settlement (A)	—	(8.2)	—	(8.2)	Other Operation and Maintenance Expense
	(1.2)	(9.3)	(2.2)	(10.5)	Income Before Taxes
	(0.4)	(3.6)	(0.8)	(4.0)	Income Tax Expense
	$(0.8)	$(5.7)	$(1.4)	$(6.5)	Net Income
Amortization of postretirement benefit plan items					
Prior service credit (A)	$—	$0.7	$—	$1.3	Other Operation and Maintenance Expense
	—	0.7	—	1.3	Income Before Taxes
	—	0.3	—	0.5	Income Tax Expense
	$—	$0.4	$—	$0.8	Net Income
Total reclassifications for the period, net of tax	$(0.8)	$(5.3)	$(1.4)	$(5.7)	Net Income

(A) These accumulated other comprehensive income (loss) components are included in the computation of net periodic benefit cost (See Note 10 for additional information).

2. Accounting Pronouncements

Revenue from Contracts with Customers. In May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers (Topic 606)." The new revenue standard is effective for fiscal years, and interim periods within those fiscal years, beginning after December 2017. The Company currently expects to apply the modified retrospective transition method. Currently, the Company is not aware of any issues that would have a material impact on the timing of revenue recognition. The Company is assessing the effect of this new guidance on its tariff-based sales, bundled arrangements and alternative revenue programs. At this time, the Company has concluded that the new standard will not have a material impact on its results of operations and financial position but believes that it will change the income statement presentation of revenues and will require new disclosures. The Company does not intend to early adopt the new guidance and will implement in the first quarter of 2018.

Leases. In February 2016, the FASB issued ASU 2016-02, "Leases (Topic 842)." The main difference between current lease accounting and Topic 842 is the recognition of right-to-use assets and lease liabilities by lessees for those leases classified as operating leases under current accounting guidance. Lessees, such as the Company, will need to recognize a right-of-use asset and a lease liability for virtually all of their leases, other than leases that meet the definition of a short-term lease. The liability will be equal to the present value of lease payments. The asset will be based on the liability, subject to adjustment, such as for initial direct costs. For income statement purposes, Topic 842 retains a dual model, requiring leases to be classified as either operating or finance. Operating leases will result in straight-line expense, while finance leases will result in a front-loaded expense pattern, similar to current capital leases. Classification of operating and finance leases will be based on criteria that are largely similar to those applied in current lease guidance but without the explicit thresholds. The new guidance is effective for fiscal years beginning after December 2018. The new guidance must be adopted using a modified retrospective transition and provides for certain practical expedients. Transition will require application of the new guidance at the beginning of the earliest comparative period presented. The Company has started evaluating its current lease contracts. The Company has not determined the amount of impact on its Condensed Consolidated Financial Statements, but it anticipates an increase in the recognition of right-of-use assets and lease liabilities.

Employee Share-Based Payment Accounting. In March 2016, the FASB issued ASU 2016-09, "Improvements to Employee Share-Based Payment Accounting," which amends Accounting Standards Codification Topic 718, Compensation - Stock Compensation. ASU 2016-09 includes provisions intended to simplify various aspects related to how share-based payments are accounted for and presented in the financial statements. The new guidance, among other requirements, requires all of the tax effects related to share-based payments at settlement (or expiration) to be recorded through the income statement. Previously, tax benefits in excess of compensation cost, or windfalls, were recorded in equity, and tax deficiencies, or shortfalls, were recorded in equity to the extent of previous windfalls and then to the income statement. Under the new guidance, the windfall tax benefit is recorded when it arises, subject to normal valuation allowance considerations. This change is required to be applied on a modified retrospective basis, with a cumulative effect adjustment to opening retained earnings. All tax-related cash flows resulting from share-based payments are to be reported as operating activities on the statement of cash flows, which is a change from the previous requirement to present windfall tax benefits as an inflow from financing activities and an outflow from operating activities. The Company adopted this standard in the first quarter of 2017 and recorded a cumulative effect of $22.3 million as a deferred tax asset with an offset in retained earnings. Going forward, tax benefits in excess of compensation costs previously recorded in equity will be recorded within the income statement, and all tax-related cash flows resulting from share-based payments will be recorded as an operating activity within the statement of cash flows.

Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost. In May 2017, the FASB issued ASU 2017-07, "Compensation-Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost." The new guidance is designed to improve the reporting of pension and other postretirement benefit costs by bifurcating the components of net benefit expense between those that are attributed to compensation for service and those that are not. The service cost component of benefit expense will continue to be presented within operating income, but entities will now be required to present the other components of benefit expense as non-operating within the income statement. Additionally, the new guidance only permits the capitalization of the service cost component of net benefit expense.

The accounting change is required to be applied on a retrospective basis for the presentation of components of net benefit cost and on a prospective basis for the capitalization of only the service cost component of net benefit costs. The new guidance is effective for annual periods beginning after December 2017, including interim periods within those annual periods. Early adoption is permitted, subject to certain conditions.

The Company believes that the impact of the change in capitalization of only the service cost component of net periodic benefit costs will be immaterial from current practice. The Company does not intend to early adopt the new guidance and will implement the change in the first quarter of 2018.

3. Investment in Unconsolidated Affiliate and Related Party Transactions

On March 14, 2013, the Company entered into a Master Formation Agreement with the ArcLight group and CenterPoint pursuant to which the Company, the ArcLight group and CenterPoint agreed to form Enable to own and operate the midstream businesses of the Company and CenterPoint that was initially structured as a private limited partnership. This transaction closed on May 1, 2013.
Pursuant to the Master Formation Agreement, the Company and the ArcLight group indirectly contributed 100 percent of the equity interests in Enogex LLC to Enable. The Company determined that its contribution of Enogex LLC to Enable met the requirements of being in substance real estate and was recorded at historical cost.
Enable completed an initial public offering resulting in Enable becoming a publicly traded Master Limited Partnership in April 2014. At June 30, 2017, the Company owned 111.0 million common units, or 25.7 percent of Enable's outstanding common units. Of the Company's 111.0 million common units, 68.2 million units were subordinated. The subordination period began on the closing date of Enable's initial public offering and will extend until the first business day following the distributions of available cash from operating surplus on each of the outstanding common units and subordinated units equal to or exceeding $1.15 per unit (the annualized minimum quarterly distribution) for each of the three consecutive, non-overlapping four-quarter periods immediately preceding June 30, 2017. The Company anticipates that the subordination period will expire in August 2017 and will not impact future distributions that the Company receives from Enable.

On July 31, 2017, Enable announced a quarterly dividend distribution of $0.31800 per unit on its outstanding common and subordinated units, which is unchanged from the previous quarter. If cash distributions to Enable’s unitholders exceed $0.330625 per unit in any quarter, the general partner will receive increasing percentages, up to 50 percent, of the cash Enable distributes in excess of that amount. The Company is entitled to 60 percent of those "incentive distributions." In certain circumstances, the general partner has the right to reset the minimum quarterly distribution and the target distribution levels at which the incentive distributions receive increasing percentages to higher levels based on Enable’s cash distributions at the time of the exercise of this reset election.

Distributions received from Enable were $35.3 million during the three months ended June 30, 2017 and 2016 and $70.6 million during the six months ended June 30, 2017 and 2016.

On January 16, 2017, CenterPoint and its wholly owned subsidiary, CenterPoint Energy Resources Corp., provided a second notice to the Company of CenterPoint's solicitation of offers from unrelated third parties to acquire all or any portion of the common units and subordinated units of Enable owned by CenterPoint Energy Resources Corp. and all of the membership interests of the general partner of Enable owned by CenterPoint Energy Resources Corp. On February 15, 2017, under the terms of right of first offer, the Company submitted to CenterPoint another proposal to acquire, in conjunction with a third party, all of CenterPoint's membership interests in the general partner of Enable and all of the common units and subordinated units of Enable owned by CenterPoint. The Company did not receive a reply from CenterPoint within the required timeframe.

On July 15, 2017, CenterPoint and its wholly owned subsidiary, CenterPoint Energy Resources Corp., provided a third notice to the Company of CenterPoint's solicitation of offers from unrelated third parties to acquire all or any portion of the common units and subordinated units of Enable owned by CenterPoint Energy Resources Corp. and all of the membership interests of the general partner of Enable owned by CenterPoint Energy Resources Corp. In accordance with the provisions of the partnership agreement, the Company has until August 14, 2017 to submit to CenterPoint another proposal to acquire, in conjunction with a third party, all of CenterPoint's membership interests in the general partner of Enable and all of the common units and subordinated units of Enable owned by CenterPoint.

If the Company's February 15, 2017 proposal had been accepted by CenterPoint, and if the transaction contemplated by the proposal was in fact consummated, the Company anticipated that the third party would, as a result of such transaction, become the owner of all or substantially all of the securities subject to the right of first offer. The Company's ownership interest in Enable would not have materially changed as a result of such transaction; therefore, the Company would not have been required to consolidate the financial results of Enable with the financial results of the Company.

The Company cannot predict what future actions CenterPoint will take, if any, associated with their ownership interest in Enable.

Related Party Transactions

Operating costs charged and related party transactions between the Company and its affiliate, Enable, are discussed below.

In connection with the formation of Enable, the Company and Enable entered into a Services Agreement, an Employee Transition Agreement and other agreements whereby the Company agreed to provide certain support services to Enable, such as accounting, legal, risk management and treasury functions for an initial term ending on April 30, 2016. As of December 31, 2015, Enable terminated all support services except certain information technology, payroll and benefits administration. The remaining services automatically extended for another year on May 1, 2017. Under these agreements, the Company charged operating costs to Enable of $0.7 million and $1.3 million for the three months ended June 30, 2017 and 2016, respectively, and $1.5 million and $2.6 million for the six months ended June 30, 2017 and 2016, respectively. The Company charges operating costs to OG&E and Enable based on several factors. Operating costs directly related to OG&E and/or Enable are assigned as such. Operating costs incurred for the benefit of OG&E are allocated either as overhead based prim