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OGE Energy Corp.
OGE Energy Corp. (NYSE: OGE), is headquartered in Oklahoma City and is the parent company of Oklahoma Gas and Electric Company (OG&E), a regulated electric utility serving approximately 825,000 customers in Oklahoma and western Arkansas. In addition, OGE holds 26.3 percent limited partner interest and 50 percent general partner interest in Enable Midstream Partners, LP.

With about 6,800 megawatts of capacity, OG&E generates electricity using low-sulphur coal, natural gas, wind and solar. OG&E's transmission and distribution systems span 30,000 square miles.



I'm proud to share the results of OGE's 2015 United Way campaign. Our company and our members contributed nearly \$1.2 million to hundreds of partner agencies that improve the health, safety, education and economic well-being of families in Oklahoma and Arkansas.

Sean Trauschke
Chairman, President and CEO

Letter To Shareholders

We define our purpose in many ways—each rooted in our values and beliefs. Growing shareholder value. Strengthening our communities. Protecting customers' bills. Maintaining reliability. Inspiring innovative new product offerings.

We are in a noble business—providing electricity to families and communities. It's our responsibility to do the right things, keeping rates low and service high, while growing the company for the benefit of our communities, shareholders and employees—whom we call members. I'm extremely proud of how our members stayed focused on our goals in 2015. We had a few challenges, but we didn't let the challenges define who we are and what our purpose is, and as a result we accomplished a great deal in 2015.

Strength in numbers
Your company is in a strong financial position. We achieved 2015 earnings of \$1.36 per average diluted share, and according to plan, increased your annual dividend 10 percent, to \$1.10 per share. Our forecast is to continue growing the dividend 10 percent annually through 2019, which outpaces the utility group average of 5 percent. At the utility, we're committed to our forecasted long-term earnings growth of 3 to 5 percent.

OGE's interest in Enable Midstream Partners continues to provide a source of cash that is helping us fund our dividend growth and capital investments, despite lower commodity prices and reduced drilling activity.

Our key results and strategic objectives are aligned not only with the expectations of shareholders, but also with OG&E's customers. This balance is critical as we create value for both customers and shareholders. That is why we work so hard to control costs. As a point of reference, our operations and maintenance cost per customer is lower today than it was in 2011.

Perseverance to move forward
Our commitment to do the right thing has helped us persevere through disappointing environmental rulings in the Oklahoma regulatory arena. Firm in our belief that fuel diversity is right for our customers, we continue to seek Corporation Commission approval for our plan to install environmental controls—commonly known as scrubbers—to the coal units at our Sooner power plant. The hearing begins in April. We have asked for a ruling by May 2 so we can move forward and meet EPA deadlines with a greater sense of certainty.

Meanwhile, I'm pleased to report the Arkansas Public Service Commission in December approved our request to recover costs associated with the environmental mandates. That ruling included costs for the installation of emissions-reducing low NO_x burners through April 2015, and we will make additional filings to recover future costs.

Despite uncertainty, our members remained focused on working safely and providing reliable electricity from our power plants all the way to the customer’s meter. In 2015, our combined cycle fleet achieved top quartile performance. And while our electric distribution system was tested by record-breaking rainfall in May, and again during back-to-back ice storms at year end, our system performed well, and our smart grid technology enabled us to improve the timeliness and efficiency of our response.

Enhancing customer experiences

In 2015, we launched the first phase of a customer outage communications program and made improvements in reliability and responsiveness. Our customers noticed, and we achieved a rare accomplishment: a third consecutive no. 1 ranking in the J.D. Power Electric Utility Residential Customer Satisfaction StudySM.

Since 2012, customers have said “count on me” more than 360,000 times by participating in SmartHours, weatherization, paperless billing and other programs to save energy and money. We call this partnership Positive Energy Together, and it has saved more than 400 million kilowatt-hours of energy and more than 200 megawatts of peak demand reduction.

We serve more than 800,000 customers, each with unique interests, including solar power. Last summer, we became the first in Oklahoma to launch universal solar power with a pilot program that helps us understand the operating characteristics of solar and its impact on our system.

Commitment to innovation, reliability and bill protection

For 2016, we are focused on exciting and innovative strategic initiatives including geothermal heat pumps, outage protection and a phased migration to LED street lighting. We’re also increasing awareness and interest in electric vehicles.

We are improving processes and reducing costs in order to protect our customers’ bills, because we believe low rates and high reliability benefit our current customers and help to attract new ones.

Lastly, our company would not be complete without giving back to our communities. This is a hallmark of OGE, and I am so proud of our contributions to United Way and other organizations, as well as the thousands of hours our members spend volunteering to make our communities strong.

I am humbled and honored to have taken the reins of this great company. To continue its success, I have called on all members to stay engaged, and to pursue each objective with a sense of purpose. The skills each of them has individually are strong. I want to harness those skills in a culture of positive values and beliefs so that we rise to a level greater than our individual contributions.

Thank you for your interest in OGE Energy and for being a shareholder.


Sean Trauschke
Chairman, President and CEO



Point of pride

For the third consecutive year, OG&E ranked highest in customer satisfaction in the J.D. Power and Associates’ 2015 Electrical Utility Residential Customer Satisfaction StudySM among large utilities in the South.



Thank you to former Chairman, Pete Delaney, who led OGE Energy Corp. from September 2007 until his retirement in 2015. During his tenure, the company celebrated many successes, including being named the 2011 North American Utility of the Year and in 2013 receiving the Edison Award, the industry’s most prestigious honor.

“We wish Pete the very best and offer him a collective ‘thank you’ for all he did for this company and our communities.”—Sean Trauschke

This is OGE

Financial Performance

OGE Energy Corp. Common Stock Data					
	2015	2014	2013	2012	2011
Diluted earnings per share	\$ 1.36	\$ 1.98	\$ 1.94	\$ 1.79	\$ 1.73
Dividends paid per share ^(A)	\$1.025	\$0.925	\$0.835	\$0.785	\$0.750
Price range	\$24.15 – 36.48	\$32.85 – 39.28	\$27.70 – 40.00	\$25.12 – 30.11	\$20.28 – 28.59
Price/earnings ratio – year end	19.3	17.9	17.5	15.7	16.4
Return on equity – average	8.3%	12.6%	13.4%	13.3%	14.9%
Diluted average common shares outstanding (millions)	199.6	199.9	199.4	198.1	198.5

(A) Dividends were paid quarterly.

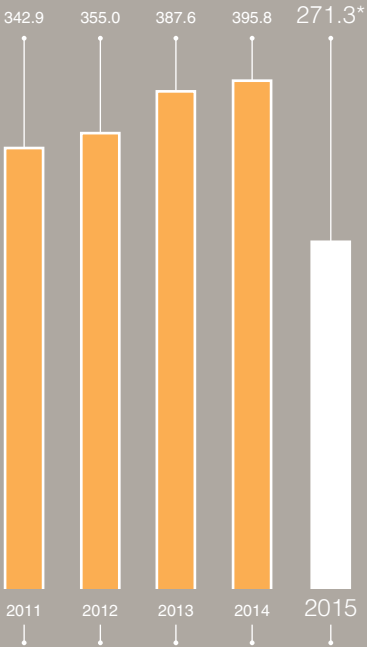
Oklahoma Gas and Electric Company

(In millions except EPS, before elimination of inter-segment items)					
	2015	2014	2013	2012	2011
Operating revenues	\$2,197	\$2,453	\$2,262	\$2,141	\$2,212
Operating income	\$ 500	\$ 538	\$ 525	\$ 489	\$ 472
Net income	\$ 269	\$ 292	\$ 293	\$ 280	\$ 263
Diluted earnings per share	\$ 1.35	\$ 1.46	\$ 1.47	\$ 1.42	\$ 1.33
Return on equity – average	8.7%	10.0%	10.6%	10.9%	11.3%
Total electricity sales (millions of megawatt hours)	28.9	30.2	28.6	29.4	29.5

OGE Enogex Holdings LLC

(In millions except EPS, before elimination of inter-segment items)					
	2015	2014	2013	2012	2011
Net income	\$ 9	\$ 102	\$ 100	\$ 74	\$ 82
Diluted earnings per share	\$.05	\$ 0.51	\$ 0.50	\$ 0.38	\$ 0.42
Return on equity – average	1.2%	13.8%	15.8%	13.7%	17.9%

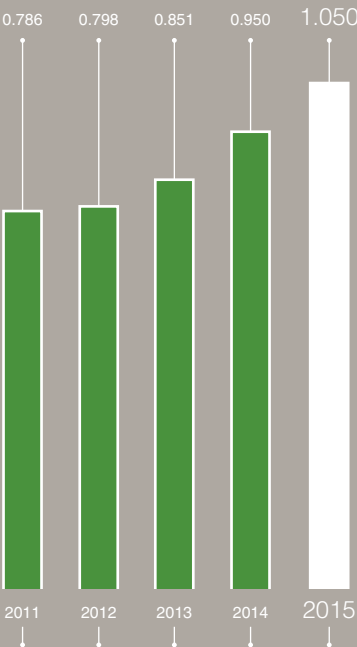
Net Income



* 2015 includes a non-cash pre-tax charge of \$108.4 million or \$0.33 per average diluted share for OGE’s portion of Enable’s goodwill impairment charge.

Dividends Declared Per Share

Adjusted to reflect stock split.



LIVING OUR PURPOSE

Working together with our communities, we are helping grow our state’s economy, bolstering Science, Technology, Engineering and Math (STEM) educational efforts in our communities, and increasing energy efficiency for generations to come.

Fuel diversity

A diversified fuel mix is important to protect customers’ bills. OG&E’s generation fleet includes low-sulphur western coal, natural gas, wind and solar.



Coal In 2015, 49 percent of the OG&E-generated energy was produced by coal-fired units.



Natural Gas OG&E is among the largest consumers of natural gas in Oklahoma. Gas accounted for 44 percent of the company’s generation in 2015.



Solar With OG&E’s solar program, customers will receive the benefits of solar power without having to pay the upfront system costs.



Wind OG&E’s wind generation capability totals 841 megawatts, which amounts to nearly 12 percent of the total electric generation.

55%

AVERAGE REDUCTION IN ENERGY CONSUMPTION

LED Street Lights

OG&E is planning a phased migration to LED street lighting in municipalities across the service area. Among the many benefits, LED lights provide more consistent color and quality of light.

Commercial Metals Company selects Durant

Pictured are representatives with CMC, the City of Durant, Okla., and OG&E. CMC’s new micro mill is expected to be commissioned in late 2017 and to create approximately 300 jobs in the area. The direct and indirect investment is approximately \$250 million.



“Being awarded the 40 MW facility is a big win for Oklahoma and for OG&E, and it’s a great example of our value, ‘Achieving Together.’”

Ken Grant, OG&E Vice President, Sales & Marketing



Supporting STEM education

Checotah, Okla. Middle School science teacher Patty Green discusses testing soil samples with her students. Green received an OGE teacher grant, which she used to purchase lab kits for a unit called Energy in Oklahoma.

“I’m proud to be part of a company that invests in its communities through support of education, the arts, health and human services, and more.”

Jan Davis, Community Relations Coordinator, Kellyville, Okla.

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TEACHER GRANTS IN 2015

Investing in future generations

For nearly 20 years, OGE has provided grants to teachers who are inspiring the next generation of leaders with innovative classroom programs. In 2015, OGE awarded more than \$30,000 to schools in communities across the service area.



Food pantry volunteers

OG&E employees receive 16 hours of paid volunteer time each year. Employee groups sometimes volunteer at the Regional Food Bank of Oklahoma’s Resource Centers, which provide food to people in need.

FULFILLING OUR PURPOSE

Innovation is at the heart of our purpose. We are responding to the changing demands of customers with new products and services, while at the same time maintaining our focus on reliability, fuel diversity, customer satisfaction and affordability, with rates more than 20 percent below the national average.

“Developing innovative products and services ensures we’re meeting the demands of today’s customers. At the same time, we’re increasing our focus on energy efficiency, reliability and customer satisfaction.”

Scott Milanowski, Director of Engineering Innovation & Technology, Oklahoma City

2.5MW

THAT’S HOW MUCH SOLAR ENERGY CAN BE PRODUCED FROM TWO OG&E SOLAR FARMS, BOTH ENERGIZED IN 2015.



Here comes the sun
OGE Chairman, President and CEO Sean Trauschke and Oklahoma Governor Mary Fallin stand among more than 8,000 tracking solar panels near OG&E’s Mustang Power Plant. Fallin and Trauschke flipped the ceremonial switch to energize the universal solar project last summer.



2.1MILLION

THAT’S HOW MANY TIMES CUSTOMERS PAID THEIR BILL ONLINE IN 2015, USING THE NEWLY REDESIGNED, MOBILE-FRIENDLY OGE.COM WEBSITE.



Robust outage-related communications
Customers experiencing a non-storm-related outage can now see outage details, including an estimated time of restoration, by signing in to their oge.com account.

“I’m proud to create technical designs that provide reliable, cost-effective electric service to our customers.”

Drew Dvorak, Engineering Technician, Ardmore, Okla.

Driving innovation
Beginning with a phased conversion of the company fleet, OG&E is leading the way in promoting electric vehicle (EV) technology and accelerating market adoption of plug-in EVs within the OG&E service area.



Leadership

Board of Directors

Sean Trauschke Chairman, President and CEO OGE Energy Corp., OG&E Oklahoma City	John D. Groendyke ^{2,4} Chairman and Chief Executive Officer, Groendyke Transport, Inc. (bulk truck transportation company) Enid, Oklahoma
Luke R. Corbett ^{1,2} Former Chairman and Chief Executive Officer, Kerr-McGee Corporation (oil and gas exploration and production company) Oklahoma City	Kirk Humphreys ^{2,3} Chairman, The Humphreys Company, LLC (real estate development company) and Chairman, Carlton Landing, LLC (real estate development company) Oklahoma City
David L. Hauser ^{2,3} Former Chairman and CEO, FairPoint Communications, Inc. (communications company) Charlotte, North Carolina	Judy R. McReynolds ^{2,4} President and Chief Executive Officer, ArcBest Corporation (freight transportation and logistics services company) Fort Smith, Arkansas
Robert O. Lorenz ^{3,4} Retired Managing Partner, Arthur Andersen (accounting firm) Oklahoma City	Sheila G. Talton ^{2,4} President and Chief Executive Officer, Gray Matter Analytics (data consulting) Chicago, Illinois
James H. Brandi ^{2,4} Former Managing Director, BNP Paribas Securities Corp. (investment banking company) New York City, New York	1 Lead director 2 Member of the compensation committee 3 Member of the audit committee 4 Member of the nominating and corporate governance committee
Frank A. Bozich ^{3,4} President and CEO SI Group (chemical specialties and intermediates company) Schenectady, New York	Blue number indicates lead/committee chairman

Senior Management

OGE Energy Corp.	
Sean Trauschke Chairman, President and CEO OGE Energy Corp., OG&E	Scott Forbes Controller and CAO OGE Energy Corp., OG&E
Stephen E. Merrill CFO OGE Energy Corp., OG&E	Patricia D. Horn Vice President, Governance and Corporate Secretary OGE Energy Corp., OG&E
Paul L. Renfrow Vice President, Public Affairs and Corporate Administration OGE Energy Corp., OG&E	Charles B. Walworth Treasurer OGE Energy Corp., OG&E
OG&E	
E. Keith Mitchell COO	Michael R. Mathews Vice President, Transmission and Distribution Operations
Philip L. Crissup Vice President, Utility Technical Support	Cristina F. McQuiston Vice President, Chief Information Officer and Utility Strategy
Donnie O. Jones Vice President, Power Supply Operations	Jerry A. Peace Vice President, Integrated Resource Planning and Development
Kenneth R. Grant Vice President, Sales and Marketing	
Jean C. Leger, Jr. Vice President, Utility Operations	

OGE Energy and OG&E are proud recipients of several awards from 2015, including:

American Council of Engineering Companies
2015 Engineering Excellence Awards
Seminole to Muskogee 345-kV Transmission Line

Platts Top 250 Global Energy Company
Rankings™ for 2015
OGE was ranked #170 on global performance

North American SynchroPhasor Initiative
Outstanding Utility of the Year
OG&E has been a leader in developing and implementing a variety of creative and practical uses for synchrophasor technology.

Utility Customer Champion Cogent™ Energy
Reports/Market Strategies International
2015 Business Customer Champions
2015 Residential Customer Champions
2015 Leading Utilities Engaging With Hispanics
2015 Utility Environmental Champion

The Women’s Forum of New York honored OGE Energy Corp. at the third biennial Breakfast of Corporate Champions in November, for achieving at least 20 percent female representation on the board of directors.

(As Included in the Company’s Form 10-K filed with the SEC February 26, 2016)

Management’s Discussion and Analysis of Financial Condition and Results of Operations.

Glossary of Terms

The following is a glossary of frequently used abbreviations that are found throughout this Annual Report.

Abbreviation	Definitio	Abbreviation	Definitio
401(k) Plan	Qualified defined con ibution retirement plan	GAAP	Accounting principles generally accepted in the United States
ALJ	Administrative Law Judge	IRP	Integrated Resource Plans
APSC	Arkansas Public Service Commission	LTSA	Long-Term Service Agreement
ArcLight group	Bronco Midstream Holdings, LLC, Bronco Midstream Holdings II, LLC, collectively	MATS	Mercury and Air Toxics Standards
ASC	Financial Accounting Standards Board Accounting Standards Codificatio	MMBtu	Million British thermal unit
ASU	Financial Accounting Standards Board Accounting Standards Update	Mustang	OG&E's plan to replace the soon-to-be retired Mustang steam turbines in late 2017 with 400 MW of new, efficient com ustion turbines at the Mustang site in 2018 and 2019
AVEC	Arkansas Valley Electric Cooperative Corporation	MW	Megawatt
BART	Best available retrofit technolog	MWh	Megawatt-hour
Btu	British thermal unit	NAAQS	National Ambient Air Quality Standards
CSAPR	Cross-State Air Pollution Rule	NGLs	Natural gas liquids
CenterPoint	CenterPoint Energy Resources Corp., wholly-owned Subsidiary of CenterPoint Energy, Inc.	NO _x	Nitrogen oxide
CO ₂	Carbon dioxide	OCC	Oklahoma Corporation Commission
Code	Internal Revenue Code of 1986	Off-system sales	Sales to other utilities and power marketers
Company	OGE Energy Corp, collectively with its subsidiaries and Enable Midstream Partners	OG&E	Oklahoma Gas and Electric Company, wholly-owned subsidiary of OGE Energy Corp.
Dry Scrubbers	Dry flue gas desulfu ization units with spray dryer absorber	OGE Holdings	OGE Enogex Holdings LLC, wholly-owned subsidiary of OGE Energy Corp., parent company of Enogex Holdings (prior to May 1, 2013) and 26.3 percent owner of Enable Midstream Partners
ECP	Environmental Compliance Plan	Pension Plan	Qualified defined benefit retirement p
Enable	Enable Midstream Partners, LP, partnership between OGE Energy, the ArcLight Group and CenterPoint Energy, Inc. formed to own and operate the midstream businesses of OGE Energy and CenterPoint	Ppb	Parts per billion
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)	PUD	Public Utility Division of the Oklahoma Corporation Commission
Enogex LLC	Enogex LLC collectively with its subsidiaries (effective June 30, 2013, the name was changed to Enable Oklahoma Intrastate Transmission, LLC)	QF	Qualified cogene ation facilities
EPA	U.S. Environmental Protection Agency	QF contracts	Contracts with QFs and small power production producers
FASB	Financial Accounting Standards Board	Regional Haze	The EPA's regional haze rule
Federal Clean Water Act	Federal Water Pollution Control Act of 1972, as amended as amended	Restoration of Retirement Income Plan	Supplemental retirement plan to the Pension Plan
FERC	Federal Energy Regulatory Commission	SESH	Southeast Supply Header, LLC
FIP	Federal implementation plan	SIP	State implementation plan
		SO ₂	Sulfur dioxide
		SPP	Southwest Power Pool
		Stock Incentive Plan	2013 Stock Incentive Plan
		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 Annual Report, including those matters discussed in 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 y 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 isk factors discussed in 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 avorable terms as well as inflation rates and monetary fluctuations
- 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;
- 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 accu ate 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 y the Company with the Securities and Exchange Commission.

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.

Introduction

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 consolidated financial statement . 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 has the ability to exercise significant influen .

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 currently 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 a 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. For periods prior to the formation of Enable, the natural gas midstream operations segment reflected the consolidated results of Enogex Holdings.

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's 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 CenterPoint and OGE Energy, who each have 50 percent management ownership. Based on the 50/50 management ownership, with neither company having control, effective May 1, 2013, the Company began accounting for its interest in Enable using the equity method of accounting.

In April 2014, Enable completed an initial public offering of 25,000,000 common units resulting in Enable becoming a publicly traded Master Limited Partnership. At December 31, 2015, the Company owned approximately 111.0 million limited partner units, or 26.3 percent, of which 68.2 million limited partner units were subordinated.

On January 22, 2016, 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. Based on current commodity prices, Enable has seen changes in producer activity that have negatively impacted Enable's operations and financial position and could see additional changes in producer activity that may negatively impact Enable's operations and affect its future distribution rates. 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. OGE Holdings is entitled to 60 percent of those “incentive distributions.”

Overview

Company Strategy

The Company's mission, through OG&E and its equity interest in Enable, is to fulfill its critical role in the nation's electric utility and natural gas midstream pipeline infrastructure and meet individual customers' needs for energy and related services focusing on safety, efficiency, reliability, customer service and risk management. The Company's corporate strategy is to continue to maintain its existing business mix and diversified asset position of its regulated electric utility business and interest in a publicly traded midstream company, while providing competitive energy products and services to customers, as well as seeking growth opportunities in both businesses. OG&E is focused on:

- Providing exceptional customer experiences by continuing to improve customer interfaces, tools, products and services that deliver high customer satisfaction and operating productivity.
- Providing safe, reliable energy to the communities and customers we serve. A particular focus is on enhancing the value of the grid by improving distribution grid reliability by reducing the frequency and duration of customer interruptions and leveraging previous grid technology investments.
- Maintaining strong regulatory and legislative relationships for the long-term benefit of our customer, investors and members.
- Continuing to grow a zero-injury culture and deliver top-quartile safety results.
- Complying with the EPA's MATS and Regional Haze requirements.
- Ensuring we have the necessary mix of generation resources to meet the long-term needs of our customers.
- Continuing focus on operational excellence and efficiencies in order to protect the customer bill.

Additionally, the Company wants to achieve a premium valuation of its businesses relative to its peers, grow earnings per share with a stable earnings pattern, create a high performance culture and achieve desired outcomes with target stakeholders. The Company's financial objectives include a long-term annual earnings growth rate for OG&E of three to five percent on a weather-normalized basis, maintaining a strong credit rating as well as targeting dividend increases of approximately 10 percent annually through 2019. The targeted annual dividend increase has been determined after consideration of numerous factors, including the largely retail composition of the Company's shareholder base, the Company's financial position, the Company's growth targets and the composition of the Company's assets and investment opportunities. The Company also relies on cash distributions from its investment in Enable to fund its capital needs and support future dividend growth. The Company believes it can accomplish these financial objectives by, among other things, pursuing multiple avenues to build its business, maintaining a diversified asset position, continuing to develop a wide range of skills to succeed with changes in its industries, providing products and services to customers efficiently, managing risks effectively and maintaining strong regulatory and legislative relationships.

Summary of Operating Results

2015 compared to 2014. Net income attributable to OGE Energy was \$271.3 million, or \$1.36 per diluted share, in 2015 as compared to \$395.8 million, or \$1.98 per diluted share, in 2014. The decrease in net income attributable to OGE Energy of \$124.5 million, or 31.5 percent, or \$0.62 per diluted share, in 2015 as compared to 2014 was primarily due to:

- a decrease in net income at OGE Holdings of \$92.9 million, or 90.8 percent, or \$0.46 per diluted share of the Company's common stock, primarily due to the goodwill impairment adjustment at Enable in September 2015 and lower revenues driven by lower average natural gas and NGLs prices;
- a decrease in net income at OGE Energy of \$8.5 million, or \$0.05 per diluted share of the Company's common stock, primarily due to charges associated with pre-construction expenditures for new office space to consolidate Oklahoma City personnel; and
- a decrease in net income at OG&E of \$23.1 million, or 7.9 percent, or \$0.11 per diluted share of the Company's common stock, primarily due to an increase in depreciation expense due to additional assets being placed in service in 2015, and a decrease in gross margin related to milder weather and decreased wholesale transmission revenues. Partially offsetting these items was an increase in customer growth, an increase in other income and an increase in allowance for equity funds used during construction.

2014 compared to 2013. Net income attributable to OGE Energy was \$395.8 million, or \$1.98 per diluted share, in 2014 as compared to \$387.6 million, or \$1.94 per diluted share, in 2013. The increase in net income attributable to OGE Energy of \$8.2 million, or 2.1 percent, or \$0.04 per diluted share, in 2014 as compared to 2013 was primarily due to:

- an increase in net income at OGE Holdings of \$2.4 million, or 2.4 percent, or \$0.01 per diluted share of the Company's common stock, due partially to the accretive effect to OGE Holdings of Enable partially offset by a reduction in deferred state income taxes in 2013 associated with a remeasurement of the accumulated deferred taxes related to the formation of Enable;
- an increase in net income at OGE Energy of \$6.4 million, or \$0.04 per diluted share of the Company's common stock, primarily due to decreased transaction expenses related to the formation of Enable and a decrease in losses for the deferred compensation plan; and
- a decrease in net income at OG&E of \$0.6 million, or 0.2 percent, or \$0.01 per diluted share of the Company's common stock, reflecting an increase in depreciation expense due to additional assets being placed in service in 2014, a decrease in gross margin related to milder weather compared to 2013, an increase in other operation and maintenance expense and an increase in interest expense related to the issuance of debt. Partially offsetting these items was an increase in wholesale transmission revenues, an increase in customer growth and a decrease in incentive compensation.

A more detailed discussion regarding the financial performance of OG&E and the Natural Gas Midstream Operations can be found under "Results of Operations" below.

2016 Outlook

Key assumptions for 2016 include:

OG&E

The Company projects OG&E to earn approximately \$288 million to \$300 million or \$1.44 to \$1.50 per average diluted share in 2016 and is based on the following assumptions:

- normal weather patterns are experienced for the remainder of the year;
- new rates take effect in Oklahoma in mid 2016;
- gross margin on revenues of approximately \$1.405 billion to \$1.415 billion based on sales growth of approximately one percent on a weather-adjusted basis;
- approximately \$106 million of gross margin is primarily attributed to regionally allocated transmission projects;
- operating expenses of approximately \$885 million to \$895 million, with operation and maintenance expenses comprising 54 percent of the total;
- interest expense of approximately \$140 million which assumes a \$8 million allowance for borrowed funds used during construction reduction to interest expense;
- other income of approximately \$27 million including approximately \$15 million of allowance for equity funds used during construction; and
- an effective tax rate of approximately 28 percent.

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

OGE Enogex Holdings LLC

The Company projects the earnings contribution from its ownership interest in Enable Midstream to be approximately \$56 million to \$66 million or \$0.28 to \$0.33 per average diluted share.

Consolidated OGE

The Company's 2016 earnings guidance is between approximately \$344 million and \$366 million of net income, or \$1.72 to \$1.83 per average diluted share and is based on the following assumptions:

- approximately 200 million average diluted shares outstanding; and
- an effective tax rate of approximately 29 percent.

Non-GAAP Financial Measures

Ongoing Earnings and Ongoing Earnings per Average Diluted Share are defined by the Company as GAAP Earnings and GAAP Earnings per Average Diluted Share adjusted to exclude non-cash charges. These financial measures excluded non-cash charges of approximately \$108.4 million or \$0.33 per average diluted share associated with the Company's share of Enable's goodwill impairment as well as a non-cash pension settlement charge of approximately \$5.8 million or

\$0.02 per average diluted share. The Company's management believes that ongoing earnings and ongoing earnings per average diluted share provide a more meaningful comparison of earnings results and are more representative of the Company's fundamental core earnings power. The Company's management uses ongoing earnings and ongoing earnings per average diluted share internally for financial planning and analysis, for reporting of results to the Board of Directors, and when communicating its earnings outlook to analysts and investors. Reconciliations of ongoing earnings and ongoing earnings per average diluted share for the year ended December 31, 2015 and 2014 are below.

Reconciliation of Ongoing Earnings (Loss) to GAAP Earnings (Loss)

	2015 GAAP Earnings (Loss)	Goodwill and Pension Settlement Charges ^(A)	2015 Ongoing Earnings (Loss)	2014 GAAP and Ongoing Earnings (Loss) ^(B)
<i>(Net of tax, in millions)</i>				
OG&E	\$268.9	\$ —	\$268.9	\$292.0
Natural Gas Midstream Operations	9.4	70.8	80.2	102.3
Holding Company	(7.0)	—	(7.0)	1.5
Consolidated	\$271.3	\$70.8	\$342.1	\$395.8

Reconciliation of Ongoing Earnings (Loss) per Average Diluted Share to GAAP Earnings (Loss) per Average Diluted Share

	2015 GAAP Earnings (Loss) per Share	Goodwill and Pension Settlement Charges per Share ^(A)	2015 Ongoing Earnings (Loss) per Share	2014 GAAP and Ongoing Earnings (Loss) per Share ^(B)
OG&E	\$ 1.35	\$ —	\$ 1.35	\$1.46
Natural Gas Midstream Operations	0.05	0.35	0.40	0.51
Holding Company	(0.04)	—	(0.04)	0.01
Consolidated	\$ 1.36	\$0.35	\$ 1.71	\$1.98

^(A) On September 30, 2015, the Company recognized a non-cash pre-tax charge of \$108.4 million or \$0.33 per average diluted share for its portion of Enable's goodwill impairment. Additionally, the Company recognized a non-cash pre-tax charge of \$5.8 million or \$0.02 per average diluted share for a pension settlement charge related to Enable.

^(B) There were no similar charges for the year ended December 31, 2014, therefore ongoing earnings and GAAP earnings are the same.

Gross margin is defined by OG&E as operating revenues less fuel, purchased power and certain 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 and purchased power 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.

Reconciliation of Gross Margin to Revenue

Year Ended December 31, (Dollars in millions)	2016 ^(A)
Operating revenues	\$2,162
Cost of sales	752
Gross Margin	\$1,410

^(A) Based on the midpoint of OG&E earnings guidance for 2016.

Results of Operations

The following discussion and analysis presents factors that affected the Company's consolidated results of operations for the years ended December 31, 2015, 2014 and 2013 and the Company's consolidated financial position at December 31, 2015 and 2014. The following information should be read in conjunction with the Consolidated Financial Statements and Notes thereto. Known trends and contingencies of a material nature are discussed to the extent considered relevant.

Year ended December 31 (In millions except per share data)	2015	2014	2013
Net income attributable to OGE Energy	\$ 271.3	\$ 395.8	\$ 387.6
Basic average common shares outstanding	199.6	199.2	198.2
Diluted average common shares outstanding	199.6	199.9	199.4
Basic earnings per average common share attributable to OGE Energy common shareholders	\$ 1.36	\$ 1.99	\$ 1.96
Diluted earnings per average common share attributable to OGE Energy common shareholders	\$ 1.36	\$ 1.98	\$ 1.94
Dividends declared per common share	\$1.05000	\$0.95000	\$0.85125

Results by Business Segment

Year ended December 31 (In millions)	2015	2014	2013
Net Income attributable to OGE Energy			
OG&E (Electric Utility)	\$268.9	\$292.0	\$292.6
OGE Holdings (Natural Gas Midstream Operations) ^(A)	9.4	102.3	99.9
Other Operations ^(B)	(7.0)	1.5	(4.9)
Consolidated net income attributable to OGE Energy	\$271.3	\$395.8	\$387.6

^(A) Subsequent to the completion of the October 1, 2014 annual goodwill impairment test and previous interim assessment as of December 31, 2014, the crude oil and natural gas industry was impacted by further commodity price declines, which consequently resulted in decreased producer activity in certain regions in which Enable operates. As a result, when Enable performed the first step of its annual goodwill impairment analysis as of October 1, 2015, it determined that the carrying value of the gathering and processing and transportation and storage segments exceeded fair value. Enable completed the second step of the goodwill impairment analysis comparing the implied fair value for those reporting units to the carrying amount of that goodwill and determined that goodwill for those units was completely impaired in the amount of \$1,086.4 million as of September 30, 2015. Accordingly, the Company recorded a \$108.4 million pre-tax charge during the third quarter of 2015 for its share of the goodwill impairment, as adjusted for the basis differences. See Note 3 for further discussion of Enable's goodwill impairment.

^(B) Other Operations primarily includes the operations of the holding company and consolidating eliminations.

The following operating results analysis by business segment includes intercompany transactions that are eliminated in the Consolidated Financial Statements.

OG&E (Electric Utility)

Year ended December 31 (Dollars in millions)	2015	2014	2013
Operating revenues	\$2,196.9	\$2,453.1	\$2,262.2
Cost of sales	865.0	1,106.6	965.9
Other operation and maintenance	444.5	453.2	438.8
Depreciation and amortization	299.9	270.8	248.4
Taxes other than income	87.1	84.5	83.8
Operating income	500.4	538.0	525.3

Allowance for equity funds used during construction	8.3	4.2	6.6
Other income	13.3	4.8	8.1
Other expense	1.6	1.9	4.6
Interest expense	146.7	141.5	129.3
Income tax expense	104.8	111.6	113.5
Net income	\$ 268.9	\$ 292.0	\$ 292.6

Operating revenues by classificatio			
Residential	\$ 896.5	\$ 925.5	\$ 901.4
Commercial	535.0	583.3	554.2
Industrial	190.6	224.5	220.6
Oilfield	162.8	188.3	176.4
Public authorities and street light	194.2	220.3	214.3
Sales for resale	21.7	52.9	59.4

System sales revenues	2,000.8	2,194.8	2,126.3
Off-system sales revenues	48.6	94.1	14.7
Other	147.5	164.2	121.2
Total operating revenues	\$2,196.9	\$2,453.1	\$2,262.2

Reconciliation of gross margin to revenue:			
Operating revenues	\$2,196.9	\$2,453.1	\$2,262.2
Cost of sales	865.0	1,106.6	965.9
Gross margin	\$1,331.9	\$1,346.5	\$1,296.3
MWH sales by classificatio (in millions)			
Residential	9.2	9.4	9.4
Commercial	7.4	7.2	7.1
Industrial	3.6	3.8	3.9
Oilfield	3.4	3.4	3.4
Public authorities and street light	3.1	3.2	3.2
Sales for resale	0.5	1.0	1.2
System sales	27.2	28.0	28.2
Off-system sales	1.7	2.2	0.4
Total sales	28.9	30.2	28.6
Number of customers	824,776	814,982	806,940

Weighted-average cost of energy per kilowatt-hour – cents			
Natural gas	2.529	4.506	3.905
Coal	2.187	2.152	2.273
Total fuel	2.196	2.752	2.784
Total fuel and purchased power	2.874	3.493	3.178

Degree days ^(A)			
Heating – Actual	3,038	3,569	3,673
Heating – Normal	3,349	3,349	3,349
Cooling – Actual	2,071	2,114	2,106
Cooling – Normal	2,092	2,092	2,092

^(A) Degree days are calculated as follows: The high and low degrees of a particular day are added together and then averaged. If the calculated average is above 65 degrees, then the difference between the calculated average and 65 is expressed as cooling degree days, with each degree of difference equaling one cooling degree day. If the calculated average is below 65 degrees, then the difference between the calculated average and 65 is expressed as heating degree days, with each degree of difference equaling one heating degree day. The daily calculations are then totaled for the particular reporting period.

2015 compared to 2014. OG&E's net income decreased \$23.1 million, or 7.9 percent, in 2015 as compared to 2014 primarily due to higher depreciation expense and lower gross margin partially offset by higher other income and an increase in allowance for equity funds used in construction.

Gross Margin

Operating revenues were \$2,196.9 million in 2015 as compared to \$2,453.1 million in 2014, a decrease of \$256.2 million, or 10.4 percent. Cost of sales were \$865.0 million in 2015 as compared to \$1,106.6 million in 2014, a decrease of \$241.6 million, or 21.8 percent. Gross margin was \$1,331.9 million in 2015 as compared to \$1,346.5 million in 2014, a decrease of \$14.6 million, or 1.1 percent. The below factors contributed to the change in gross margin:

(In millions)	\$ Change
Quantity variance (primarily weather) ^(A)	\$(25.8)
Wholesale transmission revenue ^(B)	(19.8)
Expiration of AVEC contract ^(C)	(11.5)
Industrial and oilfield sale	(4.5)
Other	2.1
Non-residential demand and related revenues	3.7
Price variance ^(D)	19.8
New customer growth	21.4
Change in gross margin	\$(14.6)

^(A) The overall cooling degree days decreased two percent in 2015 compared to 2014 with August decreasing by 14 percent.

^(B) Decreased primarily due to a true up for the base plan projects in the SPP formula rate for 2014 and 2015 as well as a reduction in the point-to-point credits shared with retail customers.

^(C) On June 30, 2015, the wholesale power contract with AVEC expired.

^(D) Increased primarily due to sales and customer mix.

Cost of sales for OG&E consists of fuel used in electric generation, purchased power and transmission related charges. Fuel expense was \$458.5 million in 2015 as compared to \$627.5 million in 2014, a decrease of \$169.0 million, or 26.9 percent, primarily due to lower natural gas prices offset by higher natural gas used as well as less coal burned offset by higher coal prices. In 2015, OG&E's fuel mix was 49.0 percent coal, 44.0 percent natural gas and seven percent wind. In 2014, OG&E's fuel mix was 61.0 percent coal, 32.0 percent natural gas and seven percent wind. Purchased power costs were \$362.6 million in 2015 as compared to \$444.1 million in 2014, a decrease of \$81.5 million, or 18.4 percent, primarily due to a decrease in purchases from the SPP, reflecting the impact of OG&E's participation in the SPP Integrated Marketplace, which began on March 1, 2014. Transmission related charges were \$43.9 million in 2015 as compared to \$35.0 million in 2014, an increase of \$8.9 million, or 25.4 percent, primarily due to higher SPP charges for the base plan projects of other utilities.

The actual cost of fuel used in electric generation and certain purchased power costs are passed through to OG&E's customers through fuel adjustment clauses. The 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 to its affiliate, Enable.

Operating Expenses

Other operation and maintenance expenses were \$444.5 million in 2015 as compared to \$453.2 million in 2014, a decrease of \$8.7 million, or 1.9 percent. The below factors contributed to the change in other operations and maintenance expense:

(In millions)	\$ Change
Additional capitalized labor ^(A)	\$(9.2)
Maintenance at power plants ^(B)	(7.0)
Professional service contracts ^(C)	(2.1)
Other	(1.0)
Employee benefit ^(D)	1.0
Other marketing, sales and commercial ^(E)	2.8
Salaries and wages ^(F)	6.8
Change in other operation and maintenance expense	\$(8.7)

^(A) Decreased primarily due to more capital projects and storm costs exceeding the \$2.7 million threshold, which were moved to a regulatory asset.

^(B) Decreased primarily due to less work at the power plants.

^(C) Decreased primarily due to decreased engineering services.

^(D) Increased primarily due to higher medical costs incurred partially offset by lower pension costs.

^(E) Increased primarily due to higher demand side management customer payments.

^(F) Increased primarily due to annual salary increases and increased overtime related to storms.

Depreciation and amortization expense was \$299.9 million in 2015 as compared to \$270.8 million in 2014, an increase of \$29.1 million, or 10.7 percent, primarily due to additional assets being placed in service, along with an increase resulting from the amortization of deferred pension credits and post-retirement medical regulatory liabilities which were fully amortized in July 2014 and amortization of deferred storm costs.

Additional Information

Allowance for Equity Funds Used During Construction. Allowance for equity funds used during construction was \$8.3 million in 2015 as compared to \$4.2 million in 2014, an increase of \$4.1 million or 97.6 percent, primarily due to higher construction work in progress balances resulting from increased spending for environmental projects.

Other Income. Other income was \$13.3 million in 2015 as compared to \$4.8 million in 2014, an increase of \$8.5 million, primarily due to increased guaranteed flat bill margins and an increase in the tax loss up related to higher allowance for funds used during construction.

Income Tax Expense. Income tax expense was \$104.8 million in 2015 as compared to \$111.6 million in 2014, a decrease of \$6.8 million, or 6.1 percent, primarily due to lower pretax income partially offset by a reduction in Federal tax credits.

2014 compared to 2013. OG&E's net income decreased \$0.6 million, or 0.2 percent, in 2014 as compared to 2013 primarily due to higher gross margin, which was almost offset by higher other operations and maintenance expense, higher depreciation and amortization expense, and interest expense.

Gross Margin

Operating revenues were \$2,453.1 million in 2014 as compared to \$2,262.2 million in 2013, an increase of \$190.9 million, or 8.4 percent. Cost of sales were \$1,106.6 million in 2014 as compared to \$965.9 million in 2013, an increase of \$140.7 million, or 14.6 percent. Gross margin was \$1,346.5 million in 2014 as compared to \$1,296.3 million in 2013, an increase of \$50.2 million, or 3.9 percent. The below factors contributed to the change in gross margin:

<i>(In millions)</i>	\$ Change
Wholesale transmission revenue ^(A)	\$ 43.8
New customer growth	13.8
Price variance ^(B)	6.8
Non-residential demand and related revenues	1.4
Other	(1.7)
Quantity variance (primarily weather)	(13.9)
Change in gross margin	\$ 50.2

^(A) Increased primarily due to higher investments related to certain FERC approved transmission projects included in formula rates.

^(B) Increased due to higher rider revenues primarily from the Oklahoma Demand Program rider, the Oklahoma Storm Recovery rider and the Arkansas Demand Program rider partially offset by lower rider revenues from the Oklahoma Crossroads rider, Oklahoma Smart Grid rider, Oklahoma System Hardening rider and the Arkansas Crossroads rider.

Cost of sales for OG&E consists of fuel used in electric generation, purchased power and transmission related charges. Fuel expense was \$627.5 million in 2014 as compared to \$672.7 million in 2013, a decrease of \$45.2 million, or 6.7 percent, primarily due to lower natural gas used offset by higher natural gas prices. In 2014, OG&E's fuel mix was 61 percent coal, 32 percent natural gas and seven percent wind. In 2013, OG&E's fuel mix was 53.0 percent coal, 40.0 percent natural gas and seven percent wind. Purchased power costs were \$444.1 million in 2014 as compared to \$267.6 million in 2013, an increase of \$176.5 million, or 66.0 percent, primarily due to an increase in purchases from the SPP, reflecting the impact of OG&E's participation in the SPP Integrated Marketplace, which began on March 1, 2014. Transmission related charges were \$35.0 million in 2014 as compared to \$25.6 million in 2013, an increase of \$9.4 million, or 36.7 percent, primarily due to higher SPP charges for the base plan projects of other utilities.

Operating Expenses

Other operation and maintenance expenses were \$453.2 million in 2014 as compared to \$438.8 million in 2013, an increase of \$14.4 million, or 3.3 percent. The below factors contributed to the change in other operations and maintenance expense:

<i>(In millions)</i>	\$ Change
Reduction in capitalized labor ^(A)	\$11.4
Corporate overhead and allocations ^(B)	4.0
Contract professional services (primarily marketing services)	3.8
Ongoing maintenance at power plants	3.5
Other marketing, sales and commercial ^(C)	2.3
Software expense ^(D)	2.3
Fees, permits and licenses ^(E)	2.3
Vegetation management ^(F)	(4.5)
Employee benefit ^(G)	(4.9)
Salaries and wages ^(H)	(5.8)
Change in other operation and maintenance expense	\$14.4

^(A) Portion of labor costs capitalized into projects decreased as a result of less work performed on storm restoration.

^(B) Increased primarily due to higher allocated costs from the holding company resulting from the formation of Enable during 2013.

^(C) Increased primarily due to demand side management customer payments which are recovered through a rider partially offset by a reduction in media services expense.

^(D) Increased as a result of higher expenditures related to Smart Grid software.

^(E) Increased primarily due to higher SPP administration and assessment fees.

^(F) Decreased primarily due to increased spending on system hardening in 2013 which includes costs that are being recovered through a rider.

^(G) Decreased primarily due to lower pension expense, postretirement and other benefit .

^(H) Decreased primarily due to incentive compensation and lower overtime wages partially offset by higher regular salaries and wages.

Depreciation and amortization expense was \$270.8 million in 2014 as compared to \$248.4 million in 2013, an increase of \$22.4 million, or nine percent, primarily due to additional transmission assets being placed in service throughout 2013 and 2014, along with an increase resulting from the amortization of the deferred pension credits regulatory liability which was fully amortized in July 2014. These were offset by the pension regulatory asset which was fully amortized in July 2013.

Additional Information

Allowance for Equity Funds Used During Construction. Allowance for equity funds used during construction was \$4.2 million in 2014 as compared to \$6.6 million in 2013, a decrease of \$2.4 million or 36.4 percent, primarily due to lower construction work in progress balances resulting from transmission projects being placed in service in 2014.

Other Income. Other income was \$4.8 million in 2014 as compared to \$8.1 million in 2013, a decrease of \$3.3 million or 40.7 percent, primarily due to decreased margins recognized in the guaranteed flat bill program during 2014 as a result of cooler weather in the first quarter as compared to the same period in 2013 along with a decrease in the tax gross up related to the allowance for equity funds used during construction.

Other Expense. Other expense was \$1.9 million in 2014 as compared to \$4.6 million in 2013, a decrease of \$2.7 million or 58.7 percent, primarily due to decreased charitable donations during 2014.

Interest Expense. Interest expense was \$141.5 million in 2014 as compared to \$129.3 million in 2013, an increase of \$12.2 million, or 9.4 percent, primarily due to a \$9.1 million increase in interest on long-term debt related to a \$250.0 million debt issuance that occurred in May 2013, a \$250.0 million debt issuance that occurred in March 2014 and an additional \$250.0 million debt issuance that occurred in December 2014 partially offset by the early redemption of \$140.0 million senior notes in August 2014. In addition, there was a \$2.0 million increase reflecting a reduction in 2013 interest xpense related to tax matters offset by a decrease in the allowance for borrowed funds used during construction of \$1.0 million.

Income Tax Expense. Income tax expense was \$111.6 million in 2014 as compared to \$113.5 million in 2013, a decrease of \$1.9 million, or 1.7 percent. The reduction reflects lower pretax income partially offset by a reduction in state tax credits recognized during the year and an increase in Federal credits recognized.

OGE Holdings (Natural Gas Midstream Operations)

<i>(In millions)</i>	Year Ended December 31,		
	2015	2014	2013
Operating revenues	\$ —	\$ —	\$630.4
Cost of sales	—	—	489.0
Other operation and maintenance	7.5	1.2	60.9
Depreciation and amortization	—	—	36.8
Taxes other than income	—	—	10.5
Operating income (loss)	(7.5)	(1.2)	33.2
Equity in earnings of			
unconsolidated affiliate ^(A)	15.5	172.6	101.9
Other income	0.4	—	10.2
Other expense	—	—	1.3
Interest expense	—	—	10.6
Income tax expense	(1.0)	69.1	26.9
Net income	9.4	102.3	106.5
Less: Net income attributable to noncontrolling interests	—	—	6.6
Net income attributable to OGE Holdings	\$ 9.4	\$102.3	\$ 99.9

^(A) In September 2015, the Company recorded a \$108.4 million pre-tax charge for its share of the goodwill impairment, as adjusted for the basis difference. See Note 3 for further discussion of Enable's goodwill impairment.

Effective May 1, 2013, the Company deconsolidated its previously held investment in Enogex Holdings and acquired a 28.5 percent equity interest in Enable (26.3 percent as of December 31, 2015) which is being accounted for using the equity method of accounting. Prior to May 1, 2013, the Company reported the results of Enogex Holdings in the natural gas midstream operations segment.

Equity in earnings of unconsolidated affiliates includes OGE Energy's share of Enable earnings adjusted for the amortization of the basis difference of OGE Energy's original investment in Enogex LLC and its underlying equity in net assets of Enable. The basis difference is the result of the initial contribution of Enogex LLC to Enable in May 2013, and subsequent issuances of equity by Enable, including the initial public offering in April 2014 and the issuance of common units for the acquisition of CenterPoint's 24.95 percent interest in SESH. The basis difference is being amortized over approximately 30 years, the average life of the assets to which the basis difference is attributed. Equity in earnings of unconsolidated affiliates is also adjusted or the elimination of the Enogex Holdings fair value adjustments.

The difference between OGE Energy's investment in Enable and its underlying equity in the net assets of Enable was \$783.5 million as of December 31, 2015.

Reconciliation of Equity in Earnings of Unconsolidated Affiliates
The following table reconciles OGE Energy's equity in earnings of its unconsolidated affiliates or the years ended December 31, 2015 and 2014.

<i>(In millions)</i>	Year Ended December 31,	
	2015	2014
OGE's share of Enable Net Income (Loss)	\$ (16.0)	\$143.1
Amortization of basis difference	13.5	14.0
Elimination of Enogex Holdings fair value and other adjustments	18.0	15.5
Equity in earnings of unconsolidated affiliate	\$ 15.5	\$172.6

The following table represents summarized financial information of Enable for 2014 and 2015:

Enable Results of Operations

<i>(In millions)</i>	Year Ended December 31,	
	2015	2014
Operating revenues	\$2,418	\$3,367
Cost of natural gas and natural gas liquids	1,097	1,914
Operating income (loss)	(712)	586
Net income (loss)	\$ (752)	\$ 530

Year Ended December 31, 2015 as Compared to Year Ended December 31, 2014
The table set forth below illustrates the impact of the operating results of Enable for the years ended December 31, 2015 and 2014.

<i>(In millions)</i>	Year Ended December 31,	
	2015	2014
Operating revenues	\$ —	\$ —
Cost of natural gas and natural gas liquids	—	—
Other operation and maintenance	7.5	1.2
Depreciation and amortization	—	—
Taxes other than income	—	—
Operating income (loss)	(7.5)	(1.2)
Equity in earnings of unconsolidated affiliate ^(A)	15.5	172.6
Other income/(expense)	0.4	—
Income before taxes	8.4	171.4
Income tax expense (benefit)	(1.0)	69.1
Net income attributable to OGE Holdings	\$ 9.4	\$102.3

^(A) The Company recorded a \$108.4 million pre-tax charge during the third quarter of 2015 for its share of the goodwill impairment, as adjusted for the basis differences. See Note 3 for further discussion of Enable's goodwill impairment.

OGE Holdings' earnings before taxes decreased \$163.0 million, or 95.1 percent, for the year ended December 31, 2015 as compared to the same period of 2014 primarily due to a decrease in equity in earnings of Enable of \$157.1 million. In addition to the goodwill impairment, Enable's gathering and processing business segment reported a decrease in operating income primarily from a decrease in gross margin, an increase in depreciation and amortization expense

and an increase in taxes other than income taxes. Gathering and processing gross margin decreased primarily due to lower commodity prices partially offset by increased volumes in the Anadarko and Williston basin. In addition to the goodwill impairment, Enable's transportation and storage segment reported a decrease in operating income primarily due to lower margin on unrealized natural gas derivatives, a decrease in sales of NGLs due to lower prices, lower firm transportation revenues, a decrease in storage demand fees as well as lower rates on transportation services for local distribution companies and increased depreciation expenses. These decreases were partially offset by higher margins related to realized gains on system optimization activities and increased margins from higher rates on off-system transportation services.

Over the course of 2015 and continuing into 2016, natural gas and crude oil prices have dropped to their lowest levels in over 10 years. Should lower commodity prices persist, or should commodity prices decline further, Enable's future operating results and cash flows could be negatively impacted.

Income Tax Expense. Income tax benefit was \$1.0 million in 2015 as compared to an expense of \$69.1 million in 2014, a decrease in expense of \$70.1 million primarily due to lower pre-tax operating income, a benefit recognized associated with a remeasurement of deferred taxes related to the Company's investment in Enable and the impact of the goodwill impairment on Enable.

	Enable Midstream Partners (Equity Method – Year Ended December 31, 2014)	Natural Gas Midstream Operations (Consolidated – Four Months Ended April 30, 2013)	Enable Midstream Partners (Equity Method – Eight Months Ended December 31, 2013)	Total (Year Ended December 31, 2013)
<i>(In millions)</i>				
Operating revenues	\$ —	\$630.4	\$ —	\$630.4
Cost of sales	—	489.0	—	489.0
Operating expenses	1.2	108.2	—	108.2
Operating income (loss)	(1.2)	33.2	—	33.2
Equity in earnings of unconsolidated affiliate	172.6	—	101.9	101.9
Other income (expense)	—	8.9	—	8.9
Interest expense	—	10.6	—	10.6
Earnings before taxes	171.4	31.5	101.9	133.4
Income tax expense	69.1	9.4	17.5	26.9
Net income	102.3	22.1	84.4	106.5
Less: net income attributable to noncontrolling interests	—	6.6	—	6.6
Net income attributable to OGE Holdings	\$102.3	\$ 15.5	\$ 84.4	\$ 99.9

OGE Holdings' net income decreased \$4.2 million, or four percent for the year ended December 31, 2014 as compared to the same period of 2013 due to higher pre-tax income and higher tax expense. OGE Holdings' earnings before taxes increased \$38.0 million, or 28.5 percent, for the year ended December 31, 2014 as compared to the same period of 2013. The increase reflects the accretive effect to OGE Holdings of Enable, for the entire year of 2014, as compared to only eight months of 2013, following the formation of Enable on May 1, 2013. Enable's operating results for 2014 improved as compared to 2013, due to increased gathering and processing margins as a result of higher processed volumes in the Anadarko and Ark-La-Tex basins (which offset lower gathering volumes) and higher crude oil gathering margins. Additionally, Enable's operating results for 2014 improved as compared to 2013 due to higher transportation and storage margins as a result of an increase of unrealized gains on natural gas derivatives

Operating Data

	Year Ended December 31,	
	2015	2014
Gathered volumes - TBtu/d	3.14	3.34
Transportation volumes - TBtu/d	4.97	4.95
Natural gas processed volumes - TBtu/d	1.78	1.56
NGLs sold - million gallons/d ^{(A)(B)}	75.55	68.67

^(A) Excludes condensate.

^(B) NGLs sold includes volumes of NGLs withdrawn from inventory or purchased for system balancing purposes.

Year Ended December 31, 2014 as Compared to Year Ended December 31, 2013

Due to deconsolidation of Enogex LLC on May 1, 2013, the Company recorded no operating income for this segment for the eight-month period from May 1, 2013 through December 31, 2013 or the year ended December 31, 2014. Earnings after May 1, 2013 reflect the Company's equity interest in Enable's results, which are recorded in equity in earnings of unconsolidated affiliate, and the related tax effect. The table set forth below illustrates the impact of the operating results of Enable for the year ended December 31, 2014 as compared to the combined results of Enogex LLC for the four months ended April 30, 2013 and Enable for the eight months from May 1, 2013 to December 31, 2013.

Off-Balance Sheet Arrangement

OG&E Railcar Lease Agreement

OG&E has several noncancellable operating leases with purchase options, covering approximately 1,400 rotary gondola railcars to transport coal from Wyoming to OG&E's coal-fired generation units. Rental payments are charged to fuel expense and are recovered through OG&E's tariffs and fuel adjustment clauses.

On January 11, 2012, OG&E executed a five-year lease agreement for 135 railcars to replace railcars that have been taken out of service or destroyed.

On October 14, 2014, OG&E signed a separate three-year lease effective December 2014 for 131 railcars to replace railcars that have been taken out of service or destroyed.

On December 17, 2015, OG&E renewed the lease agreement effective February 1, 2016. At the end of the new lease term, which is February 1, 2019, OG&E has the option to either purchase the railcars at a stipulated fair market value or renew the lease. If OG&E chooses not to purchase the railcars or renew the lease agreement and the actual fair value of the railcars is less than the stipulated fair market value, OG&E would be responsible for the difference in those values up to a maximum of \$20.1 million. OG&E is also required to maintain all of the railcars it has under the operating lease and has entered into an agreement with a non-affiliated company to furnish this maintenance.

Liquidity and Capital Resources

Working Capital

Working capital is defined as the difference in current assets and current liabilities. The Company's working capital requirements are driven generally by changes in accounts receivable, accounts payable, commodity prices, credit extended to, and the timing of collections from, customers, the level and timing of spending for maintenance and expansion activity, inventory levels and fuel recoveries.

Cash and Cash Equivalents. The balance of Cash and Cash Equivalents was \$75.2 million and \$5.5 million at December 31, 2015 and 2014, respectively, an increase of \$69.7 million, primarily due to normal business operations and the quarterly distributions received from Enable.

Accounts Receivable and Accrued Unbilled Revenues. The balance of Accounts Receivable and Accrued Unbilled Revenues was \$228.3 million and \$249.9 million at December 31, 2015 and 2014, respectively, a decrease of \$21.6 million, or 8.6 percent, primarily due to a decrease in billings to OG&E's retail customers.

Income Taxes Receivable. The balance of Income Taxes Receivable was \$17.2 million and \$16.0 million at December 31, 2015 and 2014, respectively, an increase of \$1.2 million, or 7.5 percent, primarily due to a receivable related to Oklahoma wind credits and overpayments refundable from Louisiana.

Fuel Inventories. The balance of Fuel Inventories was \$113.8 million and \$58.5 million at December 31, 2015 and 2014, respectively, an increase of \$55.3 million, or 94.5 percent, primarily due to higher coal inventory balances at OG&E's coal fired plants resulting from lower participation in the SPP Integrated Marketplace.

Deferred Income Tax. Deferred Income Tax assets had no balance as of December 31, 2015 compared to \$191.4 million at December 31, 2014, due to a reclassification of the balance to Non-Current Deferred Income Taxes pursuant to early adoption of ASU 2015-17 "Income Taxes (Topic 740)".

Fuel Clause Recoveries. The Fuel Clause balance moved from an under recovery position of \$68.3 million as of December 31, 2014 to an over recovery balance of \$61.3 million as of December 31, 2015, primarily due to higher amounts billed to OG&E retail customers as compared to the actual cost of fuel and purchased power. The fuel recovery clauses are designed to smooth the impact of fuel price volatility on customers' bills. As a result, OG&E under recovers fuel costs when the actual fuel and purchased power cost recoveries exceed fuel adjustment clause recoveries and over recovers fuel costs when the actual fuel and purchased power costs are below the fuel adjustment clause recoveries. Provisions in the fuel clauses are intended to allow OG&E to amortize under and over recovery balances into future cost recoveries.

Other Current Assets. The balance of Other Current Assets was \$55.6 million and \$38.4 million at December 31, 2015 and 2014, respectively, an increase of \$17.2 million, or 44.8 percent, primarily due to an increase in recoverable demand portfolio program costs.

Short-Term Debt. Short-Term Debt had no balance at December 31, 2015 compared to a balance of \$98.0 million at December 31, 2014, due to a payoff of all short-term debt.

Accounts Payable. The balance of Accounts Payable was \$262.5 million and \$179.1 million at December 31, 2015 and 2014, respectively, an increase of \$83.4 million, or 46.6 percent, primarily due to storm accruals and timing of vendor payments partially offset by a decrease of fuel and purchased power expense.

Accrued Compensation. The balance of Accrued Compensation was \$54.4 million and \$38.2 million at December 31, 2015 and 2014, respectively, an increase of \$16.2 million, or 42.4 percent, primarily resulting from the reclassification of retirement restoration payable in the second quarter of 2016 to accrued compensation as well as lower levels of accrued incentive compensation for 2014.

Long-Term Debt Due Within One Year. The balance of Long-Term Debt Due Within One Year was \$110.0 million at December 31, 2015 compared to no balance at December 31, 2014 due to the reclassification of long-term debt that will mature in January 2016.

Cash Flows

Year ended December 31 <i>(In millions)</i>	2015	2014	2013	2015 vs. 2014		2014 vs. 2013	
				\$ Change	% Change	\$ Change	% Change
Net cash provided from operating activities	\$ 865.4	\$ 721.6	\$ 623.2	\$ 143.8	19.9%	\$ 98.4	15.8%
Net cash used in investing activities	(500.1)	(559.1)	(957.0)	59.0	10.6%	397.9	41.6%
Net cash (used in) provided from financing activitie	(295.6)	(163.8)	338.8	(131.8)	(80.5)%	(502.6)	*

* Greater than a 100 percent variance.

Operating Activities

The increase of \$143.8 million, or 19.9 percent, in net cash provided from operating activities in 2015 as compared to 2014 was primarily due to an increase in cash received from fuel recoveries at OG&E and less cash paid to vendors, partially offset by Enable distributions classified as a retu n of capital in investing activities.

The increase of \$98.4 million, or 15.8 percent, in net cash provided from operating activities in 2014 as compared to 2013 was primarily due to:

- the absence of fuel refunds to customers during the twelve months ended December 31, 2014, partially offset by fuel under recoveries in the same period;
- an increase in cash distributions received from Enable in excess of cash distributions and cash provided from the operating activities of Enogex Holdings in 2013; and
- an increase in cash received during the twelve months ended December 31, 2014 from transmission revenue.

These increases were partially offset by an increase in amounts paid to vendors.

Investing Activities

The decrease of \$59.0 million, or 10.6 percent, in net cash used in investing activities in 2015 as compared to 2014 was primarily due to an increase in investments related to return of capital from Enable and a decrease in capital expenditures related to transmission projects completed in 2014 partially offset by an increase in capital expenditures related to environmental projects at OG&E.

The decrease of \$397.9 million, or 41.6 percent, in net cash used in investing activities in 2014 as compared to 2013 was primarily due to lower levels of capital expenditures due to a decrease in transmission projects at OG&E and the deconsolidation of Enogex Holdings.

Financing Activities

The increase of \$131.8 million, or 80.5 percent in net cash used in financing activities in 2015 as compared to 2014 as primarily due to the issuance of long-term debt during 2014 and an increase in dividends paid in 2015, which was partially offset by a decrease in short-term debt and the payment of \$240.0 million in long-term debt during the third quarter during 2014.

The increase of \$502.6 million in net cash used in financing activities in 2014 as compared to 2013 was primarily due to:

- a decrease in short-term debt;
- the payment to retire \$240.0 million of long-term debt in 2014;
- payments in 2013 on advances from unconsolidated affiliates due to the deconsolidation of Enogex Holdings; and
- contributions in 2013 from the ArcLight group related to the closing of the transaction to form Enable.

These increases were partially offset by proceeds received from the issuance of long-term debt in 2014.

Future Capital Requirements and Financing Activities

The Company's primary needs for capital are related to acquiring or constructing new facilities and replacing or expanding existing facilities at OG&E. Other working capital requirements are expected to be primarily related to maturing debt, operating lease obligations, fuel clause under and over recoveries and other general corporate purposes. The Company generally meets its cash needs through a combination of cash generated from operations, short-term borrowings (through a combination of bank borrowings and commercial paper) and permanent financing .

Capital Expenditures

The Company's consolidated estimates of capital expenditures for the years 2015 through 2019 are shown in the following table. These capital expenditures represent the base maintenance capital

expenditures (i.e., capital expenditures to maintain and operate the Company's businesses) plus capital expenditures for known and committed projects. Estimated capital expenditures for Enable are not included in the table below.

<i>(In millions)</i>	2016	2017	2018	2019	2020
OG&E Base Transmission	\$ 50	\$ 30	\$ 30	\$ 30	\$ 30
OG&E Base Distribution	190	175	175	175	175
OG&E Base Generation	60	75	75	75	75
OG&E Other	40	25	25	25	25
Total Base Transmission, Distribution, Generation and Other	340	305	305	305	305
OG&E Known and Committed Projects:					
Transmission Projects:					
Other Regionally Allocated Projects ^(A)	50	25	20	20	20
Large SPP Integrated Transmission Projects ^{(B) (C)}	20	150	20	—	—
Total Transmission Projects	70	175	40	20	20
Other Projects:					
Environmental - low NO _x burners ^(D)	20	10	—	—	—
Environmental - natural gas conversion ^(D)	—	—	40	35	—
Environmental - dry scrubbers ^(D)	150	140	90	20	—
Combustion turbines - Mustang	180	100	50	5	—
Total Other Projects	350	250	180	60	—
Total Known and Committed Projects	420	425	220	80	20
Total	\$760	\$730	\$525	\$385	\$325

^(A) Typically 100kV to 299kV projects. Approximately 30 percent of revenue requirement allocated to SPP members other than OG&E.
^(B) Typically 300kV and above projects. Approximately 85 percent of revenue requirement allocated to SPP members other than OG&E.
^(C)

Project Type	Project Description	Estimated Cost (In millions)	Projected In-Service Date
Integrated Transmission Project	30 miles of transmission line from OG&E's Gracemont substation to an AEP companion transmission line to its Elk City substation. Approximately \$5.0 million of the estimated cost has been spent prior to 2016.	\$45	Late 2017
Integrated Transmission Project	126 miles of transmission line from OG&E's Woodward District Extra High Voltage substation to OG&E's Cimarron substation; construction of the Mathewson substation on this transmission line. Approximately \$55.0 million of the estimated cost associated with the Mathewson to Cimarron line and substations will go into service in 2016; \$35.0 million has been spent prior to 2016.	\$190	Mid 2018

^(D) Represent capital costs associated with OG&E's ECP to comply with the EPA's MATS and Regional Haze rules. More detailed discussion regarding Regional Haze and OG&E's ECP can be found in Note 15 of Notes to Financial Statements under "Environmental Compliance Plan" and under "Environmental Laws and Regulations" within Management's Discussion and Analysis of Financial Condition and Results of Operations. On February 12, 2016, OG&E filed an application requesting the OCC to issue an order approving the installation of dry scrubbers at the Sooner facility, on or before May 2, 2016. The application states that if the application is not approved by May 2, 2016, OG&E will decide at that time whether to cancel the dry scrubber equipment and installation contracts and make plans to convert the Sooner coal units to natural gas. As of December 31, 2015, OG&E had incurred \$94.8 million of construction work in progress on the dry scrubbers. OG&E estimates another \$35.0 million of in-process expenditures will be incurred prior to May 1, 2016. Additionally, if the request is not approved, OG&E expects to seek recovery in subsequent proceedings for the expenditures incurred for the dry scrubber project and reasonable stranded costs associated with the discontinuance of the Sooner coal units. The capital costs in the table above do not reflect a y actions or costs that may be incurred (including the conversion of the Sooner coal units) if the May 2, 2016, application is not approved.

Additional capital expenditures beyond those identified in the ta le above, including additional incremental growth opportunities in electric transmission assets will be evaluated based upon their impact upon achieving the Company's financial objecti es.

Contractual Obligations

The following table summarizes the Company's contractual obligations at December 31, 2015. See the Company's Consolidated Statements

<i>(In millions)</i>	2016	2017-2018	2019-2020	After 2020	Total
Maturities of long-term debt ^(A)	\$ 110.2	\$ 475.3	\$ 250.2	\$1,929.9	\$ 2,765.6
Operating lease obligations					
Railcars	4.2	5.9	23.0	—	33.1
Wind farm land leases	2.4	5.0	5.4	46.3	59.1
Noncancellable operating lease	0.8	1.5	—	—	2.3
Total operating lease obligations	7.4	12.4	28.4	46.3	94.5
Other purchase obligations and commitments					
Cogeneration capacity and fi ed operation and maintenance payments	79.8	151.0	121.3	99.7	451.8
Expected cogeneration energy payments	58.3	97.9	112.7	120.5	389.4
Minimum fuel purchase commitments	299.6	168.2	11.7	—	479.5
Expected wind purchase commitments	58.6	115.8	112.4	632.6	919.4
Long-term service agreement commitments	2.5	45.8	5.7	137.4	191.4
Mustang Modernization expenditures	103.4	30.6	—	—	134.0
Environmental compliance plan expenditures	150.5	170.7	4.1	—	325.3
Total other purchase obligations and commitments	752.7	780.0	367.9	990.2	2,890.8
Total contractual obligations	870.3	1,267.7	646.5	2,966.4	5,750.9
Amounts recoverable through fuel adjustment clause ^(B)	(420.7)	(387.8)	(259.8)	(753.1)	(1,821.4)
Total contractual obligations, net	\$ 449.6	\$ 879.9	\$ 386.7	\$2,213.3	\$ 3,929.5

^(A) Maturities of the Company's long-term debt during the next fi e years consist of \$110.2 million, \$225.2 million, \$250.1 million, \$250.1 million and \$0.1 million in years 2016, 2017, 2018, 2019 and 2020, respectively.

^(B) Includes expected recoveries of costs incurred for OG&E's railcar operating lease obligations, OG&E's expected cogeneration energy payments, OG&E's minimum fuel purchase commitments and OG&E's expected wind purchase commitments.

OG&E also has 440 MWs of QF contracts to meet its current and future expected customer needs. OG&E will continue reviewing all of the supply alternatives to these QF contracts that minimize the total cost of generation to its customers, including exercising its options (if applicable) to extend these QF contracts at pre-determined rates.

The actual cost of fuel used in electric generation (which includes the operating lease obligations for OG&E's railcar leases shown above) and certain purchased power costs are passed through to OG&E's customers through fuel adjustment clauses. Accordingly, while the cost of fuel related to operating leases and the vast majority of minimum fuel purchase commitments of OG&E noted above may increase capital requirements, such costs are recoverable through fuel adjustment clauses and have little, if any, impact on net capital requirements and future contractual obligations. The fuel adjustment clauses are subject to periodic review by the OCC, the APSC and the FERC.

of Capitalization and Note 14 of Notes to Consolidated Financial Statements for additional information.

Pension and Postretirement Benefit Plans

At December 31, 2015, 35.5 percent of the Pension Plan investments were in listed common stocks with the balance primarily invested in U.S. Government securities, bonds, debentures and notes, and a commingled fund as presented in Note 12 of Notes to Consolidated Financial Statements. In 2015, asset losses on the Pension Plan were 3.9 percent due to the losses in fi ed income and equity investments. During the same time, corporate bond yields, which are used in determining the discount rate for future pension obligations, decreased. The level of funding is dependent on returns on plan assets and future discount rates. During 2015 and 2014, OGE Energy did not make any contributions to its Pension Plan. The Company has not determined whether it will need to make any contributions to the Pension Plan in 2016. The Company could be required to make additional contributions if the value of its pension trust and postretirement benefit plan t ust assets are adversely impacted by a major market disruption in the future.

The following table presents the status of the Company's Pension Plan, the Restoration of Retirement Income Plan and the postretirement benefit plans at December 31, 2015 and 2014. These amounts have been recorded in Accrued Benefit O ligations with the offset in Accumulated Other Comprehensive Loss (except OG&E's portion which is recorded as a regulatory asset as discussed in Note 1

	Pension Plan		Restoration of Retirement Income Plan		Postretirement Benefit Plan	
December 31 <i>(In millions)</i>	2015	2014	2015	2014	2015	2014
Benefit o ligations	\$680.0	\$725.0	\$ 25.1	\$ 19.7	\$ 225.3	\$ 280.9
Fair value of plan assets	581.7	679.8	—	—	55.3	59.6
Funded status at end of year	\$ (98.3)	\$ (45.2)	\$(25.1)	\$(19.7)	\$(170.0)	\$(221.3)

In accordance with ASC Topic 715, "Compensation – Retirement Benefit ," a one-time settlement charge is required to be recorded by an organization when lump sum payments or other settlements that relieve the organization from the responsibility for the pension benefit obligation during a plan year exceed the service cost and interest cost components of the organization's net periodic pension cost. During 2015, the Company experienced an increase in both the number of employees electing to retire and the amount of lump sum payments to be paid to such employees upon retirement. As a result, the Company recorded pension settlement charges of \$16.2 million in the third quarter and \$5.5 million in the fourth quarter of 2015, of which \$14.0 million related to OG&E's Oklahoma jurisdiction and has been included in the pension tracker. The pension settlement charge did not require a cash outlay by the Company and did not increase the Company's total pension expense over time, as the charges were an acceleration of costs that otherwise would be recognized as pension expense in future periods.

Common Stock Dividends

The Company's dividend policy is reviewed by the Board of Directors at least annually and is based on numerous factors, including management's estimation of the long-term earnings power of its businesses. The Company's financial objecti e includes dividend increases of approximately 10 percent annually through 2019. The targeted annual dividend increase has been determined after consideration of numerous factors, including the largely retail composition of the Company's shareholder base, the Company's financial position, the Compa y's growth targets and the composition of the Company's assets and investment opportunities. At the Company's September 2015 board meeting, the Board of Directors approved management's recommendation of a 10 percent increase in the quarterly dividend rate to \$0.27500 per share from \$0.25000 per share effective in October 2015.

of Notes to Consolidated Financial Statements) in the Company's Consolidated Balance Sheets. The amounts in Accumulated Other Comprehensive Loss and those recorded as a regulatory asset represent a net periodic benefit cost to be recogni ed in the Consolidated Statements of Income in future periods.

Security Ratings

	Moody's Investors Services	Standard & Poor's Ratings Services	Fitch Ratings
OG&E Senior Notes	A1	A-	A+
OGE Energy Senior Notes	A3	BBB+	A-
OGE Energy Commercial Paper	P2	A2	F2

Access to reasonably priced capital is dependent in part on credit and security ratings. Generally, lower ratings lead to higher financing cost . Pricing grids associated with the Company's credit facilities could cause annual fees and borrowing rates to increase if an adverse rating impact occurs. The impact of any future downgrade could include an increase in the costs of the Company's short-term borrowings, but a reduction in the Company's credit ratings would not result in any defaults or accelerations. Any future downgrade could also lead to higher long-term borrowing costs and, if below investment grade, would require the Company to post collateral or letters of credit.

A security rating is not a recommendation to buy, sell or hold securities. Such rating may be subject to revision or withdrawal at any time by the credit rating agency and each rating should be evaluated independently of any other rating.

Future financing requirements m y be dependent, to varying degrees, upon numerous factors such as general economic conditions, abnormal weather, load growth, commodity prices, acquisitions of other businesses and/or development of projects, actions by rating agencies, inflation, changes in e vironmental laws or regulations, rate increases or decreases allowed by regulatory agencies, new legislation and market entry of competing electric power generators.

2015 Capital Requirements, Sources of Financing and Financing Activities

Total capital requirements, consisting of capital expenditures and maturities of long-term debt, were \$548.0 million and contractual obligations, net of recoveries through fuel adjustment clauses, were \$85.6 million resulting in total net capital requirements and contractual obligations of \$633.6 million in 2015, of which \$130.6 million was to comply with environmental regulations. This compares to net capital requirements of \$809.5 million and net contractual obligations of \$88.2 million totaling \$897.7 million in 2014, of which \$31.5 million was to comply with environmental regulations.

In 2015, the Company's sources of capital were cash generated from operations, proceeds from the issuance of short and long-term debt, proceeds from the sales of common stock and distributions from Enable. Changes in working capital reflect the seasonal nature of the Company's business, the revenue lag between billing and collection from customers and fuel inventories. See "Working Capital" for a discussion of significant changes in net working capital requirements as it pertains to operating cash flow and liquidity.

The Dodd-Frank Act

Derivative instruments are utilized in managing OG&E's commodity price exposures. On July 21, 2010, President Obama signed into law the Dodd-Frank Act. Among other things, the Dodd-Frank Act provides for a new regulatory regime for derivatives, including mandatory clearing of certain swaps and margin requirements. The Dodd-Frank Act contains provisions that should exempt certain derivatives end-users such as OG&E from much of the clearing requirements. The regulations require that the decision on whether to use the end-user exception from mandatory clearing for derivative transactions be reviewed and approved by an "appropriate committee" of the Board of Directors. On January 12, 2015, President Obama signed into law an amendment to the Dodd-Frank Act that exempts from margin requirements swaps used by end-users to hedge or mitigate commercial risk. There are, however, some rulemakings that have not yet been finalized. Even if OG&E qualifies for the end-user exception to clearing and margin requirements are not imposed on end-users, its derivative counterparties may be subject to new capital, margin and business conduct requirements as a result of the new regulations, which may increase OG&E's transaction costs or make it more difficult to enter into derivative transactions on favorable terms. OG&E's inability to enter into derivative transactions on favorable terms, or at all, could increase operating expenses and put OG&E at increased exposure to risks of adverse changes in commodities prices. The impact of the provisions of the Dodd-Frank Act on OG&E cannot be fully determined at this time due to uncertainty over forthcoming regulations and potential changes to the derivatives markets arising from new regulatory requirements.

Future Sources of Financing

Management expects that cash generated from operations, proceeds from the issuance of long and short-term debt, proceeds from other offerings and distributions from Enable will be adequate over the next three years to meet anticipated cash needs and to fund future growth opportunities. The Company utilizes short-term borrowings (through a combination of bank borrowings and commercial paper) to satisfy temporary working capital needs and as an interim source of financing capital expenditures until permanent financing is arranged.

Short-Term Debt and Credit Facilities

Short-term borrowings generally are used to meet working capital requirements. The Company borrows on a short-term basis, as necessary, by the issuance of commercial paper and by borrowings under its revolving credit agreement. The Company has revolving credit facilities totaling in the aggregate \$1,150.0 million. These bank facilities can also be used as letter of credit facilities. Short-term debt had no balance at December 31, 2015 compared to a balance of \$98.0 million at December 31, 2014. The average balance of short-term debt in 2015 was \$75.2 million at a weighted-average interest rate of 0.46 percent. The maximum month-end balance of short-term debt in 2015 was \$180.0 million. At December 31, 2015, the Company had \$1,148.1 million of net available liquidity under its revolving credit agreements. OG&E has the necessary regulatory approvals to incur up to \$800.0 million in short-term borrowings at any one time for a two-year period beginning January 1, 2015 and ending December 31, 2016. At December 31, 2015, the Company had \$75.2 million in cash and cash equivalents. See Note 11 of Notes to Consolidated Financial Statements for a discussion of the Company's short-term debt activity.

In December 2011, the Company and OG&E entered into unsecured five-year revolving credit agreements to total in the aggregate \$1,150.0 million (\$750.0 million for the Company and \$400.0 million for OG&E). Each of the credit facilities contained an option, which could be exercised up to two times, to extend the term for an additional year. In the third quarter of 2013, the Company and OG&E utilized one of these one-year extensions, and received consent from all of the lenders, to extend the maturity of their credit agreements from December 13, 2016 to December 13, 2017. In the second quarter of 2014, the Company and OG&E utilized their second extension to extend the maturity of their respective credit facility from December 13, 2017 to December 13, 2018. As of December 31, 2015, commitments of approximately \$16.3 million and \$8.7 million of the Company's and OG&E's credit facilities, respectively, however, were not extended and, unless the non-extending lender is replaced in accordance with the terms of the credit facility, such commitments will expire December 13, 2017.

Common Stock

The Company does not expect to issue any common stock in 2016 from its Automatic Dividend Reinvestment and Stock Purchase Plan. See Note 9 of Notes to Consolidated Financial Statements for a discussion of the Company's common stock activity.

Distributions by Enable

Pursuant to the Enable limited partnership agreement, the amount of distributions the Company received from Enable were \$139.3 million and \$143.7 million during the years ended December 31, 2015 and 2014.

Critical Accounting Policies and Estimates

The Consolidated Financial Statements and Notes to Consolidated Financial Statements contain information that is pertinent to Management's Discussion and Analysis. 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 contingent liabilities at the date of the Consolidated Financial Statements and the reported amounts of revenues and expenses during the reporting period. Changes to these assumptions and estimates could have a material effect on the Company's Consolidated Financial Statements. However, the Company believes it has taken reasonable positions where assumptions and estimates are used in order to minimize the negative financial impact to the Company that could result if actual results vary from the assumptions and estimates. In management's opinion, the areas of the Company where the most significant judgment is exercised for all Company segments includes the determination of Pension Plan assumptions, income taxes, contingency reserves, asset retirement obligations and depreciable lives of property, plant and equipment. For the electric utility segment, significant judgment is also exercised in the determination of regulatory assets and liabilities and unbilled revenues. The selection, application and disclosure of the following critical accounting estimates have been discussed with the Company's Audit Committee. The Company discusses its significant accounting policies, including those that do not require management to make difficult, subjective or complex judgments or estimates, in Note 1 of Notes to Consolidated Financial Statements.

Pension and Postretirement Benefit Plans

The Company has a Pension Plan that covers a significant amount of the Company's employees hired before December 1, 2009. Also, effective December 1, 2009, the Company's Pension Plan is no longer being offered to employees hired on or after December 1, 2009. The Company also has defined benefit postretirement plans that cover a significant amount of its employees. Pension and other postretirement

plan expenses and liabilities are determined on an actuarial basis and are affected by the market value of plan assets, estimates of the expected return on plan assets, assumed discount rates and the level of funding. Actual changes in the fair market value of plan assets and differences between the actual return on plan assets and the expected return on plan assets could have a material effect on the amount of pension expense ultimately recognized. The pension plan rate assumptions are shown in Note 12 of Notes to Consolidated Financial Statements. The assumed return on plan assets is based on management's expectation of the long-term return on the plan assets portfolio. The discount rate used to compute the present value of plan liabilities is based generally on rates of high-grade corporate bonds with maturities similar to the average period over which benefits will be paid. The level of funding is dependent on returns on plan assets and future discount rates. Higher returns on plan assets and an increase in discount rates will reduce funding requirements to the Pension Plan. The following table indicates the sensitivity of the Pension Plan funded status to these variables.

	Change	Impact on Funded Status
Actual plan asset returns	+/- 1 percent	+/- \$5.8 million
Discount rate	+/- 0.25 percent	+/- \$14.1 million
Contributions	+/- \$10 million	+/- \$10.0 million

Income Taxes

The Company uses the asset and liability method of accounting for income taxes. Under this method, a deferred tax asset or liability is recognized for the estimated future tax effects attributable to temporary differences between the financial statement basis and the tax basis of assets and liabilities as well as tax credit carry forwards and net operating loss carry forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the period of the change.

The application of income tax law is complex. Laws and regulations in this area are voluminous and often ambiguous. Interpretations and guidance surrounding income tax laws and regulations change over time. Accordingly, it is necessary to make judgments regarding income tax exposure. As a result, changes in these judgments can materially affect amounts the Company recognized in its Consolidated Financial Statements. Tax positions taken by the Company on its income tax returns that are recognized in the financial statements must satisfy a more likely than not recognition threshold, assuming that the position will be examined by taxing authorities with full knowledge of all relevant information.

Asset Retirement Obligations

The Company has previously recorded asset retirement obligations that are being amortized over their respective lives ranging from three to 74 years. The inputs used in the valuation of asset retirement obligations include the assumed life of the asset placed into service, the average inflation rate, market risk premium, the credit-adjusted risk free interest rate and the timing of incurring costs related to the retirement of the asset.

Regulatory Assets and Liabilities

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 benefit obligations regulatory asset is comprised of expenses recorded which are probable of future recovery and that have not yet been recognized as components of net periodic benefit cost, including net loss and prior service cost.

Unbilled Revenues

OG&E recognizes revenue from electric sales when power is delivered to customers. OG&E reads its customers' meters and sends bills to its customers throughout each month. As a result, there is a significant amount of customers' electricity consumption that has not been billed at the end of each month. OG&E accrues an estimate of the revenues for electric sales delivered since the latest billings. Unbilled revenue is presented in Accrued Unbilled Revenues on the Consolidated Balance Sheets and in Operating Revenues on the Consolidated Statements of Income based on estimates of usage and prices during the period. At December 31, 2015, if the estimated usage or price used in the unbilled revenue calculation were to increase or decrease by one percent, this would cause a change in the unbilled revenues recognized of \$0.3 million. At December 31, 2015 and 2014, Accrued Unbilled Revenues were \$53.5 million and \$55.5 million, respectively. The estimates that management uses in this calculation could vary from the actual amounts to be paid by customers.

Allowance for Uncollectible Accounts Receivable

Customer balances are generally written off if not collected within six months after the final billing date. The allowance for uncollectible accounts receivable for OG&E is calculated by multiplying the last six months of electric revenue by the provision rate. The provision rate is based on a 12-month historical average of actual balances written

off. To the extent the historical collection rates are not representative of future collections, there could be an effect on the amount of uncollectible expense recognized. Also, a portion of the uncollectible provision related to fuel within the Oklahoma jurisdiction is being recovered through the fuel adjustment clause. At December 31, 2015, if the provision rate were to increase or decrease by 10 percent, this would cause a change in the uncollectible expense recognized of \$0.1 million. The allowance for uncollectible accounts receivable is a reduction to Accounts Receivable on the Consolidated Balance Sheets and is included in the Other Operation and Maintenance Expense on the Consolidated Statements of Income. The allowance for uncollectible accounts receivable was \$1.4 million and \$1.6 million at December 31, 2015 and 2014, respectively.

Accounting Pronouncements

See Note 2 of Notes to Consolidated Financial Statements for discussion of current accounting pronouncements that are applicable to the Company.

Commitments and Contingencies

In the normal course of business, the Company is confronted with issues or events that may result in a contingent liability. These generally relate to lawsuits or claims made by third parties, including governmental agencies. When appropriate, management consults with legal counsel and other experts to assess the claim. If, in management's opinion, the Company has incurred a probable loss as set forth by GAAP, an estimate is made of the loss and the appropriate accounting entries are reflected in the Company's Consolidated Financial Statements. At the present time, based on available information, the Company believes that any reasonably possible losses in excess of accrued amounts arising out of pending or threatened lawsuits or claims would not be quantitatively material to its financial statement and would not have a material adverse effect on the Company's consolidated financial position, results of operations or cash flows. See Notes 14 and 15 of Notes to Consolidated Financial Statements for a discussion of the Company's commitments and contingencies.

Environmental Laws and Regulations

The activities of the Company are subject to numerous stringent and complex Federal, state and local laws and regulations governing environmental protection. These laws and regulations can change, restrict or otherwise impact OG&E's business activities in many ways including the handling or disposal of waste material, future construction activities to avoid or mitigate harm to threatened or endangered species and requiring the installation and operation of emissions pollution control equipment. Failure to comply with these laws and regulations could result in the assessment of administrative, civil and criminal penalties, the imposition of remedial requirements and the issuance of orders enjoining future operations. OG&E believes that its operations are in substantial compliance with current Federal, state and local environmental standards.

Environmental regulation can increase the cost of planning, design, initial installation and operation of OG&E's facilities. Historically, OG&E's total expenditures for environmental control facilities and for remediation have not been significant in relation to its consolidated financial position or results of operations. The Company believes, however, that it is likely that the trend in environmental legislation and regulations will continue towards more restrictive standards. Compliance with these standards is expected to increase the cost of conducting business. Management continues to evaluate its compliance with existing and proposed environmental legislation and regulations and implement appropriate environmental programs in a competitive market.

OG&E expects that environmental expenditures necessary to comply with the environmental laws and regulations discussed below will qualify as part of a pre-approval plan to handle state and Federally mandated environmental upgrades which will be recoverable in Oklahoma from OG&E's retail customers under House Bill 1910, which was enacted into law in May 2005.

It is estimated that OG&E's total expenditures to comply with environmental laws, regulations and requirements for 2016 will be \$195.9 million, of which \$178.3 million is for capital expenditures. It is estimated that OG&E's total expenditures to comply with environmental laws, regulations and requirements for 2017 will be approximately \$166.7 million, of which \$148.7 million is for capital expenditures. The amounts for OG&E above include capital expenditures for low NO_x burners and dry scrubbers.

Air

Federal Clean Air Act Overview

OG&E's operations are subject to the Federal Clean Air Act as amended, and comparable state laws and regulations. These laws and regulations regulate emissions of air pollutants from various industrial sources, including electric generating units, and also impose various monitoring and reporting requirements. Such laws and regulations may require that OG&E obtain pre-approval for the construction or modification of certain projects or facilities expected to produce air emissions or result in the increase of existing air emissions, obtain and strictly comply with air permits containing various emissions and operational limitations or install emission control equipment. OG&E likely will be required to incur certain capital expenditures in the future for air pollution control equipment and technology in connection with obtaining and maintaining operating permits and approvals for air emissions.

Regional Haze Control Measures

The EPA's 2005 regional haze rule is intended to protect visibility in certain national parks and wilderness areas throughout the United States that may be impacted by air pollutant emissions.

On February 18, 2010, Oklahoma submitted its SIP to the EPA, which set forth the state's plan for compliance with the Federal regional haze rule. The SIP was subject to the EPA's review and approval.

The Oklahoma SIP included requirements for reducing emissions of NO_x and SO₂ from OG&E's seven BART-eligible units at the Seminole, Muskogee and Sooner generating stations. The SIP also included a waiver from BART requirements for all eligible units at the Horseshoe Lake generating station based on air modeling that showed no significant impact on visibility in nearby national parks and wilderness areas. The SIP concluded that BART for reducing NO_x emissions at all of the subject units should be the installation of low NO_x burners with overfired air (flue gas recirculation is also required on two of the units) and set forth associated NO_x emission rates and limits.

On December 28, 2011, the EPA issued a final rule in which it rejected the SO₂ portion of the Oklahoma SIP and issued a FIP in its place. OG&E and the State of Oklahoma's subsequent appeal of the FIP with the Tenth Circuit of Appeals and the U.S. Supreme Court ended on May 27, 2014 when the Supreme Court denied OG&E's Petition for Certiorari, upholding the EPA's FIP for SO₂. The FIP compliance date is now January 4, 2019.

On December 9, 2015, the EPA released a final rule partially disapproving the revisions to the 2010 Oklahoma SIP for Regional Haze and promulgated FIPs in their place for Oklahoma and Texas. The EPA disapproved portions of the Oklahoma SIP related to the establishment of Reasonable Progress Goals for the Class I area located within the state and promulgated revised Reasonable Progress Goals based on the FIP implementation in Texas. As a result, no further requirements are required in Oklahoma to meet the 2018 Reasonable Progress Goals for Oklahoma.

On August 6, 2014, OG&E filed an application with the OCC for approval of its plan to comply with the EPA's MATS and Regional Haze FIP while serving the best long-term interests of customers in light of future environmental uncertainties. The application seeks approval of the environmental compliance plan and for a recovery mechanism for the associated costs. The ECP includes installing dry scrubbers at Sooner Units 1 and 2 and the conversion of Muskogee Units 4 and 5 to natural gas. The application also asked the OCC to predetermine the prudence of replacing OG&E's soon-to-be retired Mustang steam turbines in late 2017 with 400 MWs of new, efficient combustion turbines at the Mustang site in 2018 and 2019 and approval for a recovery mechanism for the associated costs. OG&E estimates the total capital cost associated with its environmental compliance plan included in this application to be approximately \$1.1 billion. The OCC hearing on OG&E's application before an ALJ began on March 3, 2015 and concluded on April 8, 2015. Multiple parties advocating a variety of positions intervened in the proceeding.

On June 8, 2015 the ALJ issued his report on OG&E's application. While the ALJ in his report agreed that the installation of dry scrubbers at Sooner Units 1 and 2 and the conversion of Muskogee Units 4 and 5 to natural gas pursuant to OG&E's ECP is the best approach, the ALJ's report included several recommendations. OG&E filed objections to the ALJ's report and on July 21, 2015, Commissioner Bob Anthony issued his deliberation statement that was consistent with many parts of the ALJ's report, including the ALJ's support of OG&E's ECP, the

ALJ's recommendation to pre-approve certain estimated costs of the environmental recovery plan, and the ALJ's recommendation to defer all other cost recovery issues until the next general rate case.

On December 2, 2015, OG&E received an order from the OCC denying, by a two to one vote, its plan to comply with the environmental mandates of the Federal Clean Air Act, Regional Haze and MATS. The OCC also denied OG&E's request for pre-approval of its Mustang Modernization Plan, revised depreciation rates for both the retirement of the Mustang units and the replacement combustion turbines and pre-approval of early retirement and replacement of generating units at its Mustang site, including cost recovery through a rider.

On December 11, 2015, OG&E filed a motion requesting modification of the OCC order for the purposes of approving only the ECP. OG&E did not seek modification to any other provisions of the OCC order, including cost recovery. OG&E also agreed that it would not implement a rider for recovery of the costs of the ECP until and unless authorized by the OCC in a subsequent proceeding.

On December 23, 2015, the OCC rejected, by a two to one vote, a proposal by Commissioner Dana Murphy to grant OG&E's December 11, 2015 motion.

On February 12, 2016, OG&E filed an application requesting the OCC to issue an order approving the installation of dry scrubbers at the Sooner facility, on or before May 2, 2016. The application states that if the application is not approved by May 2, 2016, OG&E will decide at that time whether to cancel the dry scrubber equipment and installation contracts and make plans to convert the Sooner coal units to natural gas. As of December 31, 2015, OG&E had incurred \$94.8 million of construction work in progress on the dry scrubbers. OG&E estimates another \$35.0 million of in-process expenditures will be incurred prior to May 1, 2016. Additionally, if the request is not approved, OG&E expects to seek recovery in subsequent proceedings for the expenditures incurred for the dry scrubber project and reasonable stranded costs associated with the discontinuance of the Sooner coal units.

Cross-State Air Pollution Rule

In August 2011, the EPA finalized its CSAPR that required 27 states in the eastern half of the United States to reduce power plant emissions that contribute to ozone and particulate matter pollution in other states. In December 2011, the EPA published a supplemental CSAPR, which would make six additional states, including Oklahoma, subject to the CSAPR for NO_x emissions during the ozone-season from May 1 through September 30. Under the rule, OG&E would have been required to reduce ozone-season NO_x emissions from its electrical generating units within the state beginning in 2012. In response to legal challenges of the final rule on December 30, 2011, the U.S. Court of Appeals issued a stay of the rule, which includes the supplemental rule, pending a decision on the merits. By order dated August 21, 2012, the Court of Appeals vacated the CSAPR and ordered the EPA to promulgate a replacement rule. On April 29, 2014, the U.S. Supreme Court reversed the decision by the Court of Appeals. On October 23, 2014, the Court of Appeals for the District of Columbia Circuit granted

the EPA's request that the court lift the stay of the CSAPR. The EPA subsequently clarified that compliance with the CSAPR could begin in 2015 using the amount of allowances originally scheduled to be available in 2012. As of December 31, 2015, OG&E has installed five low NO_x burner systems on two Muskogee units, two Sooner units and one Seminole unit and is in compliance with the final rule. In the meantime, the petitions for review of the supplemental rule remain pending before the D.C. Circuit Court of Appeals for consideration of issues that are not addressed by the Supreme Court's decision.

On December 3, 2015, the EPA proposed an update to CSAPR finding that ozone-season NO_x emissions in 23 eastern states including Oklahoma affect the ability of downwind states to attain and maintain ozone standards and proposing to issue FIPs to update the existing NO_x ozone-season emission budgets for electrical generating units. The proposed rule reduces OG&E's NO_x emissions requirements under the current CSAPR by 25 percent. Compliance is proposed to begin in May 2017. OG&E continues to evaluate what additional measures, if any, will be needed for compliance with the new rule.

Hazardous Air Pollutants Emission Standards

On February 16, 2012, the EPA published the final MATS rule regulating the emissions of certain hazardous air pollutants from electric generating units, which became effective April 16, 2012. The final rule uses a numerical standard to establish limits for particulate matter (as a surrogate for toxic metals), hydrogen chloride and mercury emissions from coal-fired boilers. Compliance was required within three years of the rule's effective date. Based on OG&E's request for a one-year extension, the deadline for compliance was extended to April 16, 2016. To comply with this rule, OG&E utilized activated carbon injections at each of its five coal-fired units during 2015.

The final MATS rule was appealed by several parties, but OG&E was not a party to the appeals. After withstanding judicial scrutiny at the District of Columbia Circuit Court of Appeals, the MATS rule was challenged at the U.S. Supreme Court. On June 29, 2015, the U.S. Supreme Court found that the EPA should have considered the compliance costs imposed on utilities at the first stage of the EPA's regulatory analysis. The U.S. Supreme Court did not vacate the rule, but reversed the D.C. Circuit's decision and remanded to the D.C. Circuit for further proceedings. The MATS rule currently remains in effect and OG&E is still required to meet the April 2016 compliance deadline.

Federal Clean Air Act New Source Review Litigation

As previously reported, in July 2008, OG&E received a request for information from the EPA regarding Federal Clean Air Act compliance at OG&E's Muskogee and Sooner generating plants.

On July 8, 2013, the U.S. Department of Justice filed a complaint against OG&E in United States District Court for the Western District of Oklahoma alleging that OG&E did not follow the Federal Clean Air Act procedures for projecting emission increases attributable to eight projects that occurred between 2003 and 2006. This complaint seeks to have OG&E submit a new assessment of whether the projects were likely to result in a significant emissions increase. The Sierra Club

intervened in this proceeding. On August 30, 2013, the government filed a Motion for Summary Judgment and on September 6, 2013, OG&E filed a Motion to Dismiss the case. On January 15, 2015, U.S. District Judge Timothy DeGuisti dismissed the complaints filed by the EPA and the Sierra Club. The Court held that it lacked subject matter jurisdiction over plaintiffs' claims because plaintiffs failed to present an actual "case or controversy" as required by Article III of the Constitution. The court also ruled in the alternative that, even if plaintiffs had presented a case or controversy, it would have nonetheless "decline[d] to exercise jurisdiction." The EPA and the Sierra Club did not file an appeal of the Court's ruling.

On August 12, 2013, the Sierra Club filed a separate complaint against OG&E in the United States District Court for the Eastern District of Oklahoma alleging that OG&E projects at Muskogee Unit 6 in 2008 were made without obtaining a prevention of significant deterioration permit and that the plant had exceeded emissions limits for opacity and particulate matter. The Sierra Club seeks a permanent injunction preventing OG&E from operating the Muskogee generating plant. On March 4, 2014, the Eastern District dismissed the prevention of significant deterioration permit claim based on the statute of limitations, but allowed the opacity and particulate matter claims to proceed. To obtain the right to appeal this decision, the Sierra Club subsequently withdrew a Notice of Intent to Sue for additional Clean Air Act violations and asked the Eastern District to dismiss its remaining claims with prejudice. On August 27, 2014, the Eastern District granted the Sierra Club's request. The Sierra Club has filed a Notice of Appeal with the 10th Circuit where oral argument was held on March 18, 2015.

At this time, OG&E continues to believe that it has acted in compliance with the Federal Clean Air Act, and OG&E expects to vigorously defend against the claims that have been asserted. If OG&E does not prevail in the remainder of the proceedings, the EPA and the Sierra Club could seek to require OG&E to install additional pollution control equipment, including dry scrubbers, baghouses and selective catalytic reduction systems with capital costs in excess of \$1.1 billion and pay fines and significant penalties as a result of the allegations in the notice of violation. Section 113 of the Federal Clean Air Act (along with the Federal Civil Penalties Inflation Adjustment Act of 1996) provides for civil penalties as much as \$37,500 per day for each violation. Due to the uncertain and preliminary nature of this litigation, OG&E cannot provide a range of reasonably possible loss in this case.

National Ambient Air Quality Standards

The EPA is required to set NAAQS for certain pollutants considered to be harmful to public health or the environment. The Clean Air Act requires the EPA to review each NAAQS every five years. As a result of these reviews, the EPA periodically has taken action to adopt more stringent NAAQS for those pollutants. If any areas of Oklahoma were to be designated as not attaining the NAAQS for a particular pollutant, the Company could be required to install additional emission controls on its facilities to help the state achieve attainment with the NAAQS. As of the end of 2015, no areas of Oklahoma had been designated as non-attainment for pollutants that are likely to affect the Company's operations. Several processes are under way to designate areas in Oklahoma as attaining or not attaining revised NAAQS. The Company

is monitoring those processes and their possible impact on its operations but, at this time, cannot determine with any certainty whether they will cause a material impact to the Company's financial results.

In August of 2013, the Sierra Club and the Natural Resources Defense Council filed a complaint under the citizen suit provision of the Clean Air Act based on the EPA's failure to promulgate and publish designations for the 2010 revised primary SO₂ NAAQS. On March 2, 2015, the U.S. District Court for the Northern District of California issued an order granting the EPA and the Sierra Club's joint motion to approve and enter a consent decree that set forth mandatory deadlines for the EPA to issue designations for all areas of the country that remained undesignated. On September 18, 2015 the Oklahoma Department of Environmental Quality reported to the EPA that no areas in Oklahoma should be designated as non-attainment for the 2010 SO₂ standard. This non-attainment designation is subject to the EPA's approval. In a letter dated February 11, 2016, EPA Region 6 notified Oklahoma of their intent to designate part of Muskogee County in which OG&E's Muskogee Power Plant is located, as non-attainment for the 2010 SO₂ NAAQS. The EPA is expected to finalize this designation in July 2016 following public comment. This could require additional controls (dry scrubbers) on the affected units. On August 21, 2015, the EPA finalized a data requirements rule for implementing the 2010 SO₂ standard requiring air agencies to characterize air quality around sources that emit 2,000 tons per year or more of SO₂ via air quality modeling or ambient air monitoring. In July 2016, air agencies will be required to identify either ambient monitoring or air quality modeling as a method for characterizing air quality for 2,000 tons per year or larger sources. At this time, OG&E cannot determine with any certainty whether this determination will cause a material impact to the Company's financial results.

On September 30, 2015 the EPA finalized a new ambient standard for ozone at 70 ppb which is more stringent than the current standard of 75 ppb, set in 2008. States must submit non-attainment designations as appropriate based on existing ambient data before October 2016 for the EPA's approval. Compliance with the new standard begins in 2020 or later depending on the degree of the area's non-attainment designation. All areas in Oklahoma currently meet the new standard.

The Company is monitoring those processes and their possible impact on its operations but, at this time, cannot determine with any certainty whether they will cause a material impact to the Company's financial results.

Clean Power Plan

On October 23, 2015, the EPA published the final Clean Power Plan that established standards of performance for CO₂ emissions from existing fossil-fuel-fired power plants along with state-specific CO₂ reduction standards expressed as both rate-based (lbs/MWh) and mass-based (tons/yr) goals. The 2030 rate-based reduction requirement for all existing generating units in Oklahoma has decreased from a proposed 43 percent reduction to 32 percent in the final rule. The mass-based approach for existing units calls for a 24 percent reduction by 2030 in Oklahoma. The Clean Power Plan requires that states submit to the EPA plans for achieving the state-specific CO₂ reduction goals by September 6, 2016 or submit

an extension request for up to two years. The compliance period was to begin in 2022, and emission reductions were to be phased in by 2030. The EPA also proposed a federal compliance plan to implement the Clean Power Plan in the event that an approvable state plan was not submitted to the EPA by the required deadline.

A number of states have filed lawsuits against the Clean Power Plan. On February 9, 2016, the U.S. Supreme Court issued orders staying implementation of the Clean Power Plan pending resolution of challenges to the rule. The Company is unable to determine what impact the lawsuits will ultimately have on the Clean Power Plan or what impact the stay in implementation will have; however if the Clean Power Plan survives judicial review and is implemented as written, it could result in significant additional compliance costs that would affect our future consolidated financial position, results of operations and cash flows if such costs are not recovered through regulated rates. Significant uncertainties would remain with regards to potential implementation in Oklahoma (and the federal plan that would be imposed by the EPA for states that do not submit approvable plans), including whether states would elect an emissions standards approach versus a state measures approach, whether and what type of emissions trading would be allowed, and available cost mitigation options. Due to the pending litigation and the uncertainties in the state approaches, the ultimate timing and impact of these standards on our operations cannot be determined with certainty at this time.

Climate Change and Greenhouse Gas Emissions

There is continuing discussion and evaluation of possible global climate change in certain regulatory and legislative arenas. The focus is generally on emissions of greenhouse gases, including CO₂, sulfur hexafluoride and methane, and whether these emissions are contributing to the warming of the earth's atmosphere. In December 2015, as part of the 21st Conference of the Parties to the United Nations Framework Convention on Climate Change, the United States committed to reduce economy wide emissions by 26 percent to 28 percent below 2005 emission levels. This multinational agreement will be open for signing on April 22, 2016 and will require countries to review and "represent a progression" every five years beginning in 2020. The agreement could result in future additional emissions reductions in the United States, however, it is not possible to determine what the international legal standards for greenhouse gas emissions will be in the future and the extent to which commitments under the December 2015 Paris Agreement will be implemented through the Clean Air Act, other than existing statutes and new legislation.

Several states have passed laws, adopted regulations or undertaken regulatory initiatives to reduce the emission of greenhouse gases, primarily through the planned development of greenhouse gas emission inventories and/or regional greenhouse gas cap and trade programs.

If legislation or regulations are passed at the Federal or state levels in the future requiring mandatory reductions of CO₂ and other greenhouse gases on the Company's facilities, this could result in significant additional compliance costs that could affect the Company's future financial position, results of operations and cash flows if such costs are not recovered through regulated rates.

In 2009, the EPA adopted a comprehensive national system for reporting emissions of CO₂ and other greenhouse gases produced by major sources in the United States. The reporting requirements apply to large direct emitters of greenhouse gases with emissions equal to or greater than a threshold of 25,000 metric tons per year, which includes certain OG&E facilities. OG&E also reports quarterly its CO₂ emissions from generating units subject to the Federal Acid Rain Program. OG&E has submitted the reports required by the applicable reporting rules.

Nonetheless, OG&E's current business strategy will result in a reduced carbon emissions rate compared to current levels. As discussed in "Pending Regulatory Matters", OG&E has filed an application with the OCC for approval of its plan to comply with the EPA's MATS and Regional Haze FIP by converting two coal-fired generating units at Muskogee Station to natural gas, among other measures. OG&E's deployment of Smart Grid technology helps to reduce the peak load demand. OG&E also seeks to utilize renewable energy sources that do not emit greenhouse gases. OG&E's service territory borders one of the nation's best wind resource areas. OG&E has leveraged its geographic position to develop renewable energy resources and completed transmission investments to deliver the renewable energy. The SPP has begun to authorize the construction of transmission lines capable of bringing renewable energy out of the wind resource area in western Oklahoma, the Texas Panhandle and western Kansas to load centers by planning for more transmission to be built in the area. In addition to increasing overall system reliability, these new transmission resources should provide greater access to additional wind resources that are currently constrained due to existing transmission delivery limitations.

EPA Startup, Shutdown and Malfunction Policy

On May 22, 2015, the EPA issued a final rule to address the outdated provisions in the SIP of 36 states, including Oklahoma, regarding the treatment of emissions that occur during startup, shutdown and malfunction operations. The final rule clarifies the EPA's Startup, Shutdown and Malfunction Policy to assure consistency with the Clean Air Act and other recent court decisions. The Oklahoma Department of Environmental Quality is in the process of developing a SIP to comply with this rule, which is to be submitted to the EPA before November 2016. Although the extent of impact is not known, this rule will impact certain OG&E units.

Endangered Species

Certain Federal laws, including the Bald and Golden Eagle Protection Act, the Migratory Bird Treaty Act and the Endangered Species Act, provide special protection to certain designated species. These laws and any state equivalents provide for significant civil and criminal penalties for unpermitted activities that result in harm to or harassment of certain protected animals and plants, including damage to their habitats. If such species are located in an area in which the Company conducts operations, or if additional species in those areas become subject to protection, the Company's operations and development projects, particularly transmission, wind or pipeline projects, could be restricted or delayed, or the Company could be required to implement expensive mitigation measures.

In 2014, the Company enrolled in the Western Association of Fish and Wildlife Agencies range-wide conservation plan which consists of industry-specific conservation practices that apply to projects and activities in the impacted area. The range-wide conservation plan was approved by the U.S. Fish and Wildlife Service and incorporated as part of the agency's final decision on March 27, 2014 to list the lesser prairie chicken as a threatened species. On September 1, 2015, the U.S. District Court Western District of Texas vacated federal protections for the lesser prairie chicken based on the U.S. Fish and Wildlife Service's failure to thoroughly consider the active conservation efforts in making the listing decision.

Air Quality Control System

On September 10, 2014, OG&E executed a contract for the design, engineering and fabrication of two circulating dry scrubber systems to be installed at Sooner Units 1 and 2. OG&E entered into an agreement on February 9, 2015, to install the dry scrubber systems. The dry scrubbers are part of OG&E's ECP and scheduled to be completed by 2019. More detail regarding the ECP can be found under the "Pending Regulatory Matters" section of Notes to Consolidated Financial Statements.

Waste

OG&E's operations generate wastes that are subject to the Federal Resource Conservation and Recovery Act of 1976 as well as comparable state laws which impose detailed requirements for the handling, storage, treatment and disposal of waste.

On December 19, 2014, the EPA finalized a rule under the Federal Resource Conservation and Recovery Act for the handling and disposal of coal combustion residuals or coal ash. The final rule regulates coal ash as a solid waste rather than a hazardous waste, which would have made the management of coal ash more costly. OG&E has evaluated the potential impacts of the final rule on our ash ponds and has set up a reserve based on a reasonable estimate.

The Company has sought and will continue to seek pollution prevention opportunities and to evaluate the effectiveness of its waste reduction, reuse and recycling efforts. In 2015, the Company obtained

refunds of \$2.3 million from the recycling of scrap metal, salvaged transformers and used transformer oil. This figure does not include the additional savings gained through the reduction and/or avoidance of disposal costs and the reduction in material purchases due to the reuse of existing materials. Similar savings are anticipated in future years.

Water

OG&E's operations are subject to the Federal Clean Water Act, and comparable state laws and regulations. These laws and regulations impose detailed requirements and strict controls regarding the discharge of pollutants into state and Federal waters.

The EPA issued a final rule on May 19, 2014 to implement Section 316(b) of the Federal Clean Water Act, which requires that power plant cooling water intake structure location, design, construction and capacity reflect the best available technology for minimizing their adverse environmental impact via the impingement and entrainment of aquatic organisms. The EPA issued a final rule on May 19, 2014. OG&E submitted compliance plans to the state in April 2015. OG&E expects to be able to provide a reasonable estimate of any material costs associated with the rule's implementation.

Site Remediation

The Comprehensive Environmental Response, Compensation and Liability Act of 1980 and comparable state laws impose liability, without regard to the legality of the original conduct, on certain classes of persons responsible for the release of hazardous substances into the environment. Because OG&E utilizes various products and generate wastes that are considered hazardous substances for purposes of the Comprehensive Environmental Response, Compensation and Liability Act of 1980, OG&E could be subject to liability for the costs of cleaning up and restoring sites where those substances have been released to the environment. At this time, it is not anticipated that any associated liability will cause a significant impact to OG&E.

For a further discussion regarding contingencies relating to environmental laws and regulations, see Note 14 of Notes to Consolidated Financial Statements.

Quantitative and Qualitative Disclosures About Market Risk.

Market risks are, in most cases, risks that are actively traded in a marketplace and have been well studied in regards to quantification. Market risks include, but are not limited to, changes in interest rates and commodity prices. The Company’s exposure to changes in interest rates relates primarily to short-term variable-rate debt and commercial paper. The Company is exposed to commodity prices in its operations.

Risk Oversight Committee

Management monitors market risks using a risk committee structure. The Company’s Risk Oversight Committee, which consists primarily of corporate officer , is responsible for the overall development, implementation and enforcement of strategies and policies for all market risk management activities of the Company. This committee’s emphasis is a holistic perspective of risk measurement and policies targeting the Company’s overall financial performance. On a quarterly basis, the Risk Oversight Committee reports to the Audit Committee of the Company’s Board of Directors on the Company’s risk profile affecting anticipated financial result , including any significant risk issues. The Company also has a Corporate Risk Management Department. This group, in conjunction with the aforementioned committees, is responsible for establishing and enforcing the Company’s risk policies.

Risk Policies

Management utilizes risk policies to control the amount of market risk exposure. These policies are designed to provide the Audit Committee of the Company’s Board of Directors and senior executives of the Company with confidence that the risks taken on by the Company’s business activities are in accordance with their expectations for financial returns and that the approved policies and controls related to market risk management are being followed.

Interest Rate Risk

The Company’s exposure to changes in interest rates primarily relates to short-term variable-rate debt and commercial paper. The Company manages its interest rate exposure by monitoring and limiting the effects of market changes in interest rates. The Company may utilize interest rate derivatives to alter interest rate exposure in an attempt to reduce the effects of these changes. Interest rate derivatives are used solely to modify interest rate exposure and not to modify the overall leverage of the debt portfolio. The fair value of the Company’s long-term debt is based on quoted market prices and estimates of current rates available for similar issues with similar maturities or by calculating the net present value of the monthly payments discounted by the Company’s current borrowing rate. The following table shows the Company’s long-term debt maturities and the weighted-average interest rates by maturity date.

Year ended December 31 (Dollars in millions)	2016	2017	2018	2019	2020	Thereafter	Total	12/31/15 Fair Value
Fixed-rate debt ^(A)								
Principal amount	\$110.2	\$125.2	\$250.1	\$250.1	\$0.1	\$1,794.5	\$2,530.2	\$2,763.8
Weighted-average interest rate	5.15%	6.50%	6.35%	8.25%	4.34%	5.20%	5.68%	
Variable-rate debt ^(B)								
Principal amount	\$ —	\$100.0	\$ —	\$ —	\$ —	\$ 135.4	\$ 235.4	\$ 235.3
Weighted-average interest rate	—%	0.93%	—%	—%	—%	0.05%	0.43%	

^(A) Prior to or when these debt obligations mature, the Company may refinance all or a portion of such debt at then-existing market interest rates which may be more or less than the interest rates on the maturing debt.

^(B) A hypothetical change of 100 basis points in the underlying variable interest rate incurred by the Company would change interest expense by \$2.4 million annually through 2017 and \$1.4 million thereafter.

Consolidated Statements of Income

Year ended December 31 (In millions except per share data)	2015	2014	2013
Operating revenues			
Electric Utility	\$ 2,916.9	\$ 2,453.1	\$ 2,259.7
Natural Gas Midstream Operations (Note 1)	—	—	608.0
Total operating revenues	2,196.9	2,453.1	2,867.7
Cost of Sales			
Electric Utility	865.0	1,106.6	950.0
Natural Gas Midstream Operations (Note 1)	—	—	478.9
Total cost of sales	865.0	1,106.6	1,428.9
Operating Expenses			
Other operation and maintenance	451.6	439.6	489.2
Depreciation and amortization	307.9	281.4	297.3
Taxes other than income	91.2	88.7	98.8
Total operating expenses	850.7	809.7	885.3
Operating Income	481.2	536.8	553.5
Other Income (Expense)			
Equity in earnings of unconsolidated affiliates (Note 1)	15.5	172.6	101.9
Allowance for equity funds used during construction	8.3	4.2	6.6
Other income	27.0	17.8	31.8
Other expense	(14.3)	(14.4)	(22.2)
Net other income	36.5	180.2	118.1
Interest Expense			
Interest on long-term debt	147.8	144.6	145.6
Allowance for borrowed funds used during construction	(4.2)	(2.4)	(3.4)
Interest on short-term debt and other interest charges	5.4	6.2	5.3
Interest expense	149.0	148.4	147.5
Income Before Taxes	368.7	568.6	524.1
Income Tax Expense	97.4	172.8	130.3
Net Income	271.3	395.8	393.8
Less: Net income attributable to noncontrolling interests	—	—	6.2
Net Income Attributable to OGE Energy	\$ 271.3	\$ 395.8	\$ 387.6
Basic Average Common Shares Outstanding	199.6	199.2	198.2
Diluted Average Common Shares Outstanding	199.6	199.9	199.4
Basic Earnings Per Average Common Share Attributable to OGE Energy Common Shareholders	\$ 1.36	\$ 1.99	\$ 1.96
Diluted Earnings Per Average Common Share Attributable to OGE Energy Common Shareholders	\$ 1.36	\$ 1.98	\$ 1.94
Dividends Declared Per Common Share	\$1.05000	\$0.95000	\$0.85125

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

Consolidated Statements of Comprehensive Income

Year ended December 31 <i>(In millions)</i>	2015	2014	2013
Net income	\$271.3	\$395.8	\$393.8
Other comprehensive income (loss), net of tax			
Pension Plan and Restoration Income Plan:			
Amortization of deferred net loss, net of tax of \$2.2, \$1.2, and \$2.4, respectively	2.5	1.8	3.7
Net gain (loss) arising during the period, net of tax of (\$5.8), (\$7.0), and \$7.8, respectively	(9.5)	(11.1)	12.4
Settlement (Curtailment) cost, net of tax of \$2.9, (\$0.1) and \$1.9, respectively	4.6	(0.1)	3.0
Postretirement Benefit Plans			
Amortization of deferred net loss, net of tax of \$0.8, \$0.5, and \$1.3, respectively	1.2	0.9	2.0
Net gain (loss) arising during the period, net of tax of \$5.6, (\$1.9), and \$4.4, respectively	9.3	(3.1)	6.9
Amortization of prior service cost, net of tax of (\$1.1), (\$1.1), and (\$1.1), respectively	(1.8)	(1.8)	(1.8)
Deferred commodity contracts hedging losses reclassified in net incom , net of tax of \$0, \$0, and \$0.4, respectively	—	—	0.6
Amortization of deferred interest rate swap hedging losses, net of tax of \$0, \$0.1 and \$0.1, respectively	—	0.2	0.3
Other comprehensive income (loss), net of tax	6.3	(13.2)	27.1
Comprehensive income	277.6	382.6	420.9
Less: Comprehensive income attributable to noncontrolling interest	—	—	6.3
Less: Deconsolidation of Enogex Holdings	—	—	6.1
Total comprehensive income attributable to OGE Energy	\$277.6	\$382.6	\$408.5

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

Consolidated Statements of Cash Flows

Year ended December 31 <i>(In millions)</i>	2015	2014	2013
Cash Flows from Operating Activities			
Net income	\$ 271.3	\$ 395.8	\$ 393.8
Adjustments to reconcile net income to net cash provided from operating activities			
Depreciation and amortization	307.9	281.4	298.6
Deferred income taxes and investment tax credits	102.6	177.3	125.9
Equity in earnings of unconsolidated affiliate	(15.5)	(172.6)	(101.9)
Distributions from unconsolidated affiliate	94.1	143.7	51.7
Allowance for equity funds used during construction	(8.3)	(4.2)	(6.6)
Gain on disposition of assets	(0.2)	(0.2)	(8.6)
Stock-based compensation	5.9	(2.7)	(3.5)
Regulatory assets	(9.1)	4.5	26.7
Regulatory liabilities	(27.5)	(4.4)	(32.5)
Other assets	10.6	(16.3)	1.3
Other liabilities	8.6	29.6	(7.0)
Change in certain current assets and liabilities			
Accounts receivable, net	15.7	(9.4)	(34.0)
Accounts receivable – unconsolidated affiliate	3.9	6.8	3.7
Accrued unbilled revenues	2.0	3.2	(1.3)
Income taxes receivable	(1.2)	(10.4)	1.6
Fuel, materials and supplies inventories	(56.5)	20.4	5.1
Fuel clause under recoveries	68.3	(42.1)	(26.2)
Other current assets	(17.2)	(2.6)	(4.4)
Accounts payable	30.9	(64.0)	56.9
Fuel clause over recoveries	61.3	(0.4)	(108.8)
Other current liabilities	17.8	(11.8)	(7.3)
Net Cash Provided from Operating Activities	865.4	721.6	623.2
Cash Flows from Investing Activities			
Capital expenditures (less allowance for equity funds used during construction)	(547.8)	(569.3)	(990.6)
Return of capital – equity method investments	45.2	9.5	—
Proceeds from sale of assets	2.5	0.7	36.3
Investment in unconsolidated affiliate	—	—	(2.7)
Net Cash Used in Investing Activities	(500.1)	(559.1)	(957.0)
Cash Flows from Financing Activities			
Proceeds from long-term debt	—	588.9	247.4
Issuance of common stock	7.2	13.2	14.2
Dividends paid on common stock	(204.6)	(184.1)	(165.5)
Payment of long-term debt	(0.2)	(240.2)	(0.1)
(Decrease) increase in short-term debt	(98.0)	(341.6)	8.7
Changes in advances with unconsolidated affiliate	—	—	129.6
Contributions from noncontrolling interest partners	—	—	107.0
Distributions to noncontrolling interest partners	—	—	(2.5)
Net Cash (Used in) Provided from Financing Activities	(295.6)	(163.8)	338.8
Net Change in Cash and Cash Equivalents	69.7	(1.3)	5.0
Cash and Cash Equivalents at Beginning of Period	5.5	6.8	1.8
Cash and Cash Equivalents at End of Period	\$ 75.2	\$ 5.5	\$ 6.8

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

Consolidated Balance Sheets

December 31 <i>(In millions)</i>	2015	2014
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 75.2	\$ 5.5
Accounts receivable, less reserve of \$1.4 and \$1.6, respectively	173.1	188.8
Accounts receivable – unconsolidated affiliates	1.7	5.6
Accrued unbilled revenues	53.5	55.5
Income taxes receivable	17.2	16.0
Fuel inventories	113.8	58.5
Materials and supplies, at average cost	80.1	78.9
Deferred income taxes	—	191.4
Fuel clause under recoveries	—	68.3
Other	55.6	38.4
Total current assets	570.2	706.9
Other Property and Investments		
Investment in unconsolidated affiliates	1,194.4	1,318.2
Other	70.7	70.1
Total other property and investments	1,265.1	1,388.3
Property, Plant and Equipment		
In service	10,318.3	9,983.0
Construction work in progress	278.5	115.9
Total property, plant and equipment	10,596.8	10,098.9
Less accumulated depreciation	3,274.4	3,119.0
Net property, plant and equipment	7,322.4	6,979.9
Deferred Charges and Other Assets		
Regulatory assets	402.2	410.4
Other	37.5	42.3
Total deferred charges and other assets	439.7	452.7
Total Assets	\$ 9,597.4	\$ 9,527.8

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

Consolidated Balance Sheets (continued)

December 31 <i>(In millions)</i>	2015	2014
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Short-term debt	\$ —	\$ 98.0
Accounts payable	262.5	179.1
Dividends payable	54.9	49.9
Customer deposits	77.0	73.7
Accrued taxes	45.9	39.7
Accrued interest	42.9	43.0
Accrued compensation	54.4	38.2
Long-term debt due within one year	110.0	—
Fuel clause over recoveries	61.3	—
Other	43.9	51.7
Total current liabilities	752.8	573.3
Long-Term Debt		
	2,645.6	2,755.3
Deferred Credits and Other Liabilities		
Accrued benefit o ligations	299.9	315.5
Deferred income taxes	2,178.2	2,268.3
Regulatory liabilities	272.6	263.0
Other	122.3	108.0
Total deferred credits and other liabilities	2,873.0	2,954.8
Total liabilities	6,271.4	6,283.4
Commitments and Contingencies (Note 14)		
Stockholders' Equity		
Common stockholders' equity	1,101.3	1,087.6
Retained earnings	2,259.8	2,198.2
Accumulated other comprehensive loss, net of tax	(35.1)	(41.4)
Total stockholders' equity	3,326.0	3,244.4
Total Liabilities and Stockholders' Equity	\$9,597.4	\$9,527.8

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

Consolidated Statements of Capitalization

December 31 <i>(In millions)</i>	2015	2014
Stockholders' Equity		
Common stock, par value \$0.01 per share; authorized 450.0 shares; and outstanding 199.7 and 199.4 shares, respectively	\$ 2.0	\$ 2.0
Premium on common stock	1,099.3	1,085.6
Retained earnings	2,259.8	2,198.2
Accumulated other comprehensive loss, net of tax	(35.1)	(41.4)
Total stockholders' equity	3,326.0	3,244.4
Long-Term Debt		
Senior Notes – OGE Energy		
0.93% Variable Senior Notes, Series Due November 24, 2017	100.0	100.0
Senior Notes – OG&E		
5.15% Senior Notes, Series Due January 15, 2016	110.0	110.0
6.50% Senior Notes, Series Due July 15, 2017	125.0	125.0
6.35% Senior Notes, Series Due September 1, 2018	250.0	250.0
8.25% Senior Notes, Series Due January 15, 2019	250.0	250.0
6.65% Senior Notes, Series Due July 15, 2027	125.0	125.0
6.50% Senior Notes, Series Due April 15, 2028	100.0	100.0
5.75% Senior Notes, Series Due January 15, 2036	110.0	110.0
6.45% Senior Notes, Series Due February 1, 2038	200.0	200.0
5.85% Senior Notes, Series Due June 1, 2040	250.0	250.0
5.25% Senior Notes, Series Due May 15, 2041	250.0	250.0
3.90% Senior Notes, Series Due May 1, 2043	250.0	250.0
4.55% Senior Notes, Series Due March 15, 2044	250.0	250.0
4.00% Senior Notes, Series Due December 15, 2044	250.0	250.0
3.70% Tinker Debt, Due August 31, 2062	10.0	10.2
Other Bonds – OG&E		
0.05% – 0.13% Garfield Indust ial Authority, January 1, 2025	47.0	47.0
0.06% – 0.19% Muskogee Industrial Authority, January 1, 2025	32.4	32.4
0.05% – 0.14% Muskogee Industrial Authority, June 1, 2027	56.0	56.0
Unamortized discount	(9.8)	(10.3)
Total long-term debt	2,755.6	2,755.3
Less long-term debt due within one year	(110.0)	—
Total long-term debt (excluding debt due within one year)	2,645.6	2,755.3
Total Capitalization (including long-term debt due within one year)	\$6,081.6	\$5,999.7

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

Consolidated Statements of Changes in Stockholders' Equity

	Common Stock	Premium on Common Stock	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interest	Treasury Stock	Total
<i>(In millions)</i>							
Balance at December 31, 2012	\$1.0	\$1,046.4	\$1,772.4	\$(49.1)	\$ 305.2	\$(3.5)	\$3,072.4
Net income	—	—	387.6	—	6.2	—	393.8
Other comprehensive income, net of tax	—	—	—	27.0	0.1	—	27.1
Dividends declared on common stock	—	—	(168.8)	—	—	—	(168.8)
Issuance of common stock	—	14.2	—	—	—	—	14.2
Stock-based compensation	—	(1.8)	—	—	(0.8)	3.5	0.9
Contributions from noncontrolling interest partners	—	22.5	—	—	84.5	—	107.0
Distributions to noncontrolling interest partners	—	—	—	—	(2.5)	—	(2.5)
Deconsolidation of Enogex Holdings	—	—	0.5	(6.1)	(392.7)	—	(398.3)
Deferred income taxes attributable to contributions from noncontrolling interest partners	—	(8.7)	—	—	—	—	(8.7)
2-for-1 forward stock split	1.0	(1.0)	—	—	—	—	—
Balance at December 31, 2013	\$2.0	\$1,071.6	\$1,991.7	\$(28.2)	\$ —	\$ —	\$3,037.1
Net income	—	—	395.8	—	—	—	395.8
Other comprehensive income, net of tax	—	—	—	(13.2)	—	—	(13.2)
Dividends declared on common stock	—	—	(189.3)	—	—	—	(189.3)
Issuance of common stock	—	13.2	—	—	—	—	13.2
Stock-based compensation	—	0.8	—	—	—	—	0.8
Balance at December 31, 2014	\$2.0	\$1,085.6	\$2,198.2	\$(41.4)	\$ —	\$ —	\$3,244.4
Net income	—	—	271.3	—	—	—	271.3
Other comprehensive income, net of tax	—	—	—	6.3	—	—	6.3
Dividends declared on common stock	—	—	(209.7)	—	—	—	(209.7)
Issuance of common stock	—	7.2	—	—	—	—	7.2
Stock-based compensation	—	6.5	—	—	—	—	6.5
Balance at December 31, 2015	\$2.0	\$1,099.3	\$2,259.8	\$(35.1)	\$ —	\$ —	\$3,326.0

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

Notes to Consolidated Financial Statements

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 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 has the ability to exercise significant influen .

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 currently 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 a 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. For periods prior to the formation of Enable, the natural gas midstream operations segment reflected the consolidated results of Enogex Holdings. All significant intercompa y transactions have been eliminated in consolidation.

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's 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 CenterPoint and OGE Energy, who each have 50 percent management ownership. Based on the 50/50 management ownership, with neither company having control, effective May 1, 2013, the Company began accounting for its interest in Enable using the equity method of accounting.

In April 2014, Enable completed an initial public offering of 25,000,000 common units resulting in Enable becoming a publicly traded Master Limited Partnership. At December 31, 2015, the Company owned approximately 111.0 million limited partner units, or 26.3 percent, of which 68.2 million limited partner units were subordinated.

On January 22, 2016, 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. Based on current commodity prices, Enable has seen changes in producer activity that have negatively impacted Enable's operations and financial position and could see additional changes in producer activity that may negatively impact Enable's operations and affect its future distribution rates. 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. OGE Holdings 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.

The Company charges operating costs to OG&E and Enable based on several factors. Operating costs directly related to OG&E and Enable are assigned as such. Operating costs incurred for the benefit of OG&E and Enable are allocated either as overhead based primarily on labor costs or using the "Distrigas" method. The "Distrigas" method is a three-factor formula that uses an equal weighting of payroll, net operating revenues and gross property, plant and equipment. The Company adopted this method in January 1996 as a result of a recommendation by the OCC Staff. The Company believes this method provides a reasonable basis for allocating common expenses.

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 fl wback to customers in future rates. Management's expected recovery of deferred costs and fl wback of deferred credits generally results from specific decisions y regulators granting such ratemaking treatment.

Certain prior year amounts have been reclassified to con orm with the current year presentation.

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:

December 31 <i>(In millions)</i>	2015	2014
Regulatory Assets		
Current		
Oklahoma demand program rider under recovery ^(A)	\$ 36.6	\$ 19.7
Fuel clause under recoveries	—	68.3
Other ^{(A)(B)}	9.9	10.2
Total Current Regulatory Assets	\$ 46.5	\$ 98.2
Non-Current		
Benefit o ligations regulatory asset	\$242.2	\$261.1
Income taxes recoverable from customers, net	56.7	56.1
Smart Grid	43.6	43.9
Deferred storm expenses	27.6	17.5
Unamortized loss on reacquired debt	14.8	16.1
Other ^(B)	17.3	15.7
Total Non-Current Regulatory Assets	\$402.2	\$410.4
Regulatory Liabilities		
Current		
Fuel clause under recoveries	\$ 61.3	\$ —
Crossroads wind farm rider over recovery ^(C)	2.9	10.3
Smart Grid rider over recovery ^(C)	2.0	12.5
Other ^(C)	2.6	1.6
Total Current Regulatory Liabilities	\$ 68.8	\$ 24.4
Non-Current		
Accrued removal obligations, net	\$254.9	\$248.1
Pension tracker	17.7	14.9
Total Non-Current Regulatory Liabilities	\$272.6	\$263.0

^(A) Included in Other Current Assets on the Consolidated Balance Sheets.

^(B) Prior year amount of \$1.1 million reclassified from Non-Current Other assets to Current Other assets.

^(C) Included in Other Current Liabilities on the Consolidated Balance Sheets.

Fuel clause under recoveries are generated from under recoveries from OG&E's customers when OG&E's cost of fuel exceeds the amount billed to its customers. Fuel clause over recoveries are generated from over recoveries from OG&E's customers when the amount billed to its customers exceeds OG&E's cost of fuel. OG&E's fuel recovery clauses are designed to smooth the impact of fuel price volatility on customers' bills. As a result, OG&E under recovers fuel costs in periods of rising fuel prices above the baseline charge for fuel and over recovers fuel costs when prices decline below the baseline charge for fuel. Provisions in the fuel clauses are intended to allow OG&E to amortize under and over recovery balances.

OG&E recovers program costs related to the Demand and Energy Efficiency Pro ram. An extension of the demand program rider was approved in December 2012, which allowed for the recovery of demand program costs, lost revenues associated with certain achieved energy, demand savings and performance based incentives and the recovery of costs associated with research and development investments through December 2015.

The benefit o ligations regulatory asset is comprised of expenses recorded which are probable of future recovery and that have not yet been recognized as components of net periodic benefit cost, including net loss and prior service cost. These expenses are recorded as a regulatory asset as OG&E had historically recovered and currently recovers pension and postretirement benefit plan xpense in its electric rates. If, in the future, the regulatory bodies indicate a change in policy related to the recovery of pension and postretirement benefit plan xpenses, this could cause the benefit o ligations regulatory asset balance to be reclassified to accu ulated other comprehensive income.

The following table is a summary of the components of the benefit obligations regulatory asset at:

December 31 <i>(In millions)</i>	2015	2014
Pension Plan and Restoration of Retirement Income Plan		
Net loss	\$214.1	\$196.7
Prior service cost	—	0.6
Postretirement Benefit Plans		
Net loss	34.2	83.6
Prior service cost	(6.1)	(19.8)
Total	\$242.2	\$261.1

The following amounts in the benefit o ligations regulatory asset at December 31, 2015 are expected to be recognized as components of net periodic benefit cost in 2016

<i>(In millions)</i>		
Pension Plan and Restoration of Retirement Income Plan		
Net loss		\$ 13.1
Prior service cost		—
Postretirement Benefit Plans		
Net loss		2.0
Prior service cost		6.1
Total		\$ 21.2

Income taxes recoverable from customers, which represents income tax benefits pr viously used to reduce OG&E's revenues, are treated as regulatory assets and liabilities and are being amortized over the estimated remaining life of the assets to which they relate. These amounts are being recovered in rates as the temporary differences that generated the income tax benefit tu n around. The income tax related regulatory assets and liabilities are netted in income taxes recoverable from customers, net in the regulatory assets and liabilities table above.

OG&E defers annual Oklahoma storm-related operation and maintenance expenses in excess of \$2.7 million and includes in expense any Oklahoma storm-related operation and maintenance expenses up to \$2.7 million. OG&E expects to recover the amounts deferred each year over a fi e-year period in accordance with historical practice.

Unamortized loss on reacquired debt is comprised of unamortized debt issuance costs related to the early retirement of OG&E's long-term debt. These amounts are recorded in interest expenses and are being amortized over the term of the long-term debt which replaced the previous long-term debt. The unamortized loss on reacquired debt is not included in OG&E's rate base and does not otherwise earn a rate of return.

OG&E recovers a return on the capital expenditures along with operation and maintenance expense and depreciation expense related to the Crossroads wind farm through riders established by the OCC and APSC. OG&E began recovery in the fourth quarter of 2011 in Oklahoma and June of 2013 in Arkansas, and believes the rider will continue until new rates are implemented in OG&E's next general rate case in each jurisdiction.

OG&E recovers the cost of system-wide deployment of smart grid technology and implementing the smart grid pilot program, the incremental costs for web portal access, education and providing home energy reports. These amounts are currently being recovered through a rider which will remain in effect until the smart grid project costs are included in base rates in OG&E's next general rate case. Costs not included in the rider are the incremental costs for web portal access, education and home energy reports, which are capped at \$6.9 million, and the stranded costs associated with OG&E's analog electric meters, which have been replaced by smart meters and were accumulated during the smart grid deployment and have been included in the Smart Grid asset in the regulatory assets and liabilities table above. These costs are expected to be recovered in base rates in OG&E's next general rate case.

Net accrued removal obligations represent asset retirement costs previously recovered from ratepayers for other than legal obligations.

OG&E recovers specific amounts of pension and postretirement medical costs in rates approved in its Oklahoma rate cases. In accordance with approved orders, OG&E defers the difference between actual pension and postretirement medical expenses and the amount approved in its last Oklahoma rate case as a regulatory asset or regulatory liability. These amounts have been recorded in the Pension tracker in the regulatory assets and liabilities table above.

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.

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 contingent liabilities at the date of the Consolidated Financial Statements and the reported amounts of revenues and expenses during the reporting period. Changes to these assumptions and estimates could have a material effect on the Company's Consolidated Financial Statements. However, the Company believes it has taken reasonable positions where assumptions and estimates are used in order to minimize the negative financial impact to the Company that could result if actual results vary from the assumptions and estimates. In management's opinion, the areas of the Company where the most significant judgment is exercised for all Company segments includes

the determination of Pension Plan assumptions, income taxes, contingency reserves, asset retirement obligations and depreciable lives of property, plant and equipment. For the electric utility segment, significant judgment is also exercised in the determination of regulatory assets and liabilities and unbilled revenues.

Cash and Cash Equivalents

For purposes of the Consolidated Financial Statements, the Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. These investments are carried at cost, which approximates fair value.

Allowance for Uncollectible Accounts Receivable

Customer balances are generally written off if not collected within six months after the final billing date. The allowance for uncollectible accounts receivable for OG&E is calculated by multiplying the last six months of electric revenue by the provision rate. The provision rate is based on a 12-month historical average of actual balances written off. To the extent the historical collection rates are not representative of future collections, there could be an effect on the amount of uncollectible expense recognized. Also, a portion of the uncollectible provision related to fuel within the Oklahoma jurisdiction is being recovered through the fuel adjustment clause. The allowance for uncollectible accounts receivable is a reduction to Accounts Receivable on the Consolidated Balance Sheets and is included in the Other Operation and Maintenance Expense on the Consolidated Statements of Income. The allowance for uncollectible accounts receivable was \$1.4 million and \$1.6 million at December 31, 2015 and 2014, respectively.

New business customers are required to provide a security deposit in the form of cash, bond or irrevocable letter of credit that is refunded when the account is closed. New residential customers whose outside credit scores indicate an elevated risk are required to provide a security deposit that is refunded based on customer protection rules defined by the OCC and the APSC. The payment behavior of all existing customers is continuously monitored and, if the payment behavior indicates sufficient risk within the meaning of the applicable utility regulation, customers will be required to provide a security deposit.

Fuel Inventories

Fuel inventories for the generation of electricity consist of coal, natural gas and oil. OG&E uses the weighted-average cost method of accounting for inventory that is physically added to or withdrawn from storage or stockpiles. The amount of fuel inventory was \$119.3 million and \$66.7 million at December 31, 2015 and 2014, respectively. Effective May 1, 2014, the gas storage services agreement with Enable was terminated. As a result of this contract termination, approximately 5.3 Bcf of cushion gas owned by OG&E and stored on the Enable system is being directed to OG&E's power plants over a five year period during peak time of June 1 to August 31 at a rate of 11,500 MMBtu/day for a total of 1.06 Bcf per year. In 2014, approximately \$11.0 million of cushion gas was reclassified from Plant-in-Service to Other Deferred Assets and an additional \$2.7 million was reclassified to current Fuel Inventories on the Balance Sheets. As of December 31, 2015, the balance of cushion gas in Other Deferred Assets is approximately \$5.4 million.

Property, Plant and Equipment

All property, plant and equipment is recorded at cost. Newly constructed plant is added to plant balances at cost which includes contracted services, direct labor, materials, overhead, transportation costs and the allowance for funds used during construction. Replacements of units of property are capitalized as plant. For assets that belong to a common plant account, the replaced plant is removed from plant balances and the cost of such property is charged to Accumulated Depreciation. For assets that do not belong to a common plant account, the replaced plant is removed from plant balances with the related accumulated depreciation and the remaining balance net of any salvage proceeds is recorded as a loss in the Consolidated Statements of Income as Other Expense. Repair and replacement of minor items of property are included in the Consolidated Statements of Income as Other Operation and Maintenance Expense.

The table below presents OG&E's ownership interest in the jointly-owned McClain Plant and the jointly-owned Redbud Plant, and, as disclosed below, only OG&E's ownership interest is reflected in the property, plant and equipment and accumulated depreciation balances in these tables. The owners of the remaining interests in the McClain Plant and the Redbud Plant are responsible for providing their own financing of capital expenditures. Also, only OG&E's proportionate interests of any direct expenses of the McClain Plant and the Redbud Plant, such as fuel, maintenance expense and other operating expenses, are included in the applicable financial statement captions in the Consolidated Statements of Income.

December 31, 2015 (In millions)	Percentage Ownership	Total Property, Plant and Equipment	Accumulated Depreciation	Net Property, Plant and Equipment
McClain Plant ^(A)	77%	\$220.4	\$ 62.8	\$157.6
Redbud Plant ^{(A)(B)}	51%	\$487.5	\$101.2	\$386.3

^(A) Construction work in progress was \$1.6 million and \$1.3 million for the McClain and Redbud Plants, respectively.

^(B) This amount includes a plant acquisition adjustment of \$148.3 million and accumulated amortization of \$39.8 million.

December 31, 2014 (In millions)	Percentage Ownership	Total Property, Plant and Equipment	Accumulated Depreciation	Net Property, Plant and Equipment
McClain Plant ^(A)	77%	\$207.7	\$46.6	\$161.1
Redbud Plant ^{(A)(B)}	51%	\$484.1	\$81.8	\$402.3

^(A) Construction work in progress was \$0.5 million and \$0.4 million for the McClain and Redbud Plants, respectively.

^(B) This amount includes a plant acquisition adjustment of \$148.3 million and accumulated amortization of \$34.3 million.

OGE Energy Consolidated

The Company's property, plant and equipment and related accumulated depreciation are divided into the following major classes at:

December 31, 2015 (In millions)	Total Property Plant and Equipment	Accumulated Depreciation	Net Property, Plant and Equipment
<i>OGE Energy (holding company)</i>			
Property, plant and equipment	\$ 139.0	\$ 112.7	\$ 26.3
OGE Energy property, plant and equipment	139.0	112.7	26.3
<i>OG&E</i>			
Distribution assets	3,728.8	1,152.8	2,576.0
Electric generation assets ^(A)	3,837.4	1,407.0	2,430.4
Transmission assets ^(B)	2,454.2	440.7	2,013.5
Intangible plant	81.0	38.0	43.0
Other property and equipment	356.4	123.2	233.2
OG&E property, plant and equipment	10,457.8	3,161.7	7,296.1
Total property, plant and equipment	\$10,596.8	\$3,274.4	\$7,322.4

^(A) This amount includes a plant acquisition adjustment of \$148.3 million and accumulated amortization of \$39.8 million.

^(B) This amount includes a plant acquisition adjustment of \$3.3 million and accumulated amortization of \$0.5 million.

December 31, 2014 (In millions)	Total Property Plant and Equipment	Accumulated Depreciation	Net Property, Plant and Equipment
<i>OGE Energy (holding company)</i>			
Property, plant and equipment	\$ 151.7	\$ 113.3	\$ 38.4
OGE Energy property, plant and equipment	151.7	113.3	38.4
<i>OG&E</i>			
Distribution assets	3,559.5	1,086.7	2,472.8
Electric generation assets ^(A)	3,620.1	1,345.1	2,275.0
Transmission assets ^(B)	2,370.0	417.8	1,952.2
Intangible plant	67.6	31.1	36.5
Other property and equipment	330.0	125.0	205.0
OG&E property, plant and equipment	9,947.2	3,005.7	6,941.5
Total property, plant and equipment	\$10,098.9	\$3,119.0	\$6,979.9

^(A) This amount includes a plant acquisition adjustment of \$148.3 million and accumulated amortization of \$34.3 million.

^(B) This amount includes a plant acquisition adjustment of \$3.3 million and accumulated amortization of \$0.4 million.

The following table summarizes the Company's unamortized computer software costs.

Year ended December 31 (In millions)	2015	2014
OGE Energy (holding company)	\$ 2.4	\$ 4.5
OG&E	34.3	33.6
Total	\$36.7	\$38.1

The following table summarizes the Company's amortization expense for computer software costs.

Year ended December 31 (In millions)	2015	2014	2013
OGE Energy (holding company)	\$2.0	\$4.3	\$ 6.4
OG&E	6.9	5.2	4.0
Enogex LLC	—	—	0.8
Total	\$8.9	\$9.5	\$11.2

Depreciation and Amortization

The provision for depreciation, which was 2.9 percent and 2.8 percent of the average depreciable utility plant for 2015 and 2014, respectively, is provided on a straight-line method over the estimated service life of the utility assets. 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 method. In 2016, the provision for depreciation is projected to be 2.9 percent of the average depreciable utility plant. Amortization of intangible assets is computed using the straight-line method. Of the remaining amortizable intangible plant balance at December 31, 2015, 96.4 percent will be amortized over nine years with the remaining 3.6 percent of the intangible plant balance at December 31, 2015 being amortized over 26 years. Amortization of plant acquisition adjustments is provided on a straight-line basis over the estimated remaining service life of the acquired asset. Plant acquisition adjustments include \$148.3 million for the Redbud Plant, which is being amortized over a 27 year life and \$3.3 million for certain transmission substation facilities in OG&E's service territory, which are being amortized over a 37 to 59 year period.

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. 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. 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 Consolidated Balance Sheets at December 31, 2015. 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 which are classified as operating activities in the 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 which are classified as investing activities in the Consolidated Statements of Cash Flows.

Asset Retirement Obligations

The Company has previously recorded asset retirement obligations that are being amortized over their respective lives ranging from three to 74 years.

The following table summarizes changes to the Company's asset retirement obligations during the years ended December 31, 2015 and 2014.

<i>(In millions)</i>	2015	2014
Balance at January 1	\$58.6	\$55.2
Accretion expense	2.6	2.5
Revisions in estimated cash flows ^(A)	1.6	1.7
Addition ^(B)	0.9	—
Liabilities settled ^(C)	(0.4)	(0.8)
Balance at December 31	\$63.3	\$58.6

^(A) Assumptions changed related to the estimated cost of removal for one of OG&E's generating facilities.
^(B) OG&E recorded an asset retirement obligation for \$0.9 million for the ash pond located at the Muskogee generating facility.
^(C) In 2015, asset retirement obligations were settled for the asbestos abatement at one of OG&E's generating facilities.

Allowance for Funds Used During Construction

Allowance for funds used during construction is calculated according to the FERC pronouncements for the imputed cost of equity and borrowed funds. Allowance for funds used during construction, a non-cash item, is reflected as an increase to net Other Income and a reduction to Interest Expense in the Consolidated Statements of Income and as an increase to Construction Work in Progress in the Consolidated Balance Sheets. Allowance for funds used during construction rates, compounded semi-annually, were 8.1 percent, 6.9 percent and 8.3 percent for the years ended December 31, 2015, 2014 and 2013, respectively. The increase in the allowance for funds used during construction rates in 2015 was primarily due to short-term debt not being used to finance construction projects, which caused the equity portion of allowance for funds used during construction to increase.

Collection of Sales Tax

In the normal course of its operations, OG&E collects sales tax from its customers. OG&E records a current liability for sales taxes when it bills its customers and eliminates this liability when the taxes are remitted to the appropriate governmental authorities. OG&E excludes the sales tax collected from its operating revenues.

Revenue Recognition

General

OG&E recognizes revenue from electric sales when power is delivered to customers. OG&E reads its customers' meters and sends bills to its customers throughout each month. As a result, there is a significant amount of customers' electricity consumption that has not been billed at the end of each month. OG&E accrues an estimate of the revenues for electric sales delivered since the latest billings. Unbilled revenue is presented in Accrued Unbilled Revenues on the Consolidated Balance Sheets and in Operating Revenues on the Consolidated Statements of Income based on estimates of usage and prices during the period. The estimates that management uses in this calculation could vary from the actual amounts to be paid by customers.

The Company deconsolidated the results of operations for Enogex LLC as of May 1, 2013. Prior to this date, operating revenues for gathering, processing, transportation and storage services for Enogex LLC were recorded each month based on the current month's estimated volumes, contracted prices (considering current commodity prices), historical seasonal fluctuations and a y known adjustments. The estimates were reversed in the following month and customers were billed on actual volumes and contracted prices. Gas sales were calculated on current-month nominations and contracted prices.

Operating revenues associated with the production of NGLs were estimated based on current-month estimated production and contracted prices. These amounts were reversed in the following month and the customers were billed on actual production and contracted prices.

Enogex LLC recognized revenue from natural gas gathering, processing, transportation and storage services to third parties as services were provided. Revenue associated with NGLs was recognized when the production was sold.

Enogex LLC recorded deferred revenue when it received consideration from a third party before achieving certain criteria that must be met for revenue to be recognized in accordance with GAAP.

Enogex LLC engaged in asset management and hedging activities related to the purchase and sale of natural gas and NGLs. Contracts utilized in these activities generally included purchases and sales for physical delivery, over-the-counter forward swap and options contracts and exchange traded futures and options.

SPP Purchases and Sales

OG&E currently owns and operates transmission and generation facilities as part of a vertically integrated utility. OG&E is a member of the SPP regional transmission organization and has transferred operational authority, but not ownership, of OG&E's transmission facilities to the SPP. On March 1, 2014, the SPP implemented FERC-approved regional day ahead and real-time markets for energy and operating services, as well as associated transmission congestion rights. Collectively the three markets operate together under the global name, SPP Integrated Marketplace. OG&E represents owned and contracted generation assets and customer load in the SPP Integrated Marketplace for the sole benefit of its customer . OG&E has not participated in the SPP Integrated Marketplace for any speculative trading activities. OG&E records the SPP Integrated Marketplace transactions as sales or purchases per FERC Order 668, which requires that purchases and sales be recorded on a net basis for each settlement period of the SPP Integrated Marketplace. These results are reported as Operating Revenues or Cost of Goods Sold in its Consolidated Financial Statements. OG&E revenues, expenses, assets and liabilities may be adversely affected by changes in the organization, operating and regulation by the FERC or the SPP.

Fuel Adjustment Clauses

The actual cost of fuel used in electric generation and certain purchased power costs are passed through to OG&E's customers through fuel adjustment clauses. The 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 to its affiliate , Enable.

Income Taxes

The Company files consolidated income tax returns in the U.S. Federal jurisdiction and various state jurisdictions. Income taxes are generally allocated to each company in the affiliated group based on its stand-alone taxable income or loss. Federal investment tax credits previously claimed on electric utility property have been deferred and are being amortized to income over the life of the related property. The Company uses the asset and liability method of accounting for income taxes. Under this method, a deferred tax asset or liability is recognized for the estimated future tax effects attributable to temporary differences between the financial statement basis and the tax basis of assets and liabilities as well as tax credit carry forwards and net operating loss carry forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the period of the change. The Company recognizes interest related to unrecognized tax benefits in Interest Expense and recognizes penalties in Other Expense in the Consolidated Statements of Income.

Accrued Vacation

The Company accrues vacation pay monthly by establishing a liability for vacation earned. Vacation may be taken as earned and is charged against the liability. At the end of each year, the liability represents the amount of vacation earned, but not taken.

Accumulated Other Comprehensive Income (Loss)

The following tables summarize changes in the components of accumulated other comprehensive loss attributable to OGE Energy during 2014 and 2015. All amounts below are presented net of tax.

<i>(In millions)</i>	Pension Plan and Restoration of Retirement Income Plan			Postretirement Benefit Plan		
	Net loss	Prior service cost	Settlement cost	Net loss	Prior service cost	Total
Balance at December 31, 2013	\$(27.4)	\$0.1	\$ —	\$(5.8)	\$ 5.1	\$(28.0)
Other comprehensive income (loss) before reclassification	(11.1)	—	—	(3.1)	—	(14.2)
Amounts reclassified from accumulated other comprehensive income (loss)	1.7	—	—	0.9	(1.8)	0.8
Net current period other comprehensive income (loss)	(9.4)	—	—	(2.2)	(1.8)	(13.4)
Balance at December 31, 2014	\$(36.8)	\$0.1	\$ —	\$(8.0)	\$ 3.3	\$(41.4)
Other comprehensive income (loss) before reclassification	(9.5)	—	—	9.3	—	(0.2)
Amounts reclassified from accumulated other comprehensive income (loss)	2.5	—	4.6	1.2	(1.8)	6.5
Net current period other comprehensive income (loss)	(7.0)	—	4.6	10.5	(1.8)	6.3
Balance at December 31, 2015	\$(43.8)	\$0.1	\$4.6	\$ 2.5	\$ 1.5	\$(35.1)

The following table summarizes significant amounts reclassified out of accumulated other comprehensive loss by the respective line items in net income during the years ended December 31, 2015 and 2014.

Details about Accumulated Other Comprehensive Income (Loss) Components	Amount Reclassified from Accumulated Other Comprehensive Income (Loss)	Affected Line Item in the Statement Where Net Income is Presented
(In millions)	Year Ended December 31, 2015	2014
Losses on cash flow hedges		
Interest rate swap	\$ —	\$(0.3)
	—	(0.3)
	—	(0.1)
	\$ —	\$(0.2)

Amortization of defined benefit pension and restoration of retirement income plan items			
Actuarial losses	\$ (4.7)	\$(3.0) ^(A)	
(Settlement) curtailment cost	(7.5)	0.2 ^(A)	
	(12.2)	(2.8)	Total before tax
	(5.1)	(1.1)	Tax benefit
	\$ (7.1)	\$(1.7)	Net of tax

Amortization of postretirement benefit plan items			
Actuarial losses	\$ (2.0)	\$(1.4) ^(A)	
Prior service cost	2.9	2.9 ^(A)	
	0.9	1.5	Total before tax
	0.3	0.6	Tax benefit
	\$ 0.6	\$ 0.9	Net of tax

Total reclassifications for the period	\$ (6.5)	\$(1.0)	Net of tax
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^(A) These accumulated other comprehensive income (loss) components are included in the computation of net periodic benefit cost (see Note 12 or additional information).

The amounts in accumulated other comprehensive loss at December 31, 2015 that are expected to be recognized into earnings in 2016 are as follows:

(In millions)	
Pension Plan and Restoration of Retirement Income Plan	
Net loss	\$(4.8)
Postretirement Benefit Plan	
Net loss	—
Prior service cost	(2.6)
Total, net of tax	\$(7.4)

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. 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. The Company had \$10.0 million and \$7.5 million in accrued environmental liabilities at December 31, 2015 and 2014, respectively, which are included in the asset retirement obligations table.

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 guidance was intended to be effective for fiscal years beginning after December 15, 2016. On July 9, 2015, the FASB decided to delay the effective date of the new revenue standard by one year. Reporting entities may choose to adopt the standard as of the original effective date. The deferral results in the new revenue standard being effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017. The standard permits the use of either the retrospective or cumulative effect transition method. The Company has yet to select a transition method or determine the impact on its Consolidated Financial Statements, however, the impact is not expected to be material.

Consolidation. In February 2015, the FASB issued ASU 2015-02, "Consolidation (Topic 810)". The amendments in ASU 2015-02 affect reporting entities that are required to evaluate whether they should consolidate certain legal entities. The new standard modifies the evaluation of whether limited partnerships and similar legal entities are variable interest entities or voting interest entities along with eliminating the presumption that a general partner should consolidate a limited partnership. The new standard is effective for fiscal years beginning after December 15, 2015. The Company does not believe the new standard will result in the consolidation of any non-consolidated entities.

Simplifying the Presentation of Debt Issuance Costs. In April 2015, the FASB issued ASU 2015-03, "Interest - Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs". The amendments in ASU 2015-03 require that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability consistent with debt discounts. The amendments in this ASU are effective for financial statements issued or fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. The Company will reflect the impact of this ASU in the first quarter of 2016. The Company does not believe the new standard will have a material effect on its financial statement.

Intangibles-Goodwill and Other-Internal Use Software. In April 2015, the FASB issued ASU 2015-05, "Intangibles-Goodwill and Other-Internal Use Software (Subtopic 350-40)". The amendments in ASU 2015-05 provide guidance to customers about whether a cloud computing arrangement includes a software license. The absence of a software license requires accounting for the arrangement as a service contract. For public business entities, the amendments in this ASU are effective for financial statements issued or fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. The Company will reflect the impact of this ASU in the first quarter of 2016 and does not believe the new standard will have a material effect on its financial statement.

Fair Value Measurement. In May 2015, the FASB issued ASU 2015-07 "Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its

Equivalent)" (ASU 2015-07). ASU 2015-07 removes the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient. It also eliminates certain disclosures for investments measured at fair value using the net asset value per share practical expedient. The guidance is effective for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years and requires retrospective presentation. Adoption of this new standard is applicable to the Company's benefit plans and will not impact the Company's Pension Plan's Statement of Net Assets Available for Benefits or Statement of Changes in Net Assets available for Benefit. *Income Taxes.* In November 2015, the FASB issued ASU 2015-17 "Income Taxes (Topic 740)". The amendments in ASU 2015-17 require that deferred tax liabilities and assets be classified as non-current in the statements of financial position. The classification change of all deferred taxes as non-current simplifies entities' processes as it eliminates the need to separately identify the net current and net non-current deferred tax asset or liability. For public business entities, the amendments in this ASU are effective for financial statements issued for annual periods beginning after December 15, 2016, and interim periods within those annual periods. Because ASU 2015-17 simplifies balance sheet presentation, the Company has elected to prospectively adopt the accounting standard for 2015.

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. Immediately prior to closing, on May 1, 2013, the ArcLight group contributed \$107.0 million and OGE Energy contributed \$9.1 million to Enogex LLC in order to pay down short-term debt.

The general partner of Enable is equally controlled by CenterPoint and OGE Energy, who each have 50 percent management ownership. Based on the 50/50 management ownership, with neither company having control, effective May 1, 2013, the Company deconsolidated its interest in Enogex Holdings and began accounting for its interest in Enable using the equity method of accounting.

In April 2014, Enable completed an initial public offering of 25,000,000 common units resulting in Enable becoming a publicly traded Master Limited Partnership. At December 31, 2015, the Company owned approximately 111.0 million limited partner units, or 26.3 percent, of which 68.2 million limited partner units were subordinated.

CenterPoint and the Company also own a 40 percent and 60 percent interest, respectively, in any incentive distribution rights to be held by the general partner of Enable following the initial public offering. See Note 1 for more information regarding incentive distributions.

Distributions received from Enable were \$139.3 million and \$143.7 million during the years ended December 31, 2015 and 2014, respectively.

Related Party Transactions

Operating costs charged and related party transactions between the Company and its affiliate, Enable, since its formation on May 1, 2013 are discussed below. Prior to May 1, 2013, operating costs charged and related party transactions between the Company and Enogex Holdings were eliminated in consolidation. The Company's interest in Enogex Holdings was deconsolidated on May 1, 2013.

On May 1, 2013, the Company and Enable entered into a Services Agreement, 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. The support services automatically extend year-to-year at the end of the initial term, unless terminated by Enable with at least 90 days' notice. Enable may terminate the initial support services at any time with 180 days' notice if approved by the board of Enable's general partner. As of December 31, 2015, Enable terminated all support services except IT, payroll and benefit. Under these agreements, the Company charged operating costs to Enable of \$12.0 million and \$16.8 million for December 31, 2015 and 2014, respectively. The Company charges operating costs to OG&E and Enable based on several factors. Operating costs directly related to OG&E and Enable are assigned as such. Operating costs incurred for the benefit of OG&E and Enable are allocated either as overhead based primarily on labor costs or using the "Distrigas" method. Effective April 1, 2014, Enable's general partner, the Company and CenterPoint agreed to reduce certain governance related costs billed to Enable for transition services.

Additionally, the Company agreed to provide seconded employees to Enable to support its operations for an initial term ending on December 31, 2014. The Company did not transfer any employees to Enable at the formation of the partnership or any time through December 31, 2014. In October 2014, CenterPoint, the Company and Enable agreed to continue the secondment to Enable for 192 employees that participate in the Company's defined benefit and retirement plans, beyond December 31, 2014. The remaining seconded employees were terminated from the Company on December 31, 2014, and were offered employment by Enable. The Company billed Enable for reimbursement of \$32.1 million and \$104.8 million in 2015 and 2014, respectively, under the Transitional Seconding Agreement for employment costs incurred on or after May 1, 2013.

The Company had accounts receivable from Enable of \$1.7 million and \$5.6 million as of December 31, 2015 and 2014, respectively, for amounts billed for transitional services, including the cost of seconded employees.

Enable reimbursed the Company for Mr. Delaney's services as interim President and Chief Executive Officer for the months of June through November, 2015. Enable paid Mr. Delaney directly for his services for the period from December 1, 2015 to December 31, 2015.

OG&E entered into a new contract with Enable to provide transportation services effective May 1, 2014 which eliminated the natural gas storage services. This transportation agreement grants Enable the responsibility of delivering natural gas to OG&E's generating facilities and performing an imbalance service. With this imbalance service, in accordance with the cash-out provision of the contract, OG&E purchases gas from Enable when Enable's deliveries exceed OG&E's pipeline receipts. Enable purchases gas from OG&E

when OG&E's pipeline receipts exceed Enable's deliveries. The following table summarizes related party transactions between OG&E and Enable during the years ended December 31, 2015, 2014 and the eight months ended December 31, 2013.

<i>(In millions)</i>	Year Ended December 31,		
	2015	2014	2013
Operating Revenues:			
Electricity to power electric compression assets	\$13.8	\$13.3	\$ 7.7
Cost of Sales:			
Natural gas transportation services	\$35.0	\$34.9	\$23.2
Natural gas storage services	—	4.4	8.6
Natural gas purchases (sales)	7.6	8.7	14.8

Summarized Financial Information of Enable

Summarized unaudited financial in or mation for 100 percent of Enable is presented below for the years ended December 31, 2015 and 2014 and for the eight months ended December 31, 2013.

Balance Sheet <i>(In millions)</i>	Year Ended December 31,	
	2015	2014
Current assets	\$ 381	\$ 438
Non-current assets	10,857	11,399
Current liabilities	615	671
Non-current liabilities	3,092	2,344

Income Statement <i>(In millions)</i>	Year Ended December 31,		
	2015	2014	2013
Operating revenues	\$2,418	\$3,367	\$2,123
Cost of natural gas and natural gas liquids	1,097	1,914	1,241
Operating income (loss)	(712)	586	322
Net income (loss)	(752)	530	289

The formation of Enable was considered a business combination, and CenterPoint was the acquirer of Enogex Holdings for accounting purposes. Under this method, the fair value of the consideration paid by CenterPoint for Enogex Holdings is allocated to the assets acquired and liabilities assumed on May 1, 2013 based on their fair value. Enogex Holdings' assets, liabilities and equity have accordingly been adjusted to estimated fair value as of May 1, 2013, resulting in an increase to Enable's equity of \$2.2 billion. Due to the contribution of Enogex LLC to Enable meeting the requirements of being in substance real estate and the recording the initial investment at historical cost, the effects of the amortization and depreciation expense associated with the fair value adjustments on Enable's results of operations have been eliminated in the Company's recording of its equity in earnings of Enable.

The Company recorded equity in earnings of unconsolidated affiliates of \$15.5 million and \$172.6 million or the years ended December 31, 2015 and 2014, respectively. Equity in earnings of unconsolidated affiliates includes OGE Energy's share of Enable earnings adjusted for the amortization of the basis difference of OGE Energy's original investment in Enogex LLC and its underlying equity in net assets of Enable. The basis difference is the result of the initial contribution of Enogex LLC to Enable in May 2013, and subsequent issuances of equity by Enable, including the initial public offering in April 2014 and the issuance of common units for the acquisition of CenterPoint's 24.95 percent interest in SESH. The basis difference is being amortized over approximately 30 years, the average

life of the assets to which the basis difference is attributed. Equity in earnings of unconsolidated affiliates is also adjusted or the elimination of the Enogex Holdings fair value adjustments, as described above.

The difference between OGE Energy's investment in Enable and its underlying equity in the net assets of Enable was \$783.5 million as of December 31, 2015.

The following table reconciles OGE Energy's equity in earnings of its unconsolidated affiliates or the years ended December 31, 2015 and 2014.

<i>(In millions)</i>	Year Ended December 31,	
	2015	2014
OGE's share of Enable Net Income (Loss)	\$(16.0)	\$143.1
Amortization of basis difference	13.5	14.0
Elimination of Enogex Holdings fair value and other adjustments	18.0	15.5
Equity in earnings of unconsolidated affiliate	\$ 15.5	\$172.6

Enable tests its goodwill for impairment annually on October 1, or more frequently if events or changes in circumstances indicate that the carrying value of goodwill may not be recoverable. Goodwill is assessed for impairment by comparing the fair value of the reporting unit with its book value, including goodwill. Subsequent to the completion of the October 1, 2014 annual goodwill impairment test and previous interim assessment as of December 31, 2014, the crude oil and natural gas industry was impacted by further commodity price declines, which consequently resulted in decreased producer activity in certain regions in which Enable operates. Based on the decline in producer activity and the forecasted impact on future periods, in addition to an increase in the weighted average cost of capital, Enable determined that the impact on its forecasted operating profits and cash fl ws for its gathering and processing and transportation and storage segments for the next fi e years would be significantly reduced As a result, when Enable performed the first step of its an ual goodwill impairment analysis as of October 1, 2015, it determined that the carrying value of the gathering and processing and transportation and storage segments exceeded fair value. Enable completed the second step of the goodwill impairment analysis comparing the implied fair value for those reporting units to the carrying amount of that goodwill and determined that goodwill for those units was completely impaired in the amount of \$1,086.4 million as of September 30, 2015.

Accordingly, the Company recorded a \$108.4 million pre-tax charge in the third quarter of 2015 for its share of the goodwill impairment, as adjusted for the basis differences.

4. Fair Value Measurements

The classification of the Compa y's fair value measurements requires judgment regarding the degree to which market data is observable or corroborated by observable market data. GAAP establishes a fair value hierarchy that prioritizes the inputs used to measure fair value based on observable and unobservable data. The hierarchy categorizes the inputs into three levels, with the highest priority given to quoted prices in active markets for identical unrestricted assets or liabilities (Level 1) and the lowest priority given to unobservable inputs (Level 3). Financial assets and liabilities are classified in their entirety based on the 1 west level of input that is significant to the air value measurement. The three levels defined in the air value hierarchy are as follows:

Level 1 inputs are quoted prices in active markets for identical unrestricted assets or liabilities that are accessible at the measurement date.

Level 2 inputs are inputs other than quoted prices in active markets included within Level 1 that are either directly or indirectly observable at the reporting date for the asset or liability for substantially the full term of the asset or liability. Level 2 inputs include quoted prices for similar assets or liabilities in active markets and quoted prices for identical or similar assets or liabilities in markets that are not active.

Level 3 inputs are prices or valuation techniques for the asset or liability that require inputs that are both significant to the air value measurement and unobservable (i.e., supported by little or no market activity). Unobservable inputs reflect the repo ting entity's own assumptions about the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk).

The Company had no financial inst uments measured at fair value on a recurring basis at December 31, 2015 and 2014, except for long-term debt which is valued at the carrying amount. The fair value of the Company's long-term debt is based on quoted market prices and estimates of current rates available for similar issues with similar maturities and is classified as L vel 2 in the fair value hierarchy with the exception of the Tinker Debt which fair value was based on calculating the net present value of the monthly payments discounted by the Company's current borrowing rate and is classified as L vel 3 in the fair value hierarchy. The Company's long-term debt is recorded at the carrying amount. The following table summarizes the fair value and carrying amount of the Company's long-term debt at December 31, 2015 and 2014.

December 31 <i>(In millions)</i>	2015		2014	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Long-Term Debt				
OG&E Senior Notes	\$2,510.2	\$2,754.6	\$2,509.7	\$2,957.7
OG&E Industrial Authority Bonds	135.4	135.4	135.4	135.4
OG&E Tinker Debt	10.0	9.2	10.2	10.3
OGE Energy Senior Notes	100.0	99.9	100.0	99.9

5. Derivative Instruments and Hedging Activities

The Company is exposed to certain risks relating to its ongoing business operations. The primary risk managed using derivatives instruments is interest rate risk. The Company is also exposed to credit risk in its business operations.

Interest Rate Risk

The Company's exposure to changes in interest rates primarily relates to short-term variable-rate debt and commercial paper. The Company manages its interest rate exposure by monitoring and limiting the effects of market changes in interest rates. The Company may utilize interest rate derivatives to alter interest rate exposure in an attempt to reduce the effects of these changes. Interest rate derivatives are used solely to modify interest rate exposure and not to modify the overall leverage of the debt portfolio.

Credit Risk

The Company is exposed to certain credit risks relating to its ongoing business operations. Credit risk includes the risk that counterparties who owe the Company money or energy will breach their obligations. If the counterparties to these arrangements fail to perform, the Company may be forced to enter into alternative arrangements. In that event, the Company's financial results could be ad ersely affected and the Company could incur losses.

Income Statement Presentation Related to Derivative Instruments

The Company had no derivative instruments included in its Consolidated Statements of Income in 2015 or 2014. The following tables present the effect of derivative instruments on the Company's Consolidated Statements of Income in 2013.

Derivatives in Cash Flow Hedging Relationships

<i>(In millions)</i>	Amount Recognized in Other Comprehensive Income	Amount Reclassified fro Accumulated Other Comprehensive Income (Loss) into Income	Amount Recognized in Income
Natural Gas Financial Futures/Swaps	\$(0.2)	\$ 5.2	\$—
Interest Rate Swap	—	(0.2)	—
Total	\$(0.2)	\$ 5.0	\$—

Derivatives Not Designated as Hedging Instruments

<i>(In millions)</i>	Amount Recognized in Income
Natural Gas Physical Purchases/Sales	\$(6.1)
Natural Gas Financial Futures/Swaps	1.0
Total	\$(5.1)

6. Stock-Based Compensation

In 2013, the Company adopted, and its shareholders approved, the Stock Incentive Plan. The Stock Incentive Plan replaced the 2008 Plan and no further awards will be granted under the 2008 Plan. Under the Stock Incentive Plan, restricted stock, restricted stock units, stock options, stock appreciation rights and performance units may be granted to officer , directors and other key employees of the Company and its subsidiaries. The Company has authorized the issuance of up to 7,400,000 shares under the Stock Incentive Plan.

The following table summarizes the Company's pre-tax compensation expense and related income tax benefit or the years ended December 31, 2015, 2014 and 2013 related to the Company's performance units and restricted stock.

Year ended December 31 <i>(In millions)</i>	2015	2014	2013
Performance units			
Total shareholder return	\$ 7.6	\$ 8.3	\$ 8.4
Earnings per share	0.7	3.7	2.3
Total performance units	8.3	12.0	10.7
Restricted stock	0.1	—	0.4
Total compensation expense	8.4	12.0	11.1
Less: Amount paid by unconsolidated affiliate	0.5	3.6	3.1
Net compensation expense	\$ 7.9	\$ 8.4	\$ 8.0
Income tax benefi	\$ 3.1	\$ 3.3	\$ 3.1

The Company has issued new shares to satisfy stock option exercises, restricted stock grants and payouts of earned performance units. In 2015, 2014 and 2013, there were 82,046 shares, 494,637 shares and 548,344 shares, respectively, of new common stock issued pursuant to the Company's Stock Incentive Plan related to exercised stock options, restricted stock grants (net of forfeitures) and payouts of earned performance units. In 2015, there were 1,070 shares of restricted stock returned to the Company to satisfy tax liabilities.

Performance Units

Under the Stock Incentive Plan, the Company has issued performance units which represent the value of one share of the Company's common stock. The performance units provide for accelerated vesting if there is a change in control (as defined in the Stock Incentive Plan). Each performance unit is subject to forfeiture if the recipient terminates employment with the Company or a subsidiary prior to the end of the three-year award cycle for any reason other than death, disability or retirement. In the event of death, disability or retirement, a participant will 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 award cycle.

The performance units granted based on total shareholder return are contingently awarded and will be payable in shares of the Company's common stock subject to the condition that the number of performance units, if any, earned by the employees upon the expiration of a three-year award cycle (i.e., three-year cliff vesting period) is dependent on the Company's total shareholder return ranking relative to a peer group of companies. The performance units granted based on earnings per share are contingently awarded and will be payable in shares of the Company's common stock based on the Company's earnings per share growth over a three-year award cycle (i.e., three-year cliff vesting period) compared to a target set at the time of the grant by the Compensation Committee of the Company's Board of Directors. All of these performance units are classified as equity in the Consolidated Balance Sheets. If there is no or only a partial payout for the performance units at the end of the award cycle, the unearned performance units are cancelled. Payout requires approval of the Compensation Committee of the Company's Board of Directors. Payouts, if any, are all made in common stock and are considered made when the payout is approved by the Compensation Committee.

As a result of the formation of Enable on May 1, 2013, performance unit grants to OGE Holdings' employees that were previously based on earnings before interest, taxes, depreciation and amortization were converted to performance units based on total shareholder return or earnings per share. Total 2013 performance unit grants converted were 91,390, comprised of 45,596 total shareholder return performance units with a \$25.89 grant date fair value and 45,794 earnings per share performance units with a \$26.73 grant date fair value. Total 2012 performance unit grants converted were 82,930, comprised of 41,554 total shareholder return performance units with a \$47.71 grant date fair value and 41,376 earnings per share performance units with a \$34.94 grant date fair value. The amount of these performance units were adjusted for the effects of the stock split. The impact of the modification of the performance unit grants on stock-based compensation expense for 2013 was not material.

Performance Units – Total Shareholder Return

The fair value of the performance units based on total shareholder return was estimated on the grant date using a lattice-based valuation model that factors in information, including the expected dividend yield, expected price volatility, risk-free interest rate and the probable outcome of the market condition, over the expected life of the performance units. Compensation expense for the performance units is a fixed amount determined at the grant date fair value and is recognized over the three-year award cycle regardless of whether performance units are awarded at the end of the award cycle. Dividends were not accrued or paid for awards prior to February 2014, and were therefore not included in the fair value calculation. Beginning

with the February 2014 performance unit awards, dividends are accrued on a quarterly basis pending achievement of payout criteria, and were therefore included in the fair value calculations. Expected price volatility is based on the historical volatility of the Company's common stock for the past three years and was simulated using the Geometric Brownian Motion process. The risk-free interest rate for the performance unit grants is based on the three-year U.S. Treasury yield curve in effect at the time of the grant. The expected life of the units is based on the non-vested period since inception of the award cycle. There are no post-vesting restrictions related to the Company's performance units based on total shareholder return. The number of performance units granted based on total shareholder return and the assumptions used to calculate the grant date fair value of the performance units based on total shareholder return are shown in the following table.

	2015	2014	2013
Number of units granted	264,454	219,106	316,162
Fair value of units granted	\$31.02	\$34.80	\$25.89
Expected dividend yield	2.6%	2.5%	2.8%
Expected price volatility	16.9%	20.0%	20.0%
Risk-free interest rate	0.91%	0.67%	0.37%
Expected life of units (in years)	2.85	2.86	2.84

Performance Units – Earnings Per Share

The fair value of the performance units based on earnings per share is based on grant date fair value which is equivalent to the price of one share of the Company's common stock on the date of grant. The fair value of performance units based on earnings per share varies as the number of performance units that will vest is based on the grant date fair value of the units and the probable outcome of the performance condition. The Company reassesses at each reporting date whether achievement of the performance condition is probable and accrues compensation expense if and when achievement of the performance condition is probable. As a result, the compensation expense recognized for these performance units can vary from period to period. There are no post-vesting restrictions related to the Company's performance units based on earnings per share. The number of performance units granted based on earnings per share and the grant date fair value are shown in the following table.

	2015	2014	2013
Number of units granted	88,156	73,037	74,570
Fair value of units granted	\$33.99	\$34.81	\$26.73

Restricted Stock

Under the Stock Incentive Plan and beginning in 2008, the Company issued restricted stock to certain existing non-officer employees as well as other executives upon hire to attract and retain individuals to be competitive in the marketplace. The restricted stock vests in one-third annual increments. Prior to vesting, each share of restricted stock is subject to forfeiture if the recipient ceases to render substantial services to the Company or a subsidiary for any reason other than death, disability or retirement. These shares may not be sold, assigned, transferred or pledged and are subject to a risk of forfeiture.

The fair value of the restricted stock was based on the closing market price of the Company's common stock on the grant date. Compensation expense for the restricted stock is a fixed amount determined at the grant date fair value and is recognized as services are rendered by employees over a three-year vesting period. Also, the Company treats its restricted stock as multiple separate awards by

recording compensation expense separately for each tranche whereby a substantial portion of the expense is recognized in the earlier years in the requisite service period. Dividends are accrued and paid during the vesting period on all restricted stock awards prior to July 2014, and therefore included in the fair value calculation. For all awards after July 2014, dividends will only be paid on any restricted stock awards that vest, accordingly dividends are no longer included in the fair value calculations. The expected life of the restricted stock is based on the non-vested period since inception of the three-year award cycle. There

are no post-vesting restrictions related to the Company's restricted stock. The number of shares of restricted stock granted and the grant date fair value are shown in the following table.

	2015	2014	2013
Shares of restricted stock granted	958	7,037	5,940
Fair value of restricted stock granted	\$26.11	\$35.71	\$29.71

A summary of the activity for the Company's performance units and restricted stock at December 31, 2015 and changes in 2015 are shown in the following table.

(Dollars in millions)	Performance Units				Restricted Stock	
	Total Shareholder Return		Earnings Per Share		Number of Shares	Aggregate Intrinsic Value
	Number of Units	Aggregate Intrinsic Value	Number of Units	Aggregate Intrinsic Value		
Units/Shares Outstanding at 12/31/14	892,991		297,687		12,501	
Granted	264,454 ^(A)		88,156 ^(A)		958	
Converted	(343,395) ^(B)	\$0.2	(114,366) ^(B)	\$4.9	N/A	
Vested	N/A		N/A		(4,772)	\$0.1
Forfeited	(89,992)		(30,007)		(1,064)	
Units/Shares Outstanding at 12/31/15	724,058	\$ —	241,470	\$ —	7,623	\$0.3
Units/Shares Fully Vested at 12/31/15	327,115	\$ —	109,154	\$ —		

^(A) For performance units, this represents the target number of performance units granted. Actual number of performance units earned, if any, is dependent upon performance and may range from 0 percent to 200 percent of the target.

^(B) These amounts represent performance units that vested at December 31, 2014 which were settled in February 2015.

A summary of the activity for the Company's non-vested performance units and restricted stock at December 31, 2015 and changes in 2015 are shown in the following table.

	Performance Units				Restricted Stock	
	Total Shareholder Return		Earnings Per Share			
	Number of Units	Weighted-Average Grant Date Fair Value	Number of Units	Weighted-Average Grant Date Fair Value	Number of Shares	Weighted-Average Grant Date Fair Value
Units/Shares Non-Vested at 12/31/14	556,844	\$29.38	185,737	\$29.90	12,501	\$32.65
Granted	264,454 ^(A)	\$31.02	88,156 ^(A)	\$33.99	958	\$26.11
Converted	(7,248) ^(B)	\$28.95	(2,416) ^(B)	\$28.95	N/A	N/A
Vested	(327,115)	\$25.89	(109,154)	\$26.73	(4,772)	\$32.33
Forfeited	(89,992)	\$31.48	(30,007)	\$32.95	(1,064)	\$25.87
Units/Shares Non-Vested at 12/31/15	396,943	\$32.83	132,316	\$34.30	7,623	\$29.68
Units/Shares Expected to Vest	390,820 ^(C)		130,274 ^(C)		7,623	

^(A) For performance units, this represents the target number of performance units granted. Actual number of performance units earned, if any, is dependent upon performance and may range from 0 percent to 200 percent of the target.

^(B) Units paid out under terms of plan to member on long-term disability.

^(C) There is no intrinsic value of the performance units based on total shareholder return and earnings per share.

Fair Value of Vested Performance Units and Restricted Stock

A summary of the Company's fair value for its vested performance units and restricted stock is shown in the following table.

Year ended December 31 (In millions)	2015	2014	2013
Performance units			
Total shareholder return	\$8.5	\$9.5	\$8.2
Earnings per share	—	3.8	4.9
Restricted stock	0.2	0.2	0.7

Unrecognized Compensation Cost

A summary of the Company's unrecognized compensation cost for its non-vested performance units and restricted stock and the weighted-average periods over which the compensation cost is expected to be recognized are shown in the following table.

	Unrecognized Compensation Cost (in millions)	Weighted Average to be Recognized (in years)
December 31, 2015		
Performance units		
Total shareholder return	\$6.7	1.68
Earnings per share	2.4	1.69
Total performance units	9.1	
Restricted stock	0.1	1.60
Total	\$9.2	

Stock Options

The Company last issued stock options in 2004 and as of December 31, 2006, all stock options were fully vested and expensed. All stock options had a contractual life of 10 years and none are outstanding.

A summary of the activity for the Company's exercised stock options in 2013 is shown in the following table.

Year ended December 31 <i>(In millions)</i>	2013
Intrinsic value ^(A)	\$1.4
Cash received from stock options exercised	0.4

^(A) The difference between the market value on the date of exercise and the option exercise price.

7. Supplemental Cash Flow Information

The following table discloses information about investing and financing activities that affected recognized assets and liabilities but which did not result in cash receipts or payments. Also disclosed in the table is cash paid for interest, net of interest capitalized, and cash paid for income taxes, net of income tax refunds.

Year ended December 31 <i>(In millions)</i>	2015	2014	2013
Non-Cash Investing and Financing Activities			
Power plant long-term service agreement	\$ 2.3	\$ —	\$ 9.7
Investment in Enable (Note 3)	—	—	1,248.6

Supplemental Cash Flow Information

Cash paid during the period for			
Interest (net of interest capitalized) ^(A)	\$145.4	\$150.8	\$ 151.1
Income taxes (net of income tax refunds)	(3.4)	0.2	(1.1)

^(A) Net of interest capitalized of \$4.2 million, \$2.4 million and \$5.4 million in 2015, 2014 and 2013, respectively.

8. Income Taxes

The items comprising income tax expense are as follows:

Year ended December 31 <i>(In millions)</i>	2015	2014	2013
Provision (Benefit) or Current Income Taxes			
Federal	\$ —	\$ —	\$ —
State	(5.2)	(4.5)	4.3
Total Provision (Benefit) or Current Income Taxes	(5.2)	(4.5)	4.3
Provision for Deferred Income Taxes, net			
Federal	98.8	160.0	154.4
State	4.5	18.2	(26.4)
Total Provision for Deferred Income Taxes, net	103.3	178.2	128.0
Deferred Federal Investment Tax Credits, net	(0.7)	(0.9)	(2.0)
Total Income Tax Expense	\$ 97.4	\$172.8	\$130.3

The Company files consolidated income tax returns in the U.S. Federal jurisdiction and various state jurisdictions. With few exceptions, the Company is no longer subject to U.S. Federal tax examinations by tax authorities for years prior to 2012 or state and local tax examinations by tax authorities for years prior to 2011. Income taxes are generally allocated to each company in the affiliated group based on its stand-alone taxable income or loss. Federal investment tax credits previously claimed on electric utility property have been deferred and are being amortized to income over the life of the related property. OG&E earns both Federal and Oklahoma state tax credits associated with production from its wind farms. In addition, OG&E and Enable earn Oklahoma state tax credits associated with their investments in electric generating and natural gas processing facilities which further reduce the Company's effective tax rate.

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

Year ended December 31	2015	2014	2013
Statutory Federal tax rate	35.0%	35.0%	35.0%
Federal renewable energy credit ^(A)	(8.9)	(6.7)	(7.2)
Remeasurement of state deferred tax liabilities	(0.8)	0.4	(4.1)
401(k) dividends	(0.7)	(0.5)	(0.5)
Federal investment tax credits, net	(0.2)	(0.2)	(0.4)
Income attributable to noncontrolling interest	—	—	(0.3)
State income taxes, net of Federal income tax benefit	0.1	1.2	0.4
Uncertain tax positions	0.7	0.5	1.5
Amortization of net unfunded deferred taxes	0.9	0.6	0.6
Other	0.3	0.1	(0.1)
Effective income tax rate	26.4%	30.4%	24.9%

^(A) Represents credits associated with the production from OG&E's wind farms.

The deferred tax provisions are recognized as costs in the ratemaking process by the commissions having jurisdiction over the rates charged by OG&E. As discussed in Note 2, the Company early adopted for the year ended December 31, 2015, ASU 2015-17, Balance Sheet Classification of Deferred Taxes, which requires all deferred tax liabilities and assets, and any related valuation allowance, to be classified as non-current on the balance sheet. The Company's adoption was applied prospectively, and as such, the 2014

presentation of deferred taxes were not retroactively adjusted. The components of Deferred Income Taxes at December 31, 2015 and 2014, respectively, were as follows:

December 31 <i>(In millions)</i>	2014
Current Deferred Income Tax Assets	
Net operating losses	\$ 158.4
Accrued liabilities	15.6
Federal tax credits	12.4
Accrued vacation	4.4
Uncollectible accounts	0.6
Total Current Deferred Income Tax Assets	\$ 191.4

December 31 <i>(In millions)</i>	2015	2014
Non-Current Deferred Income Tax Liabilities, net		
Accelerated depreciation and other property related differences	\$2,016.0	\$1,936.8
Investment in Enable Midstream Partners	623.4	641.8
Company pension plan	13.7	34.6
Income taxes refundable to customers, net	22.0	21.7
Regulatory asset	32.7	24.7
Bond redemption-unamortized costs	4.8	5.3
Derivative instruments	1.5	1.8
Federal tax credits	(184.4)	(139.0)
State tax credits	(106.7)	(98.6)
Net operating losses	(94.6)	(19.8)
Postretirement medical and life insurance benefit	(56.2)	(56.4)
Regulatory liabilities	(46.3)	(58.0)
Asset retirement obligations	(22.5)	(21.4)
Accrued liabilities	(14.0)	—
Accrued vacation	(3.2)	—
Deferred Federal investment tax credits	(0.9)	(0.4)
Uncollectible accounts	(0.5)	—
Other	(6.6)	(4.8)
Non-Current Deferred Income Tax Liabilities, net	\$2,178.2	\$2,268.3

As of December 31, 2015, the Company has classified \$13.2 million of unrecognized tax benefits as a reduction of deferred tax assets recorded. Management is currently unaware of any issues under review that could result in significant additional payments, accruals, or other material deviation from this amount.

Following is a reconciliation of the Company's total gross unrecognized tax benefits as of the years ended December 31, 2015, 2014, and 2013.

<i>(Millions)</i>	2015	2014	2013
Balance at January 1	\$10.5	\$ 7.8	\$ —
Tax positions related to current year:			
Additions	2.7	2.7	2.7
Tax positions related to prior years:			
Additions	—	—	5.1
Balance at December 31	\$13.2	\$10.5	\$7.8

Where applicable, the Company classifies income tax-related interest and penalties as interest expense and other expense, respectively. During the year ended December 31, 2015, there were no income tax-related interest or penalties recorded with regard to uncertain tax positions. The total amount of unrecognized tax benefits that would impact the effective tax rate, if recognized, was \$13.2 million as of December 31, 2015.

In January 2013, OG&E determined that a portion of certain Oklahoma investment tax credits previously recognized but not yet utilized may not be available for utilization in future years. During 2015, OG&E recorded an additional reserve for this item of \$4.2 million

(\$2.7 million after the federal tax benefit) related to the same Oklahoma investment tax credits generated in the current year but not yet utilized due to management's determination that it is more likely than not that it will be unable to utilize these credits.

Other

The Company sustained Federal and state tax operating losses through 2013 caused primarily by bonus depreciation and other book verses tax temporary differences. As a result, the Company had accrued Federal and state income tax benefits carrying into 2015. As the Company can no longer carry these losses back to prior periods, these losses are being carried forward for utilization in future years. In addition to the operating losses, the Company was unable to utilize the various tax credits that were generated during these years. These tax losses and credits are being carried as deferred tax assets and will be utilized in future periods. Under current law, the Company anticipates future taxable income will be sufficient to utilize all of the losses and credits before they begin to expire, accordingly no valuation allowance is considered necessary. The following table summarizes these carry forwards:

<i>(In millions)</i>	Carry Forward Amount	Deferred Tax Asset	Earliest Expiration Date
Net operating losses			
State operating loss	\$695.5	\$ 25.6	2030
Federal operating loss	197.3	69.0	2030
Federal tax credits	184.4	184.4	2029
State tax credits			
Oklahoma investment tax credits	127.8	83.0	N/A
Oklahoma capital investment board credits	7.3	7.3	N/A
Oklahoma zero emission tax credits	24.3	16.4	2020

The Company has a Federal tax operating loss primarily caused by numerous extensions of accelerated tax bonus depreciation provision which allowed the Company to record current income tax deductions for the cost of certain property placed into service. During 2013, the Company began to utilize these net operating losses.

On December 18, 2015, the Protecting Americans from Tax Hikes Act was signed into law. Among other things, the law included an extension of bonus depreciation for 2015, 2016 and 2017 at a rate of 50 percent. The law reduces the bonus depreciation to 40 percent and 30 percent in 2018 and 2019, respectively. The impact of the new law was reflected in the Company's 2015 Consolidated Financial Statements as an increase in Deferred Tax Liabilities with a corresponding increase in Deferred Tax Assets related to the net operating loss. With this extension of bonus depreciation, the Company's utilization of net operating losses will continue into 2016.

The Company has generated excess tax benefits of \$28.3 million related to its equity based compensation plan which have not been recognized during the time it has been in a net operating loss position. This balance is available to offset future taxable income in addition to the net operating loss balances presented above. The tax benefit and the credit to additional paid-in capital related to these payments will be recorded at a future date when the deduction reduces current taxes payable.

9. Common Equity

Automatic Dividend Reinvestment and Stock Purchase Plan

The Company issued 217,370 shares of common stock under its Automatic Dividend Reinvestment and Stock Purchase Plan in 2015

and received proceeds of \$7.2 million. The Company may, from time to time, issue additional shares under its Automatic Dividend Reinvestment and Stock Purchase Plan or purchase shares traded on the open market. At December 31, 2015, there were 4,774,442 shares of unissued common stock reserved for issuance under the Company's Automatic Dividend Reinvestment and Stock Purchase Plan.

Earnings Per Share

Basic earnings per share is calculated by dividing net income attributable to OGE Energy by the weighted average number of the Company's common shares outstanding during the period. In the calculation of diluted earnings per share, weighted average shares outstanding are increased for additional shares that would be outstanding if potentially dilutive securities were converted to common stock. Potentially dilutive securities for the Company consist of performance units and restricted stock. Basic and diluted earnings per share for the Company were calculated as follows:

<i>(In millions)</i>	2015	2014	2013
Net Income	\$271.3	\$395.8	\$387.6
Average Common Shares Outstanding			
Basic average common shares outstanding	199.6	199.2	198.2
Effect of dilutive securities:			
Contingently issuable shares (performance and restricted stock units)	—	0.7	1.2
Diluted average common shares outstanding	199.6	199.9	199.4
Basic Earnings Per Average Common Share	\$ 1.36	\$ 1.99	\$ 1.96
Diluted Earnings Per Average Common Share	\$ 1.36	\$ 1.98	\$ 1.94

Dividend Restrictions

The Company's Certificate of Incorporation places restrictions on the amount of common stock dividends it can pay when preferred stock is outstanding. As there is no preferred stock outstanding, that restriction did not place any effective limit on the Company's ability to pay dividends to its shareholders. Pursuant to the leverage restriction in the Company's revolving credit agreement, the Company must maintain a percentage of debt to total capitalization at a level that does not exceed 65 percent. The payment of cash dividends indirectly results in an increase in the percentage of debt to total capitalization, which results in the restriction of approximately \$387.7 million of the Company's retained earnings from being paid out in dividends. Accordingly, approximately \$1.9 billion of the Company's retained earnings as of December 31, 2015 are unrestricted for the payment of dividends.

The Company depends on receipts from its equity investment in Enable and dividends from OG&E to pay dividends to its shareholders. Enable's partnership agreement requires that it distribute all "available cash", as defined as cash on hand at the end of a quarter after the payment of expenses and the establishment of cash reserves, and cash on hand resulting from working capital borrowings made after the end of the quarter. Pursuant to the Federal Power Act, OG&E is restricted from paying dividends from its capital accounts. Dividends are paid from retained earnings. Pursuant to the leverage restriction in OG&E's revolving credit agreement, OG&E must also maintain a percentage of debt to total capitalization at a level that does not exceed 65 percent. The payment of cash dividends indirectly results in an

increase in the percentage of debt to total capitalization, which results in the restriction of approximately \$411.0 million of OG&E's retained earnings from being paid out in dividends. Accordingly, approximately \$1.7 billion of OG&E's retained earnings as of December 31, 2015 are unrestricted for the payment of dividends.

10. Long-Term Debt

A summary of the Company's long-term debt is included in the Consolidated Statements of Capitalization. At December 31, 2015, the Company was in compliance with all of its debt agreements.

OG&E Industrial Authority Bonds

OG&E has tax-exempt pollution control bonds with optional redemption provisions that allow the holders to request repayment of the bonds on any business day. The bonds, which can be tendered at the option of the holder during the next 12 months, are as follows:

Series	Date Due	Amount <i>(In millions)</i>
0.05% – 0.13%	Garfield Industrial Authority, January 1, 2025	\$ 47.0
0.06% – 0.19%	Muskogee Industrial Authority, January 1, 2025	32.4
0.05% – 0.14%	Muskogee Industrial Authority, June 1, 2027	56.0
Total (redeemable during next 12 months)		\$135.4

All of these bonds are subject to an optional tender at the request of the holders, at 100 percent of the principal amount, together with accrued and unpaid interest to the date of purchase. The bond holders, on any business day, can request repayment of the bond by delivering an irrevocable notice to the tender agent stating the principal amount of the bond, payment instructions for the purchase price and the business day the bond is to be purchased. The repayment option may only be exercised by the holder of a bond for the principal amount. When a tender notice has been received by the trustee, a third party remarketing agent for the bonds will attempt to remarket any bonds tendered for purchase. This process occurs once per week. Since the original issuance of these series of bonds in 1995 and 1997, the remarketing agent has successfully remarketed all tendered bonds. If the remarketing agent is unable to remarket any such bonds, OG&E is obligated to repurchase such unremarketed bonds. As OG&E has both the intent and ability to refinance the bonds on a long-term basis and such ability is supported by an ability to consummate the refinancing, the bonds are classified as Long-term Debt in the Company's Consolidated Financial Statements. OG&E believes that it has sufficient liquidity to meet these obligations.

Long-Term Debt Maturities

Maturities of the Company's long-term debt during the next five years consist of \$110.2 million, \$225.2 million, \$250.1 million, \$250.1 million and \$0.1 million in years 2016, 2017, 2018, 2019 and 2020, respectively.

The Company has previously incurred costs related to debt refinancing. Unamortized loss on reacquired debt is classified as a Non-Current Regulatory Asset, unamortized debt expense is classified as Deferred Charges and Other Assets and the unamortized premium and discount on long-term debt is classified as Long-term Debt in the Consolidated Balance Sheets and are being amortized over the life of the respective debt.

11. Short-Term Debt and Credit Facilities

The Company borrows on a short-term basis, as necessary, by the issuance of commercial paper and by borrowings under its revolving credit agreement. As of December 31, 2015, the Company had no short-term debt compared to a balance of \$98.0 million at December 31, 2014, at a weighted-average interest rate of 0.41 percent. The following table provides information regarding the Company's revolving credit agreements and available cash at December 31, 2015.

Entity	Aggregate Commitment	Amount Outstanding ^(A)	Weighted-Average Interest Rate	Maturity
<i>(In millions)</i>				
OGE Energy ^(B)	\$ 750.0	\$ —	—% ^(D)	12/13/18 ^(E)
OG&E ^(C)	400.0	1.9	0.95% ^(D)	12/13/18 ^(E)
Total	\$1,150.0	\$1.9	0.95%	

^(A) Includes direct borrowings under the revolving credit agreements, commercial paper borrowings and letters of credit at December 31, 2015.

^(B) This bank facility is available to back up the Company's commercial paper borrowings and to provide revolving credit borrowings. This bank facility can also be used as a letter of credit facility.

^(C) This bank facility is available to back up OG&E's commercial paper borrowings and to provide revolving credit borrowings. This bank facility can also be used as a letter of credit facility.

^(D) Represents the weighted-average interest rate for the outstanding borrowings under the revolving credit agreements, commercial paper borrowings and letters of credit.

^(E) In December 2011, the Company and OG&E entered into unsecured five-year revolving credit agreements to total in the aggregate \$1,150.0 million (\$750.0 million for the Company and \$400.0 million for OG&E). Each of the credit facilities contained an option, which could be exercised up to two times, to extend the term for an additional year. In the third quarter of 2013, the Company and OG&E utilized one of these one-year extensions, and received consent from all of the lenders, to extend the maturity of their credit agreements from December 13, 2016 to December 13, 2017. In the second quarter of 2014, the Company and OG&E utilized their second extension to extend the maturity of their respective credit facility from December 13, 2017 to December 13, 2018. As of December 31, 2015, commitments of approximately \$16.3 million and \$8.7 million of the Company's and OG&E's credit facilities, respectively, however, were not extended and, unless the non-extending lender is replaced in accordance with the terms of the credit facility, such commitments will expire December 13, 2017.

The Company's ability to access the commercial paper market could be adversely impacted by a credit ratings downgrade or major market disruptions. Pricing grids associated with the Company's credit facilities could cause annual fees and borrowing rates to increase if an adverse rating impact occurs. The impact of any future downgrade could include an increase in the costs of the Company's short-term borrowings, but a reduction in the Company's credit ratings would not result in any defaults or accelerations. Any future downgrade could also lead to higher long-term borrowing costs and, if below investment grade, would require the Company to post collateral or letters of credit.

OG&E must obtain regulatory approval from the FERC in order to borrow on a short-term basis. OG&E has the necessary regulatory approvals to incur up to \$800.0 million in short-term borrowings at any one time for a two-year period beginning January 1, 2015 and ending December 31, 2016.

12. Retirement Plans and Postretirement Benefit Plans

Pension Plan and Restoration of Retirement Income Plan

It is the Company's policy to fund the Pension Plan on a current basis based on the net periodic pension expense as determined by the Company's actuarial consultants. 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. During 2015 and 2014, the Company did not make any contributions to its Pension Plan. The Company has not determined whether it will need to make any

contributions to the Pension Plan in 2016. Any contribution to the Pension Plan during 2016 would be a discretionary contribution, anticipated to be in the form of cash, and is not required to satisfy the minimum regulatory funding requirement specified by the Employee Retirement Income Security Act of 1974, as amended. The Company could be required to make additional contributions if the value of its pension trust and postretirement benefit plan trust assets are adversely impacted by a major market disruption in the future.

As discussed in Note 3, CenterPoint, the Company and Enable agreed to continue the secondment to Enable of 192 employees that participate in the Company's defined benefit and retirement plan beyond December 31, 2014, while 277 employees that participated in the Retirement Plan and 59 employees entitled to life insurance benefits only were terminated. As a result, the Company incurred a curtailment that reduced the pension expense charged to Enable by \$0.2 million for the year ended December 31, 2014.

In accordance with ASC Topic 715, "Compensation – Retirement Benefit," a one-time settlement charge is required to be recorded by an organization when lump sum payments or other settlements that relieve the organization from the responsibility for the pension benefit obligation during a plan year exceed the service cost and interest cost components of the organization's net periodic pension cost. During 2015, the Company experienced an increase in both the number of employees electing to retire and the amount of lump sum payments to be paid to such employees upon retirement. As a result, the Company recorded pension settlement charges of \$16.2 million in the third quarter and \$5.5 million in the fourth quarter of 2015, of which \$14.0 million related to OG&E's Oklahoma jurisdiction and has been included in the pension tracker. The pension settlement charge did not require a cash outlay by the Company and did not increase the Company's total pension expense over time, as the charges were an acceleration of costs that otherwise would be recognized as pension expense in future periods.

The Company provides a Restoration of Retirement Income Plan to those participants in the Company's Pension Plan whose benefits are subject to certain limitations of the Code. Participants in the Restoration of Retirement Income Plan receive the same benefits that they would have received under the Company's Pension Plan in the absence of limitations imposed by the Federal tax laws. The Restoration of Retirement Income Plan is intended to be an unfunded plan.

Obligations and Funded Status

The following table presents the status of the Company's Pension Plan, the Restoration of Retirement Income Plan and the postretirement benefit plans for 2015 and 2014. These amounts have been recorded in Accrued Benefit Obligations with the offset in Accumulated Other Comprehensive Loss (except OG&E's portion which is recorded as a regulatory asset as discussed in Note 1) in the Company's Consolidated Balance Sheets. The amounts in Accumulated Other Comprehensive Loss and those recorded as a regulatory asset represent a net periodic benefit cost to be recognized in the Consolidated Statements of Income in future periods. The benefit obligation for the Company's Pension Plan and the Restoration of Retirement Income Plan represents the projected benefit obligation, while the benefit obligation for the postretirement benefit plans represents the accumulated postretirement benefit obligation. The accumulated postretirement benefit obligation for the Company's Pension Plan and Restoration of Retirement Income Plan differs from

the projected benefit obligation in that the former includes no assumption about future compensation levels. The accumulated postretirement benefit obligation for the Pension Plan and the Restoration of Retirement Income Plan at December 31, 2015 was \$610.9 million and \$24.6 million, respectively. The accumulated postretirement benefit obligation for the Pension Plan and the

Restoration of Retirement Income Plan at December 31, 2014 was \$688.4 million and \$18.7 million, respectively. The details of the funded status of the Pension Plan, the Restoration of Retirement Income Plan and the postretirement benefit plans and the amounts included in the Consolidated Balance Sheets are as follows:

December 31 <i>(In millions)</i>	Pension Plan		Restoration of Retirement Income Plan		Postretirement Benefit Plan	
	2015	2014	2015	2014	2015	2014
Change in Benefit Obligation						
Beginning obligations	\$725.0	\$658.1	\$ 19.7	\$ 14.0	\$ 280.9	\$ 258.2
Service cost	16.1	15.3	1.3	1.1	1.5	3.1
Interest cost	26.1	28.1	0.7	0.6	10.3	11.4
Plan curtailments	—	(0.7)	—	—	—	(0.6)
Plan settlements	(60.7)	—	—	—	—	—
Participants' contributions	—	—	—	—	3.4	3.4
Actuarial (gains) losses	(11.3)	79.3	4.0	4.1	(55.1)	19.5
Benefits paid	(15.2)	(55.1)	(0.6)	(0.1)	(15.7)	(14.1)
Ending obligations	\$680.0	\$725.0	\$ 25.1	\$ 19.7	\$ 225.3	\$ 280.9
Change in Plans' Assets						
Beginning fair value	\$679.8	\$654.9	\$ —	\$ —	\$ 59.6	\$ 61.4
Actual return on plans' assets	(22.2)	80.0	—	—	(0.5)	1.8
Employer contributions	—	—	0.6	0.1	8.5	7.1
Plan settlements	(60.7)	—	—	—	—	—
Participants' contributions	—	—	—	—	3.4	3.4
Benefits paid	(15.2)	(55.1)	(0.6)	(0.1)	(15.7)	(14.1)
Ending fair value	\$581.7	\$679.8	\$ —	\$ —	\$ 55.3	\$ 59.6
Funded status at end of year	\$ (98.3)	\$ (45.2)	\$(25.1)	\$(19.7)	\$(170.0)	\$(221.3)

Net Periodic Benefit Cost

Year ended December 31 <i>(In millions)</i>	Pension Plan			Restoration of Retirement Income Plan			Postretirement Benefit Plan		
	2015	2014	2013	2015	2014	2013	2015	2014	2013
Service cost	\$ 16.1	\$ 15.3	\$ 19.0	\$1.3	\$1.1	\$1.2	\$ 1.5	\$ 3.1	\$ 4.3
Interest cost	26.1	28.1	26.7	0.7	0.6	0.5	10.3	11.4	10.3
Expected return on plan assets	(46.0)	(45.3)	(48.4)	—	—	—	(2.4)	(2.4)	(2.5)
Amortization of net loss	18.0	14.3	26.5	0.6	0.2	0.4	13.9	12.3	21.5
Amortization of unrecognized prior service cost ^(A)	0.4	1.7	1.8	0.1	0.2	0.3	(16.5)	(16.5)	(16.5)
Curtailment	—	(0.2)	—	—	—	—	—	—	—
Settlement	21.7	—	22.4	—	—	—	—	—	—
Total net periodic benefit cost	36.3	13.9	48.0	2.7	2.1	2.4	6.8	7.9	17.1
Less: Amount paid by unconsolidated affiliate	4.2	3.2	5.9	0.1	0.1	0.1	1.3	1.3	1.5
Net periodic benefit cost ^(B)	\$ 32.1	\$ 10.7	\$ 42.1	\$2.6	\$2.0	\$2.3	\$ 5.5	\$ 6.6	\$ 15.6

^(A) Unamortized prior service cost is amortized on a straight-line basis over the average remaining service period to the first eligibility age of participants who are expected to receive a benefit and are active at the date of the plan amendment.

^(B) In addition to the \$40.2 million, \$19.3 million and \$60.0 million of net periodic benefit cost recognized in 2015, 2014 and 2013, respectively, the Company recognized the following:

- an increase in pension expense in 2015, 2014 and 2013 of \$12.8 million, \$11.2 million and \$5.8 million, respectively, to maintain the allowable amount to be recovered for pension expense in the Oklahoma jurisdiction, which are included in the Pension tracker regulatory asset or liability (see Note 1);
- an increase in postretirement medical expense in 2015, 2014 and 2013 of \$5.8 million, \$5.2 million and \$0.6 million, respectively, to maintain the allowable amount to be recovered for postretirement medical expense in the Oklahoma jurisdiction which are included in the Pension tracker regulatory asset or liability (see Note 1);
- a deferral of pension expense in 2015 and 2013 of \$14.0 million and \$17.0 million related to pension settlement charges of \$21.7 million and \$22.4 million, respectively, in accordance with the Oklahoma pension tracker regulatory liability (see Note 1); and
- a deferral of pension expense in 2015 of \$1.9 million related to the Arkansas jurisdictional portion of the pension settlement charge of \$21.7 million.

<i>(In millions)</i>	2015	2014	2013
Capitalized portion of net periodic pension benefit cost	\$5.0	\$3.4	\$6.4
Capitalized portion of net periodic postretirement benefit cost	1.9	2.0	4.5

Rate Assumptions

Year ended December 31	Pension Plan and Restoration of Retirement Income Plan			Postretirement Benefit Plan		
	2015	2014	2013	2015	2014	2013
Discount rate	4.00%	3.80%	4.60%	4.25%	3.80%	4.60%
Rate of return on plans' assets	7.50%	7.50%	8.00%	4.00%	4.00%	4.00%
Compensation increases	4.20%	4.20%	4.20%	N/A	N/A	N/A
Assumed health care cost trend:						
Initial trend	N/A	N/A	N/A	6.10%	7.85%	8.35%
Ultimate trend rate	N/A	N/A	N/A	4.50%	4.48%	4.48%
Ultimate trend year	N/A	N/A	N/A	2026	2028	2028

N/A – not applicable

The overall expected rate of return on plan assets assumption was 7.5 percent in both 2015 and 2014, which was used in determining net periodic benefit cost due to recent returns on the Company's long-term investment portfolio. The rate of return on plan assets assumption is the average long-term rate of earnings expected on the funds currently invested and to be invested for the purpose of providing benefits specified by the Pension Plan or postretirement benefit plan. This assumption is reexamined at least annually and updated as necessary. The rate of return on plan assets assumption reflects a combination of historical return analysis, forward-looking return expectations and the plans' current and expected asset allocation.

The assumed health care cost trend rates have a significant effect on the amounts reported for postretirement medical benefit plan. Future health care cost trend rates are assumed to be 6.1 percent in 2016 with the rates trending downward to 4.5 percent by 2026. A one-percentage point change in the assumed health care cost trend rate would have the following effects:

One-Percentage Point Increase			
Year ended December 31 <i>(In millions)</i>	2015	2014	2013
Effect on aggregate of the service and interest cost components	\$ —	\$ —	\$ —
Effect on accumulated postretirement benefit obligations	0.2	0.1	0.1

One-Percentage Point Decrease			
Year ended December 31 <i>(In millions)</i>	2015	2014	2013
Effect on aggregate of the service and interest cost components	\$0.1	\$0.1	\$0.1
Effect on accumulated postretirement benefit obligations	0.7	0.7	0.6

Plan Investments, Policies and Strategies

The Pension Plan assets are held in a trust which follows an investment policy and strategy designed to reduce the funded status volatility of the Plan by utilizing liability driven investing. The purpose of liability driven investing is to structure the asset portfolio to more closely resemble the pension liability and thereby more effectively hedge against changes in the liability. The investment policy follows a glide path approach that shifts a higher portfolio weighting to fixed income as the Plan's funded status increases. The table below sets forth the targeted fixed income and equity allocations at different funded status levels.

Projected Benefit Obligation Funded Status Thresholds	<90%	95%	100%	105%	110%	115%	120%
Fixed income	50%	58%	65%	73%	80%	85%	90%
Equity	50%	42%	35%	27%	20%	15%	10%
Total	100%	100%	100%	100%	100%	100%	100%

Within the portfolio's overall allocation to equities, the funds are allocated according to the guidelines in the table below.

Asset Class	Target Allocation	Minimum	Maximum
Domestic All-Cap/Large Cap Equity	50%	50%	60%
Domestic Mid-Cap Equity	15%	5%	25%
Domestic Small-Cap Equity	15%	5%	25%
International Equity	20%	10%	30%

The Company has retained an investment consultant responsible for the general investment oversight, analysis, monitoring investment guideline compliance and providing quarterly reports to certain of the Company's members and the Company's Investment Committee. The various investment managers used by the trust operate within the general operating objectives as established in the investment policy and within the specific guidelines established for each investment manager's respective portfolio.

The portfolio is rebalanced at least on an annual basis to bring the asset allocations of various managers in line with the target asset allocation listed above. More frequent rebalancing may occur if there are dramatic price movements in the financial markets which may cause the trust's exposure to any asset class to exceed or fall below the established allowable guidelines.

To evaluate the progress of the portfolio, investment performance is reviewed quarterly. It is, however, expected that performance goals will be met over a full market cycle, normally defined as a three to five year period. Analysis of performance is within the context of the prevailing investment environment and the advisors' investment style. The goal of the trust is to provide a rate of return consistently from three percent to five percent over the rate of inflation (as measured by the national Consumer Price Index) on a fee adjusted basis over a typical market cycle of no less than three years and no more than five years. Each investment manager is expected to outperform its respective benchmark. Below is a list of each asset class utilized with appropriate comparative benchmark(s) each manager is evaluated against:

Asset Class	Comparative Benchmark(s)
Core Fixed Income	Duration blended Barclays Aggregate & Long Government/Credit
Interest Rate Sensitive Fixed Income	Duration blended Barclays Aggregate & Long Government/Credit
Long Duration Fixed Income	Barclays Long Government/Credit
Equity Index	Standard & Poor's 500 Index
All-Cap Equity	Russell 3000 Index Russell 3000 Value Index
Mid-Cap Equity	Russell Midcap Index Russell Midcap Value Index
Small-Cap Equity	Russell 2000 Index Russell 2000 Value Index
International Equity	Morgan Stanley Capital Investment ACWI ex-US

The fixed income managers are expected to use discretion over the asset mix of the trust assets in its efforts to maximize risk-adjusted performance. Exposure to any single issuer, other than the U.S. government, its agencies, or its instrumentalities (which have no limits) is limited to five percent of the fixed income portfolio as measured by market value. At least 75 percent of the invested assets must possess an investment grade rating at or above Baa3 or BBB- by Moody's Investors Services, Standard & Poor's Ratings Services or Fitch Ratings. The portfolio may invest up to 10 percent of the portfolio's market value in convertible bonds as long as the securities purchased meet the quality guidelines. A portfolio may invest up to 25 percent of the portfolio's market value in private placement, including 144A securities with or without registration rights and allow for futures to be traded in the portfolio. The purchase of any of the Company's equity, debt or other securities is prohibited.

The domestic value equity managers focus on stocks that the manager believes are undervalued in price and earn an average or less than average return on assets, and often pays out higher than average dividend payments. The domestic growth equity manager will invest primarily in growth companies which consistently experience above average growth in earnings and sales, earn a high return on assets, and reinvest cash flow into existing business. The domestic mid-cap equity portfolio manager focuses on companies with market capitalizations lower than the average company traded on the public exchanges with the following characteristics: price/earnings ratio at or near the Russell Midcap Index, small dividend yield, return on equity at or near the Russell Midcap Index and an earnings per share growth rate at or near the Russell Midcap Index. The domestic small-cap equity manager will purchase shares of companies with market capitalizations lower than the average company traded on the public exchanges with the following characteristics: price/earnings ratio at or near the Russell 2000, small dividend yield, return on equity at or near the Russell 2000 and an earnings per share growth rate at or near the Russell 2000. The international global equity manager invests primarily in non-dollar denominated equity securities. Investing internationally diversifies the overall trust across the global equity markets. The manager is required to operate under certain restrictions including: regional constraints, diversification requirements and percentage of U.S. securities. The Morgan Stanley Capital International All Country World ex-US Index is the benchmark for comparative performance purposes. The Morgan Stanley Capital International All Country World ex-US Index is a market value weighted index designed to measure the combined equity market performance of developed and emerging markets countries, excluding the United States. All of the equities

which are purchased for the international portfolio are thoroughly researched. Only companies with a market capitalization in excess of \$100.0 million are allowable. No more than five percent of the portfolio can be invested in any one stock at the time of purchase. All securities are freely traded on a recognized stock exchange and there are no over-the-counter derivatives. The following investment categories are excluded: options (other than traded currency options), commodities, futures (other than currency futures or currency hedging), short sales/margin purchases, private placements, unlisted securities and real estate (but not real estate shares).

For all domestic equity investment managers, no more than eight percent (five percent for mid-cap and small-cap equity managers) can be invested in any one stock at the time of purchase and no more than 16 percent (10 percent for mid-cap and small-cap equity managers) after accounting for price appreciation. Options or financial futures may not be purchased unless prior approval of the Company's Investment Committee is received. The purchase of securities on margin is prohibited as is securities lending. Private placement or venture capital may not be purchased. All interest and dividend payments must be swept on a daily basis into a short-term money market fund for re-deployment. The purchase of any of the Company's equity, debt or other securities is prohibited. The purchase of equity or debt issues of the portfolio manager's organization is also prohibited. The aggregate positions in any company may not exceed one percent of the fair market value of its outstanding stock.

Plan Investments

The following tables summarize the Pension Plan's investments that are measured at fair value on a recurring basis at December 31, 2015 and 2014. There were no Level 3 investments held by the Pension Plan at December 31, 2015 and 2014.

(In millions)	December 31, 2015	Level 1	Level 2
Common stocks			
U.S. common stocks	\$189.0	\$189.0	\$ —
Foreign common stocks	19.1	19.1	—
U.S. Government obligations			
U.S. treasury notes and bonds ^(A)	158.9	158.9	—
Mortgage-backed securities	2.2	—	2.2
Bonds, debentures and notes ^(B)			
Corporate fixed income and other securities	140.2	—	140.2
Mortgage-backed securities	12.3	—	12.3
Commingled fund ^(C)	24.4	—	24.4
Other	6.9	—	6.9
Foreign government bonds	5.6	—	5.6
U.S. municipal bonds	4.9	—	4.9
Interest-bearing cash	11.5	11.5	—
Money market fund	11.7	—	11.7
Preferred stocks (foreign)	0.3	0.3	—
Forward contracts			
Receivable (foreign currency)	0.1	—	0.1
Payable (foreign currency)	(0.1)	—	(0.1)
Total Plan investments	\$587.0	\$378.8	\$208.2
Receivable from broker for securities sold	—		
Interest and dividends receivable	3.5		
Payable to broker for securities purchased	(8.8)		
Total Plan assets	\$581.7		

(In millions)	December 31, 2014	Level 1	Level 2
Common stocks			
U.S. common stocks	\$201.4	\$201.4	\$ —
Foreign common stocks	31.3	31.3	—
U.S. Government obligations			
U.S. treasury notes and bonds ^(A)	203.2	203.2	—
Mortgage-backed securities	20.6	—	20.6
Bonds, debentures and notes ^(B)			
Corporate fixed income and other securities	167.1	—	167.1
Mortgage-backed securities	19.3	—	19.3
Commingled fund ^(C)	25.1	—	25.1
Common/collective trust ^(D)	29.9	—	29.9
Foreign government bonds	7.2	—	7.2
U.S. municipal bonds	3.5	—	3.5
Interest-bearing cash	0.2	0.2	—
Preferred stocks (foreign)	1.2	1.2	—
Forward contracts			
Receivable (foreign currency)	11.3	—	11.3
Payable (foreign currency)	(15.6)	—	(15.6)
Total Plan investments	\$705.7	\$437.3	\$268.4
Receivable from broker for securities sold	3.2		
Interest and dividends receivable	3.9		
Payable to broker for securities purchased	(33.0)		
Total Plan assets	\$679.8		

^(A) This category represents U.S. treasury notes and bonds with a Moody's Investors Services rating of Aaa and Government Agency Bonds with a Moody's Investors Services rating of A1 or higher.

^(B) This category primarily represents U.S. corporate bonds with an investment grade rating at or above Baa3 or BBB- by Moody's Investors Services, Standard & Poor's Ratings Services or Fitch Ratings.

^(C) This category represents units of participation in a commingled fund that primarily invested in stocks of international companies and emerging markets.

^(D) This category represents units of participation in an investment pool which primarily invests in foreign or domestic bonds, debentures, mortgages, equipment or other trust certificate, notes, obligations issued or guaranteed by the U.S. Government or its agencies, bank certificates of deposit, bankers' acceptances and repurchase agreements, high grade commercial paper and other instruments with money market characteristics with a fixed or variable interest rate. There are no restrictions on redemptions in the common/collective trust.

The three levels defined in the fair value hierarchy and examples of each are as follows:

Level 1 inputs are quoted prices in active markets for identical unrestricted assets or liabilities that are accessible by the Pension Plan at the measurement date. Instruments classified as Level 1 include investments in common and preferred stocks, U.S. treasury notes and bonds, mutual funds and interest-bearing cash.

Level 2 inputs are inputs other than quoted prices in active markets included within Level 1 that are either directly or indirectly observable at the reporting date for the asset or liability for substantially the full term of the asset or liability. Level 2 inputs include quoted prices for similar assets or liabilities in active markets and quoted prices for identical or similar assets or liabilities in markets that are not active. Instruments classified as Level 2 include corporate fixed income and other securities, mortgage-backed securities, other U.S. Government obligations, commingled fund, a common/collective trust, U.S. municipal bonds, foreign government bonds, a repurchase agreement, money market fund and forward contracts.

Level 3 inputs are prices or valuation techniques for the asset or liability that require inputs that are both significant to the fair value measurement and unobservable (i.e., supported by little or no market activity). Unobservable inputs reflect the Plan's own assumptions about the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk).

Postretirement Benefit Plans

In addition to providing pension benefit, the Company provides certain medical and life insurance benefits for eligible retired members. Regular, full-time, active employees hired prior to February 1, 2000, whose age and years of credited service total or exceed 80 or have attained at least age 55 with 10 or more years of service at the time of retirement are entitled to postretirement medical benefits while employees hired on or after February 1, 2000, are not entitled to postretirement medical benefit. Eligible retirees must contribute such amount as the Company specifies from time to time toward the cost of coverage for postretirement benefit. The benefits are subject to deductibles, co-payment provisions and other limitations. OG&E charges postretirement benefit costs to expense and includes an annual amount as a component of the cost-of-service in future ratemaking proceedings.

The Company's contribution to the medical costs for pre-65 aged eligible retirees are fixed at the 2011 level and the Company covers future annual medical inflationary cost increases up to five percent. Increases in excess of five percent annually are covered by the pre-65 aged retiree in the form of premium increases. The Company provides Medicare-eligible retirees and their Medicare-eligible spouses an annual fixed contribution to a Company-sponsored health reimbursement arrangement. Medicare-eligible retirees are able to purchase individual insurance policies supplemental to Medicare through a third-party administrator and use their health reimbursement arrangement funds for reimbursement of medical premiums and other eligible medical expenses.

Plan Investments

The following tables summarize the postretirement benefit plans investments that are measured at fair value on a recurring basis at December 31, 2015 and 2014. There were no Level 2 investments held by the postretirement benefit plans at December 31, 2015 and 2014

<i>(In millions)</i>	December 31, 2015	Level 1	Level 3
Group retiree medical insurance contract ^(A)	\$46.8	\$ —	\$46.8
Mutual funds investment			
U.S. equity investments	7.8	7.8	—
Money market funds investment	0.7	0.7	—
Total Plan investments	\$55.3	\$8.5	\$46.8

<i>(In millions)</i>	December 31, 2014	Level 1	Level 3
Group retiree medical insurance contract ^(A)	\$51.0	\$ —	\$51.0
Mutual funds investment			
U.S. equity investments	8.5	8.5	—
Money market funds investment	0.1	0.1	—
Total Plan investments	\$59.6	\$8.6	\$51.0

^(A) This category represents a group retiree medical insurance contract which invests in a pool of common stocks, bonds and money market accounts, of which a significant portion is comprised of mortgage-backed securities.

The postretirement benefit plans Level 3 investment includes an investment in a group retiree medical insurance contract. The unobservable input included in the valuation of the contract includes the approach for determining the allocation of the postretirement benefit plans pro-rata share of the total assets in the contract.

The following table summarizes the postretirement benefit plans investments that are measured at fair value on a recurring basis using significant unobservable inputs (Level 3).

Year ended December 31 <i>(In millions)</i>	2015
Group retiree medical insurance contract	
Beginning balance	\$51.0
Interest income	0.9
Dividend income	0.6
Realized losses	—
Administrative expenses and charges	(0.1)
Net unrealized losses related to instruments held at the reporting date	(1.1)
Claims paid	(4.5)
Ending balance	\$46.8

Medicare Prescription Drug, Improvement and Modernization Act of 2003

The Medicare Prescription Drug, Improvement and Modernization Act of 2003 expanded coverage for prescription drugs. The following table summarizes the gross benefit payments the Company expects to pay related to its postretirement benefit plan, including prescription drug benefit.

<i>(In millions)</i>	Gross Projected Postretirement Benefit Payments
2016	\$14.6
2017	14.6
2018	14.7
2019	14.7
2020	14.8
After 2020	72.4

The following table summarizes the benefit payments the Company expects to pay related to OGE Energy's Pension Plan and Restoration of Retirement Income Plan. These expected benefits are based on the same assumptions used to measure the Company's benefit obligation at the end of the year and include benefits attributable to estimated future employee service.

<i>(In millions)</i>	Projected Benefit Payments
2016	\$66.2
2017	50.6
2018	52.2
2019	54.7
2020	58.9
After 2020	275.7

Post-Employment Benefit Plan

Disabled employees receiving benefits from the Company's Group Long-Term Disability Plan are entitled to continue participating in the Company's Medical Plan along with their dependents. The post-employment benefit obligation represents the actuarial present value of estimated future medical benefits that are attributed to employee service rendered prior to the date as of which such information is presented. The obligation also includes future medical benefits expected to be paid to current employees participating in the Company's Group Long-Term Disability Plan and their dependents, as defined in the Company's Medical Plan.

The post-employment benefit obligation is determined by an actuary on a basis similar to the accumulated postretirement benefit obligation. The estimated future medical benefits are projected to grow with expected future medical cost trend rates and are discounted for interest at the discount rate and for the probability that the participant will discontinue receiving benefits from the Company's Group Long-Term Disability Plan due to death, recovery from disability, or eligibility for retiree medical benefit. The Company's post-employment benefit obligation was \$1.5 million and \$1.2 million at December 31, 2015 and 2014, respectively.

401(k) Plan

The Company provides a 401(k) Plan. Each regular full-time employee of the Company or a participating affiliate is eligible to participate in the 401(k) Plan immediately. All other employees of the Company or a participating affiliate are eligible to become participants in the 401(k) Plan after completing one year of service as defined in the 401(k) Plan. Participants may contribute each pay period any whole percentage between two percent and 19 percent of their compensation, as defined in the 401(k) Plan, for that pay period. Participants who have attained age 50 before the close of a year are allowed to make additional contributions referred to as "Catch-Up Contributions," subject to certain limitations of the Code. Participants may designate, at their discretion, all or any portion of their contributions as: (i) a before-tax contribution under Section 401(k) of the Code subject to the limitations thereof; (ii) a contribution made on a non-Roth after-tax basis; or (iii) a Roth contribution. The 401(k) Plan also includes an eligible automatic contribution arrangement and provides for a qualified default investment alternative consistent with the U.S. Department of Labor regulations. Participants may elect, in accordance with the 401(k) Plan procedures, to have his or her future salary deferral rate to be automatically increased annually on a date and in an amount as specified by the participant in such election. For employees hired or rehired on or after December 1, 2009, the Company contributes to the 401(k) Plan, on behalf of each participant, 200 percent of the participant's contributions up to five percent of compensation.

No Company contributions are made with respect to a participant's Catch-Up Contributions, rollover contributions, or with respect to a participant's contributions based on overtime payments, pay-in-lieu of overtime for exempt personnel, special lump-sum recognition awards and lump-sum merit awards included in compensation for determining the amount of participant contributions. Once made, the Company's contribution may be directed to any available investment option in the

401(k) Plan. The Company match contributions vest over a three-year period. After two years of service, participants become 20 percent vested in their Company contribution account and become fully vested on completing three years of service. In addition, participants fully vest when they are eligible for normal or early retirement under the Pension Plan, in the event of their termination due to death or permanent disability or upon attainment of age 65 while employed by the Company or its affiliate . The Company contributed \$11.6 million, \$15.2 million and \$14.2 million in 2015, 2014 and 2013, respectively, to the 401(k) Plan.

Deferred Compensation Plan

The Company provides a nonqualified de erred compensation plan which is intended to be an unfunded plan. The plan's primary purpose is to provide a tax-deferred capital accumulation vehicle for a select group of management, highly compensated employees and non-employee members of the Board of Directors of the Company and to supplement such employees' 401(k) Plan contributions as well as offering this plan to be competitive in the marketplace.

Eligible employees who enroll in the plan have the following deferral options: (i) eligible employees may elect to defer up to a maximum of 70 percent of base salary and 100 percent of annual bonus awards or (ii) eligible employees may elect a deferral percentage of base salary and bonus awards based on the deferral percentage elected for a year under the 401(k) Plan with such deferrals to start when maximum deferrals to the qualified 401(k) Plan h ve been made because of limitations in that plan. Eligible directors who enroll in the plan may elect to defer up to a maximum of 100 percent of directors' meeting fees and annual retainers. The Company matches employee (but not non-employee director) deferrals to make up for any match lost in the 401(k) Plan because of deferrals to the deferred compensation plan, and to allow for a match that would have been made under the 401(k) Plan on that portion of either the first six percent of total compensation or the first five percent of total compensation, depending on prior participant elections, deferred that exceeds the limits allowed in the 401(k) Plan. Matching credits vest based on years of service, with full vesting after three years or, if earlier, on retirement, disability, death, a change in control of the Company or termination of the plan. Deferrals, plus any Company match, are credited to a recordkeeping account in the participant's name. Earnings on the deferrals are indexed to the assumed investment funds selected by the participant. In 2015, those investment options included a Company Common Stock fund, whose

value was determined based on the stock price of the Company's Common Stock. The Company accounts for the contributions related to the Company's executive officers in this plan as Acc ued Benefit Obligations and the Company accounts for the contributions related to the Company's directors in this plan as Other Deferred Credits and Other Liabilities in the Consolidated Balance Sheets. The investment associated with these contributions is accounted for as Other Property and Investments in the Consolidated Balance Sheets. The appreciation of these investments is accounted for as Other Income and the increase in the liability under the plan is accounted for as Other Expense in the Consolidated Statements of Income.

Supplemental Executive Retirement Plan

The Company provides a supplemental executive retirement plan in order to attract and retain executives designated by the Compensation Committee of the Company's Board of Directors who may not otherwise qualify for a sufficient l vel of benefits under the Compa y's Pension Plan and Restoration of Retirement Income Plan. The supplemental executive retirement plan is intended to be an unfunded plan and not subject to the benefit limitations of the Cod . As of December 31, 2015, there are no employees participating in the supplemental executive retirement plan.

13. Report of Business Segments

The Company reports its operations in two business segments:

(i) the electric utility segment, which is engaged in the generation, transmission, distribution and sale of electric energy, and (ii) natural gas midstream operations segment.

As discussed in Note 3, in connection with the formation of Enable, effective May 1, 2013, OGE Energy deconsolidated its interest in Enogex Holdings and began accounting for its interest in Enable using the equity method of accounting. Accordingly, for periods through April 30, 2013, amounts reported for the natural gas midstream operations segment reflect the ope ating results of Enogex Holdings. Equity in earnings of unconsolidated affiliates in the natu al gas midstream operations segment reflects OGE Energy's equity interest in Enable since May 1, 2013. Investment in unconsolidated affiliates in the natural gas midstream operations segment represents OGE Energy's investment in Enable.

Other Operations primarily includes the operations of the holding company.

Intersegment revenues are recorded at prices comparable to those of unaffiliated customers and are af ected by regulatory considerations.

The following tables summarize the results of the Company's business segments for the years ended December 31, 2015, 2014 and 2013.

2015 (In millions)	Electric Utility	Natural Gas Midstream Operations	Other Operations	Eliminations	Total
Operating revenues	\$2,196.9	\$ —	\$ —	\$ —	\$2,196.9
Cost of sales	865.0	—	—	—	865.0
Other operation and maintenance	444.5	7.5	(0.4)	—	451.6
Depreciation and amortization	299.9	—	8.0	—	307.9
Taxes other than income	87.1	—	4.1	—	91.2
Operating income (loss)	500.4	(7.5)	(11.7)	—	481.2
Equity in earnings of unconsolidated affiliates ^(A)	—	15.5	—	—	15.5
Other income (expense)	20.0	0.4	0.9	(0.3)	21.0
Interest expense	146.7	—	2.6	(0.3)	149.0
Income tax expense (benefit)	104.8	(1.0)	(6.4)	—	97.4
Net income (loss)	\$ 268.9	\$ 9.4	\$ (7.0)	\$ —	\$ 271.3
Investment in unconsolidated affiliate	\$ —	\$1,194.4	\$ —	\$ —	\$1,194.4
Total assets	\$8,541.8	\$1,439.5	\$175.1	\$(559.0)	\$9,597.4
Capital expenditures	\$ 551.6	\$ —	\$ (3.8)	\$ —	\$ 547.8

^(A) In September 2015, the Company recorded a \$108.4 million pre-tax charge for its share of the goodwill impairment, as adjusted for the basis difference. See Note 3 for further discussion of Enable's goodwill impairment.

2014 (In millions)					
Operating revenues	\$2,453.1	\$ —	\$ —	\$ —	\$2,453.1
Cost of sales	1,106.6	—	—	—	1,106.6
Other operation and maintenance	453.2	1.2	(14.8)	—	439.6
Depreciation and amortization	270.8	—	10.6	—	281.4
Taxes other than income	84.5	—	4.2	—	88.7
Operating income (loss)	538.0	(1.2)	—	—	536.8
Equity in earnings of unconsolidated affiliate	—	172.6	—	—	172.6
Other income (expense)	7.1	—	0.7	(0.2)	7.6
Interest expense	141.5	—	7.1	(0.2)	148.4
Income tax expense (benefit)	111.6	69.1	(7.9)	—	172.8
Net income (loss)	\$ 292.0	\$ 102.3	\$ 1.5	\$ —	\$ 395.8
Investment in unconsolidated affiliate	\$ —	\$1,318.2	\$ —	\$ —	\$1,318.2
Total assets	\$8,266.2	\$1,461.2	\$129.2	\$(328.8)	\$9,527.8
Capital expenditures	\$ 565.4	\$ —	\$ 10.8	\$ (6.9)	\$ 569.3

2013 (In millions)					
Operating revenues	\$2,262.2	\$ 630.4	\$ —	\$ (24.9)	\$2,867.7
Cost of sales	965.9	489.0	—	(26.0)	1,428.9
Other operation and maintenance	438.8	60.9	(10.5)	—	489.2
Depreciation and amortization	248.4	36.8	12.1	—	297.3
Taxes other than income	83.8	10.5	4.5	—	98.8
Operating income (loss)	525.3	33.2	(6.1)	1.1	553.5
Equity in earnings of unconsolidated affiliate	—	101.9	—	—	101.9
Other income (expense)	10.1	8.9	(2.3)	(0.5)	16.2
Interest expense	129.3	10.6	8.1	(0.5)	147.5
Income tax expense (benefit)	113.5	26.9	(10.6)	0.5	130.3
Net income (loss)	292.6	106.5	(5.9)	0.6	393.8
Less: Net income attributable to noncontrolling interests	—	6.6	—	(0.4)	6.2
Net income attributable to OGE Energy	\$ 292.6	\$ 99.9	\$ (5.9)	\$ 1.0	\$ 387.6
Investment in unconsolidated affiliate	\$ —	\$1,298.8	\$ —	\$ —	\$1,298.8
Total assets	\$7,694.9	\$1,348.6	\$216.2	\$(125.0)	\$9,134.7
Capital expenditures	\$ 797.6	\$ 181.5	\$ 11.5	\$ —	\$ 990.6

14. Commitments and Contingencies

Operating Lease Obligations

The Company has operating lease obligations expiring at various dates, primarily for OG&E railcar leases, OG&E wind farm land leases

Year ended December 31 <i>(In millions)</i>	2016	2017	2018	2019	2020	After 2020	Total
Operating lease obligations							
Railcars	\$4.2	\$3.5	\$2.4	\$23.0	\$ —	\$ —	\$33.1
Wind farm land leases	2.4	2.5	2.5	2.5	2.9	46.3	59.1
Noncancellable operating lease	0.8	0.8	0.7	—	—	—	2.3
Total operating lease obligations	\$7.4	\$6.8	\$5.6	\$25.5	\$2.9	\$46.3	\$94.5

Payments for operating lease obligations were \$7.7 million, \$6.7 million and \$8.8 million for the years ended December 31, 2015, 2014 and 2013, respectively.

OG&E Railcar Lease Agreement

OG&E has several noncancellable operating leases with purchase options, covering approximately 1,400 rotary gondola railcars to transport coal from Wyoming to OG&E's coal-fired generation units. Rental payments are charged to fuel expense and are recovered through OG&E's tariffs and fuel adjustment clauses.

On January 11, 2012, OG&E executed a five-year lease agreement for 135 railcars to replace railcars that have been taken out of service or destroyed.

On October 14, 2014, OG&E signed a separate three-year lease effective December 2014 for 131 railcars to replace railcars that have been taken out of service or destroyed.

On December 17, 2015, OG&E renewed the lease agreement effective February 1, 2016. At the end of the new lease term, which is February 1, 2019, OG&E has the option to either purchase the railcars at a stipulated fair market value or renew the lease. If OG&E chooses not to purchase the railcars or renew the lease agreement and the actual fair value of the railcars is less than the stipulated fair market value, OG&E would be responsible for the difference in those values up to a maximum of \$20.1 million. OG&E is also required to maintain

and the Company's noncancellable operating lease. Future minimum payments for noncancellable operating leases are as follows:

all of the railcars it has under the operating lease and has entered into an agreement with a non-affiliated company to furnish this maintenance.

OG&E Wind Farm Land Lease Agreements

OG&E has operating leases related to land for its Centennial, OU Spirit and Crossroads wind farms expiring at various dates. The Centennial lease has rent escalations which increase annually based on the Consumer Price Index. The OU Spirit and Crossroads leases have rent escalations which increase after five and 10 years. Although the leases are cancellable, OG&E is required to make annual lease payments as long as the wind turbines are located on the land. OG&E does not expect to terminate the leases until the wind turbines reach the end of their economic life.

Noncancellable Operating Lease

On August 29, 2012, the Company executed a five-year lease agreement for office space from September 1, 2013 to August 31, 2018. This lease has rent escalations which increase after five-years and allows for leasehold improvements.

Other Purchase Obligations and Commitments

The Company's other future purchase obligations and commitments estimated for the next five years are as follows:

<i>(In millions)</i>	2016	2017	2018	2019	2020	Total
Other purchase obligations and commitments						
Cogeneration capacity and fixed operation and maintenance payments	\$ 79.8	\$ 77.0	\$ 74.0	\$ 66.6	\$ 54.7	\$ 352.1
Expected cogeneration energy payments	58.3	42.7	55.2	57.6	55.1	268.9
Minimum fuel purchase commitments	299.6	127.5	40.7	11.7	—	479.5
Expected wind purchase commitments	58.6	58.8	57.0	55.8	56.6	286.8
Long-term service agreement commitments	2.5	2.6	43.2	2.8	2.9	54.0
Mustang Modernization expenditures	103.4	12.9	17.7	—	—	134.0
Environmental compliance plan expenditures	150.5	119.9	50.8	4.1	—	325.3
Total other purchase obligations and commitments	\$752.7	\$441.4	\$338.6	\$198.6	\$169.3	\$1,900.6

Public Utility Regulatory Policy Act of 1978

At December 31, 2015, OG&E has a QF contract with Oklahoma Cogeneration LLC which expires on August 31, 2019 and a QF contract with AES-Shady Point, Inc. which expires on January 15, 2023. These contracts were entered into pursuant to the Public Utility Regulatory Policy Act of 1978. Stated generally, the Public Utility Regulatory Policy Act of 1978 and the regulations thereunder promulgated by the FERC require OG&E to purchase power generated in a manufacturing process from a 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. For the 320 MWs AES-Shady Point, Inc. QF contract and the 120 MWs Oklahoma Cogeneration LLC QF contract, OG&E purchases 100 percent of the electricity generated by the QFs.

For the years ended December 31, 2015, 2014 and 2013, OG&E made total payments to cogenerators of \$124.0 million, \$129.4 million and \$134.8 million, respectively, of which \$69.5 million, \$72.3 million and \$74.4 million, respectively, represented capacity payments. All payments for purchased power, including cogeneration, are included in the Consolidated Statements of Income as Cost of Sales.

OG&E Minimum Fuel Purchase Commitments

OG&E has coal contracts for purchases through December 2017. As a participant in the SPP Integrated Marketplace, OG&E now purchases a relatively small percentage of its natural gas supply through long-term agreements. Alternatively, OG&E relies on a combination of call natural gas agreements, whereby OG&E has the right but not the obligation to purchase a defined quantity of natural gas, combined with day and intra-day purchases to meet the demands of the SPP Integrated Marketplace.

OG&E Wind Purchase Commitments

OG&E's current wind power portfolio includes the following, in addition to the 120 MW Centennial, 101 MW OU Spirit and 228 MW Crossroads wind farms owned by OG&E: (i) access to up to 50 MWs of electricity generated at a wind farm near Woodward, Oklahoma from a 15-year contract OG&E entered into with FPL Energy that expires in 2018, (ii) access to up to 152 MWs of electricity generated at a wind farm in Woodward County, Oklahoma from a 20-year contract OG&E entered into with CPV Keenan that expires in 2031, (iii) access to up to 130 MWs of electricity generated at a wind farm in Dewey County, Oklahoma from a 20-year contract OG&E entered into with Edison Mission Energy that expires in 2031 and (iv) access to up to 60 MWs of electricity generated at a wind farm near Blackwell, Oklahoma from a 20-year contract OG&E entered into with NextEra Energy that expires in 2032.

The following table summarizes OG&E's wind power purchases for the years ended December 31, 2015, 2014 and 2013.

Year ended December 31 <i>(In millions)</i>	2015	2014	2013
CPV Keenan	\$26.7	\$28.1	\$30.9
Edison Mission Energy	19.7	21.3	20.6
FPL Energy	3.2	3.6	3.3
NextEra Energy	7.0	7.8	7.2
Total wind power purchased	\$56.6	\$60.8	\$62.0

OG&E Long-Term Service Agreement Commitments

OG&E has a long-term parts and service maintenance contract for the upkeep of the McClain Plant. In May 2013, a new contract was signed that is expected to run for the earlier of 128,000 factored-fired hours or 4,800 factored-fired stations. On December 30, 2015, the McClain LTSA was amended to define the terms and conditions for the exchange of spare rotors between OG&E and General Electric International, Inc. Based on historical usage and current expectations for future usage, this contract is expected to run until 2030. The contract requires payments based on both a fixed and variable cost component, depending on how much the McClain Plant is used.

OG&E has a long-term parts and service maintenance contract for the upkeep of the Redbud Plant. In March 2013, the contract was amended to extend the contract coverage for an additional 24,000 factored-fired hours resulting in a maximum of the earlier of 144,000 factored-fired hours or 4,500 factored-fired stations. Based on historical usage and current expectations for future usage, this contract is expected to run until 2028. The contract requires payments based on both a fixed and variable cost component, depending on how much the Redbud Plant is used.

Enable Gas Transportation and Storage Agreement

OG&E contracts with Enable for gas transportation services. On March 17, 2014, OG&E entered into a new five-year firm non-notice load following gas transportation contract with Enable effective May 1, 2014.

Environmental Laws and Regulations

The activities of OG&E are subject to numerous stringent and complex Federal, state and local laws and regulations governing environmental protection. These laws and regulations can change, restrict or otherwise impact OG&E's business activities in many ways including the handling or disposal of waste material, future construction activities to avoid or mitigate harm to threatened or endangered species and requiring the installation and operation of emissions pollution control equipment. Failure to comply with these laws and regulations could result in the assessment of administrative, civil and criminal penalties, the imposition of remedial requirements and the issuance of orders enjoining future operations. OG&E believes that its operations are in substantial compliance with current Federal, state and local environmental standards.

Environmental regulation can increase the cost of planning, design, initial installation and operation of OG&E's facilities. Historically, OG&E's total expenditures for environmental control facilities and for remediation have not been significant in relation to its consolidated financial position or results of operations. The Company believes, however, that it is likely that the trend in environmental legislation and regulations will continue towards more restrictive standards. Compliance with these standards is expected to increase the cost of conducting business. Management continues to evaluate its

compliance with existing and proposed environmental legislation and regulations and implement appropriate environmental programs in a competitive market.

OG&E is managing several significant uncertainties about the scope and timing for the acquisition, installation and operation of additional pollution control equipment and compliance costs for a variety of the EPA rules that are being challenged in court. OG&E is unable to predict the financial impact of these matters with certainty at this time.

Federal Clean Air Act New Source Review Litigation

As previously reported, in July 2008, OG&E received a request for information from the EPA regarding Federal Clean Air Act compliance at OG&E's Muskogee and Sooner generating plants.

On July 8, 2013, the U.S. Department of Justice filed a complaint against OG&E in United States District Court for the Western District of Oklahoma alleging that OG&E did not follow the Federal Clean Air Act procedures for projecting emission increases attributable to eight projects that occurred between 2003 and 2006. This complaint seeks to have OG&E submit a new assessment of whether the projects were likely to result in a significant emissions increase. The Sierra Club intervened in this proceeding. On August 30, 2013, the government filed a Motion for Summary Judgment and on September 6, 2013, OG&E filed a Motion to Dismiss the case. On January 15, 2015, U.S. District Judge Timothy DeGuisti dismissed the complaints filed by the EPA and the Sierra Club. The Court held that it lacked subject matter jurisdiction over plaintiffs' claims because plaintiffs failed to present an actual "case or controversy" as required by Article III of the Constitution. The court also ruled in the alternative that, even if plaintiffs had presented a case or controversy, it would have nonetheless "decline[d] to exercise jurisdiction." The EPA and the Sierra Club did not file an appeal of the Court's ruling.

On August 12, 2013, the Sierra Club filed a separate complaint against OG&E in the United States District Court for the Eastern District of Oklahoma alleging that OG&E projects at Muskogee Unit 6 in 2008 were made without obtaining a prevention of significant deterioration permit and that the plant had exceeded emissions limits for opacity and particulate matter. The Sierra Club seeks a permanent injunction preventing OG&E from operating the Muskogee generating plant. On March 4, 2014, the Eastern District dismissed the prevention of significant deterioration permit claim based on the statute of limitations, but allowed the opacity and particulate matter claims to proceed. To obtain the right to appeal this decision, the Sierra Club subsequently withdrew a Notice of Intent to Sue for additional Clean Air Act violations and asked the Eastern District to dismiss its remaining claims with prejudice. On August 27, 2014, the Eastern District granted the Sierra Club's request. The Sierra Club has filed a Notice of Appeal with the 10th Circuit where oral argument was held on March 18, 2015.

At this time, OG&E continues to believe that it has acted in compliance with the Federal Clean Air Act, and OG&E expects to vigorously defend against the claims that have been asserted. If OG&E does not prevail in the remainder of the proceedings, the EPA and the Sierra Club could seek to require OG&E to install additional pollution control equipment, including dry scrubbers, baghouses and selective

catalytic reduction systems with capital costs in excess of \$1.1 billion and pay fines and significant penalties as a result of the allegations in the notice of violation. Section 113 of the Federal Clean Air Act (along with the Federal Civil Penalties Inflation Adjustment Act of 1996) provides for civil penalties as much as \$37,500 per day for each violation. Due to the uncertain and preliminary nature of this litigation, OG&E cannot provide a range of reasonably possible loss in this case.

Air Quality Control System

On September 10, 2014, OG&E executed a contract for the design, engineering and fabrication of two circulating dry scrubber systems to be installed at Sooner Units 1 and 2. OG&E entered into an agreement on February 9, 2015, to install the dry scrubber systems. The dry scrubbers are part of OG&E's ECP and scheduled to be completed by 2019. More detail regarding the ECP can be found under the "Pending Regulatory Matters" in Note 15.

Clean Power Plan

On October 23, 2015, the EPA published the final Clean Power Plan that established standards of performance for CO₂ emissions from existing fossil-fuel-fired power plants along with state-specific CO₂ reduction standards expressed as both rate-based (lbs/MWh) and mass-based (tons/yr) goals. The 2030 rate-based reduction requirement for all existing generating units in Oklahoma has decreased from a proposed 43 percent reduction to 32 percent in the final rule. The mass-based approach for existing units calls for a 24 percent reduction by 2030 in Oklahoma. The Clean Power Plan requires that states submit to the EPA plans for achieving the state-specific CO₂ reduction goals by September 6, 2016 or submit an extension request for up to two years. The compliance period was to begin in 2022, and emission reductions were to be phased in by 2030. The EPA also proposed a federal compliance plan to implement the Clean Power Plan in the event that an approvable state plan was not submitted to the EPA by the required deadline.

A number of states have filed lawsuits against the Clean Power Plan. On February 9, 2016, the U.S. Supreme Court issued orders staying implementation of the Clean Power Plan pending resolution of challenges to the rule. The company is unable to determine what impact the lawsuits will ultimately have on the Clean Power Plan or what impact the stay in implementation will have; however if the Clean Power Plan survives judicial review and is implemented as written, it could result in significant additional compliance costs that would affect our future consolidated financial position, results of operations and cash flows if such costs are not recovered through regulated rates. Significant uncertainties would remain with regards to potential implementation in Oklahoma (and the federal plan that would be imposed by the EPA for states that do not submit approvable plans), including whether states would elect an emissions standards approach versus a state measures approach, whether and what type of emissions trading would be allowed, and available cost mitigation options. Due to the pending litigation and the uncertainties in the state approaches, the ultimate timing and impact of these standards on our operations cannot be determined with certainty at this time.

Siemens Contract

On June 15, 2015 OG&E entered into a contract with Siemens Energy Inc. for the purchase, design and engineering of seven simple-cycle gas turbine generators for \$170.3 million to be completed by June 1, 2018.

Other

In the normal course of business, the Company is confronted with issues or events that may result in a contingent liability. These generally relate to lawsuits or claims made by third parties, including governmental agencies. When appropriate, management consults with legal counsel and other experts to assess the claim. If, in management's opinion, the Company has incurred a probable loss as set forth by GAAP, an estimate is made of the loss and the appropriate accounting entries are reflected in the Company's Consolidated Financial Statements. At the present time, based on current available information, the Company believes that any reasonably possible losses in excess of accrued amounts arising out of pending or threatened lawsuits or claims would not be quantitatively material to its financial statement and would not have a material adverse effect on the Company's consolidated financial position, results of operations or cash flows.

15. Rate Matters and Regulation

Regulation and Rates

OG&E's retail electric tariffs are regulated by the OCC in Oklahoma and by the APSC in Arkansas. The issuance of certain securities by OG&E is also regulated by the OCC and the APSC. OG&E's wholesale electric tariffs, transmission activities, short-term borrowing authorization and accounting practices are subject to the jurisdiction of the FERC. The Secretary of the U.S. Department of Energy has jurisdiction over some of OG&E's facilities and operations. In 2015, 86 percent of OG&E's electric revenue was subject to the jurisdiction of the OCC, eight percent to the APSC and six percent to the FERC.

The OCC issued an order in 1996 authorizing OG&E to reorganize into a subsidiary of the Company. The order required that, among other things, (i) the Company permit the OCC access to the books and records of the Company and its affiliates relating to transactions with OG&E, (ii) the Company employ accounting and other procedures and controls to protect against subsidization of non-utility activities by OG&E's customers and (iii) the Company refrain from pledging OG&E assets or income for affiliate transactions. In addition, the Energy Policy Act of 2005 enacted the Public Utility Holding Company Act of 2005, which in turn granted to the FERC access to the books and records of the Company and its affiliates as the FERC deems relevant to costs incurred by OG&E or necessary or appropriate for the protection of utility customers with respect to the FERC jurisdictional rates.

Completed Regulatory Matters

Fuel Adjustment Clause Review for Calendar Year 2013

The OCC routinely reviews the costs recovered from customers through OG&E's fuel adjustment clause. On July 31, 2014, the OCC Staff filed an application to review OG&E's fuel adjustment clause for calendar year 2013, including the prudence of OG&E's electric generation, purchased power and fuel procurement costs. On May 21, 2015, the ALJ recommended that the OCC find that OG&E's 2013 electric generation, purchased power and fuel procurement processes and costs were prudent, accurate and properly applied to customer billing statements. OG&E received an order to that effect from the OCC on June 17, 2015.

Oklahoma Demand Program Rider

On January 6, 2016, the OCC approved OG&E's 2016 through 2018 demand portfolio programs. The order stipulates recovery of program costs, lost revenues and incentives resulting from those programs, through the Demand Program Rider.

Pending Regulatory Matters

Set forth below is a list of various proceedings pending before state or federal regulatory agencies. Unless stated otherwise, OG&E cannot predict when the regulatory agency will act or what action the regulatory agency will take. OG&E's financial results are dependent in part on timely and adequate decisions by the regulatory agencies that set OG&E's rates.

FERC Order No. 1000, Final Rule on Transmission Planning and Cost Allocation

On July 21, 2011, the FERC issued Order No. 1000, which revised the FERC's existing regulations governing the process for planning enhancements and expansions of the electric transmission grid along with the corresponding process for allocating the costs of such expansions. Order No. 1000 requires individual regions to determine whether a previously-approved project is subject to reevaluation and is therefore governed by the new rule.

Order No. 1000 directs public utility transmission providers to remove from the FERC-jurisdictional tariff and agreement provisions that establish any Federal "right of first refusal" for the incumbent transmission owner (such as OG&E) regarding transmission facilities selected in a regional transmission planning process, subject to certain limitations. However, Order No. 1000 is not intended to affect the right of an incumbent transmission owner (such as OG&E) to build, own and recover costs for upgrades to its own transmission facilities or to alter an incumbent transmission owner's use and control of existing rights of way. Order No. 1000 also clarifies that incumbent transmission owners may rely on regional transmission facilities to meet their reliability needs or service obligations. The SPP's pre-Order No. 1000 tariff included a "right of first refusal" for incumbent transmission owners and this provision has played a role in OG&E being selected by the SPP to build previous transmission projects in Oklahoma. On May 29, 2013, the Governor of Oklahoma signed House Bill 1932 into law which establishes a right of first refusal for Oklahoma incumbent transmission owners, including OG&E, to build new transmission projects with voltages under 300 kV that interconnect to those incumbent owners' existing facilities.

The SPP has submitted compliance filings implementing Order No. 1000's requirements. In response, the FERC issued an order on the SPP filings that required the SPP to remove certain right of first refusal language from the SPP Tariff and the SPP Membership Agreement. On December 15, 2014, OG&E filed an appeal in the District of Columbia Court of Appeals challenging the FERC's order requiring the removal of the right of first refusal language from the SPP Membership Agreement. The court has not yet acted on OG&E's appeal.

The Company cannot, at this time, determine the precise impact of Order No. 1000 on OG&E. The Company has no reason to believe that the implementation of Order No. 1000 will impact those transmission projects for which OG&E has received a notice to proceed from the SPP.

Oklahoma Demand Program Rider Review – SmartHours Program

In July 2012, OG&E filed an application with the OCC to recover certain costs associated with Demand Programs through the Demand Program Rider, including the lost revenues associated with the SmartHours program. The SmartHours program is designed to incentivize participating customers to reduce on-peak usage or shift usage to off-peak hours during the months of May through October, by offering lower rates to those customers in the off-peak hours of those months. Lost revenues are created by the difference in the standard rates and the lower incentivized rates. Non-SmartHours program customers benefit from the reduction of on-peak usage by SmartHours customers by the reduction of more costly on-peak generation and the delay in adding new on-peak generation.

In December 2012, the OCC issued an order approving the recovery of costs associated with the Demand Programs, including the lost revenues associated with the SmartHours program, subject to the Oklahoma PUD staff review.

In March 2014, the Oklahoma PUD staff began their review of the Demand Program cost, including the lost revenues associated with the SmartHours program. In November 2014, OG&E believed that it had reached an agreement with the Oklahoma PUD staff on the methodology to be used to calculate lost revenues associated with the SmartHours program and the amount of lost revenue for 2013, which totaled \$10.1 million. The agreement also included utilizing the same methodology for calculating lost revenues for 2014, which resulted in lost revenues for 2014 of \$11.6 million.

In January 2015, OG&E implemented rates that began recovering the 2013 lost revenues, in accordance with the agreement that it believed had been reached with the Oklahoma PUD staff.

In April 2015, the Oklahoma PUD staff filed an application, seeking an order from the OCC, for determining the proper methodology for calculating lost revenues pursuant to OG&E's Demand Program Rider, primarily affecting the SmartHours program lost revenues. In the application, the Oklahoma PUD staff recommends the OCC approve the Oklahoma PUD staff methodology for calculating lost revenues associated with the SmartHours program, which differs from the methodology that OG&E believes it agreed upon and which would result in recovery of lost revenue for 2013 of \$4.9 million, a reduction of \$5.2 million from the amount recorded by OG&E for 2013.

OG&E believes the methodology agreed to in November 2014 is consistent with the 2012 OCC order and it is probable that OG&E will recover the \$10.1 million of lost revenues associated with 2013, the \$11.6 million associated with 2014 and the \$14.9 million associated with 2015. A hearing was held on June 30, 2015 and July 1, 2015. OG&E is unable to predict when it will receive a ruling from the OCC.

Environmental Compliance Plan

On August 6, 2014, OG&E filed an application with the OCC for approval of its plan to comply with the EPA's MATS and Regional Haze FIP while serving the best long-term interests of customers in light of future environmental uncertainties. The application sought approval of the ECP and for a recovery mechanism for the associated costs. The ECP includes installing dry scrubbers at Sooner Units 1 and 2 and the conversion of Muskogee Units 4 and 5 to natural gas. The application also asks the OCC to predetermine the prudence of its Mustang Modernization Plan which calls for replacing OG&E's soon-to-be retired Mustang steam turbines in late 2017 with 400 MWs of new, efficient combustion turbines at the Mustang site in 2018 and 2019 and approval for a recovery mechanism for the associated costs. OG&E estimates the total capital cost associated with its environmental compliance plan to be approximately \$1.1 billion. The OCC hearing on OG&E's application before an ALJ began on March 3, 2015 and concluded on April 8, 2015. Multiple parties advocating a variety of positions intervened in the proceeding.

On June 8, 2015 the ALJ issued his report on OG&E's application. While the ALJ in his report agreed that the installation of dry scrubbers at Sooner Units 1 and 2 and the conversion of Muskogee Units 4 and 5 to natural gas pursuant to OG&E's ECP is the best approach, the ALJ's report included several recommendations. OG&E filed exceptions to the ALJ's report and on July 21, 2015, Commissioner Bob Anthony issued his deliberation statement that was consistent with many parts of the ALJ's report, including the ALJ's support of OG&E's ECP, the ALJ's recommendation to pre-approve certain estimated costs of the environmental recovery plan, and the ALJ's recommendation to defer all other cost recovery issues until the next general rate case.

On December 2, 2015, OG&E received an order from the OCC denying, by a two to one vote, its plan to comply with the environmental mandates of the Federal Clean Air Act, Regional Haze and MATS. The OCC also denied OG&E's request for pre-approval of its Mustang Modernization Plan, revised depreciation rates for both the retirement of the Mustang units and the replacement combustion turbines and pre-approval of early retirement and replacement of generating units at its Mustang site, including cost recovery through a rider.

On December 11, 2015, OG&E filed a motion requesting modification of the OCC order for the purposes of approving only the ECP. OG&E did not seek modification to any other provisions of the OCC order, including cost recovery. OG&E also agreed that it would not implement a rider for recovery of the costs of the ECP until and unless authorized by the OCC in a subsequent proceeding. On December 23, 2015, the OCC rejected, by a two to one vote, a proposal by Commissioner Dana Murphy to grant OG&E's December 11, 2015 motion.

On February 12, 2016, OG&E filed an application requesting the OCC to issue an order approving the installation of dry scrubbers at the Sooner facility, on or before May 2, 2016. The application states that if the application is not approved by May 2, 2016, OG&E will decide at that time whether to cancel the dry scrubber equipment and installation contracts and make plans to convert the Sooner coal units to natural gas. As of December 31, 2015, OG&E had incurred \$94.8 million of construction work in progress on the dry scrubbers. OG&E estimates another \$35.0 million of in-process expenditures will be incurred prior to May 1, 2016. Additionally, if the request is not approved, OG&E expects to seek recovery in subsequent proceedings for the expenditures incurred for the dry scrubber project and reasonable stranded costs associated with the discontinuance of the Sooner coal units.

Fuel Adjustment Clause Review for Calendar Year 2014

On July 28, 2015, the OCC staff filed an application to review OG&E's fuel adjustment clause for calendar year 2014, including the prudence of OG&E's electric generation, purchased power and fuel procurement costs. OG&E filed the necessary information and documents needed to satisfy the OCC's minimum filing requirements on September 2, 2015. A hearing is scheduled to be held on April 7, 2016.

Integrated Resource Plans

In August 2015, OG&E initiated the process to update its IRP pursuant to the OCC rules. After engaging interested stakeholders in August and September, OG&E finalized the 2015 IRP and submitted it to the OCC on October 1, 2015. The 2015 IRP updated certain assumptions contained in the IRP submitted in 2014, but did not make any material changes to the ECP and other parts of the action plan contained in the IRP submitted in 2014.

Oklahoma Rate Case Filing

On December 18, 2015, OG&E filed a general rate case with the OCC requesting a rate increase of \$92.5 million and a 10.25 percent return on equity based on a June 30, 2015 test year. OG&E primarily seeks to recover \$1.6 billion of electric infrastructure additions since its last general rate case in Oklahoma, the impact of the expiration of OG&E's wholesale contracts and increased operating costs such as vegetation management.

Arkansas Rate Case Filing

OG&E intends to file a general rate case with the APSC by August 15, 2016.

16. Quarterly Financial Data (Unaudited)

Due to the seasonal fluctuations and other factors of the Company's businesses, the operating results for interim periods are not necessarily indicative of the results that may be expected for the year. In the Company's opinion, the following quarterly financial data includes all adjustments, consisting of normal recurring adjustments, necessary to fairly present such amounts. Summarized consolidated quarterly unaudited financial data is as follows:

Quarter ended <i>(In millions except per share data)</i>		March 31	June 30	September 30	December 31	Total
Operating revenues	2015	\$480.1	\$549.9	\$719.8	\$447.1	\$2,196.9
	2014	\$560.4	\$611.8	\$754.7	\$526.2	\$2,453.1
Operating income	2015	\$ 56.4	\$127.2	\$250.8	\$ 46.8	\$ 481.2
	2014	\$ 61.8	\$141.8	\$248.1	\$ 85.1	\$ 536.8
Net income	2015	\$ 43.2	\$ 87.5	\$111.2	\$ 29.4	\$ 271.3
	2014	\$ 49.3	\$100.8	\$187.3	\$ 58.4	\$ 395.8
Basic earnings per average common share attributable to OGE Energy common shareholders ^(A)	2015	\$ 0.22	\$ 0.44	\$ 0.55	\$ 0.15	\$ 1.36
	2014	\$ 0.25	\$ 0.51	\$ 0.94	\$ 0.29	\$ 1.99
Diluted earnings per average common share attributable to OGE Energy common shareholders ^(A)	2015	\$ 0.22	\$ 0.44	\$ 0.55	\$ 0.15	\$ 1.36
	2014	\$ 0.25	\$ 0.50	\$ 0.94	\$ 0.29	\$ 1.98

^(A) Due to the impact of dilution on the earnings per share calculation, quarterly earnings per share amounts may not add to the total.

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
OGE Energy Corp.

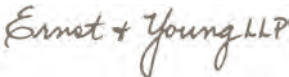
We have audited the accompanying consolidated balance sheets and statements of capitalization of OGE Energy Corp.(the Company) as of December 31, 2015 and 2014, and the related consolidated statements of income, comprehensive income, cash fl ws and changes in stockholders' equity for each of the three years in the period ended December 31, 2015. Our audits also included the financial statement schedule listed in the Index at Item 15(a). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits. We did not audit the consolidated financial statements of Ena le Midstream Partners, LP (Enable), a partnership in which the Company has a 26.3 percent interest at December 31, 2015. The Company's investment in Enable constituted 12.4 percent and 13.8 percent of the Company's assets as of December 31, 2015 and 2014, respectively, and the Company's equity earnings in the net income of Enable constituted 4.2 percent, 30.4 percent and 19.4 percent of the Company's income before income taxes for the years ended December 31, 2015, 2014 and 2013, respectively. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Enable, is based solely on the report of the other auditors.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). 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 y management, as well as evaluating the overall financial statement presentation We believe that our audits and the report of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the report of other auditors, the financial statements re erred to above present fairly, in all material respects, the consolidated financial position of OGE Energy Co p. at December 31, 2015 and 2014, and the consolidated results of its operations and its cash fl ws for each of the three years in the period ended December 31, 2015, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), OGE Energy Corp.'s internal control over financial repo ting as of December 31, 2015, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated February 26, 2016 expressed an unqualified opinion thereon



Ernst & Young LLP
Oklahoma City, Oklahoma
February 26, 2016

Controls and Procedures.

The Company maintains a set of disclosure controls and procedures designed to ensure that information required to be disclosed by the Company in reports that it files or submits under the Secu ities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the Secu ities and Exchange Commission rules and forms. In addition, the disclosure controls and procedures ensure that information required to be disclosed is accumulated and communicated to management, including the chief executive officer and chief financial offi , allowing timely decisions regarding required disclosure. As of the end of the period covered by this report, based on an evaluation carried out under the supervision and with the participation of the Company's

management, including the chief executive officer and chief financia office , of the effectiveness of the Company's disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15(d) 15(e) under the Securities Exchange Act of 1934), the chief executive officer and chief financial officer ve concluded that the Company's disclosure controls and procedures are effective.

No change in the Company's internal control over financial repo ting has occurred during the Company's most recently completed fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial repo ting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Secu ities Exchange Act of 1934).

Management's Report on Internal Control Over Financial Reporting

The management of the Company is responsible for establishing and maintaining adequate internal control over financial repo ting. The Company's internal control system was designed to provide reasonable assurance to the Company's management and Board of Directors regarding the preparation and fair presentation of published financial statements. All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement prepa ation and presentation.

The Company's management assessed the effectiveness of the Company's internal control over financial repo ting as of December 31, 2015. In making this assessment, it used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control-Integrated Framework (2013). Based on our assessment, we believe that, as of December 31, 2015, the Company's internal control over financial repo ting is effective based on those criteria.

The Company's independent auditors have issued an attestation report on the Company's internal control over financial repo ting. This report appears on the following page.



Sean Trauschke,
Chairman of the Board,
President and Chief Executive Officer



Scott Forbes,
Controller and
Chief Accounting Office



Stephen E. Merrill
Chief Financial Office

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
OGE Energy Corp.

We have audited OGE Energy Corp.'s internal control over financial reporting as of December 31, 2015, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). OGE Energy Corp.'s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial repo ting included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial repo ting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial repo ting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

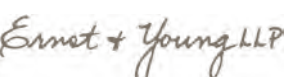
A company's internal control over financial repo ting is a process designed to provide reasonable assurance regarding the reliability of financial repo ting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the t ansactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are

recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financia statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, OGE Energy Corp. maintained, in all material respects, effective internal control over financial repo ting as of December 31, 2015, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets and statements of capitalization of OGE Energy Corp. as of December 31, 2015 and 2014, and the related consolidated statements of income, comprehensive income, cash fl ws and changes in stockholders' equity for each of the three years in the period ended December 31, 2015 of OGE Energy Corp. and our report dated February 26, 2016 expressed an unqualified opinion thereon.



Ernst & Young LLP
Oklahoma City, Oklahoma
February 26, 2016

Historical Performance

<i>(In millions except per share data)</i>	2015	2014	2013	2012	2011
Selected Financial Data					
Operating revenues	\$ 2,916.9	\$ 2,453.1	\$ 2,867.7	\$ 3,671.2	\$ 3,915.9
Cost of sales	865.0	1,106.6	1,428.9	1,918.7	2,277.9
Other operating expenses	850.7	809.7	885.3	1,075.6	991.3
Operating income	481.2	536.8	553.5	676.9	646.7
Equity in earning of unconsolidated affiliate	15.5	172.6	101.9	—	—
Allowance for equity funds used during construction	8.3	4.2	6.6	6.2	20.4
Other income	27.0	17.8	31.8	17.6	19.8
Other expense	14.3	14.4	22.2	16.5	21.7
Interest expense	149.0	148.4	147.5	164.1	140.9
Income tax expense	97.4	172.8	130.3	135.1	160.7
Net income	271.3	395.8	393.8	385.0	363.6
Less: net income attributable to noncontrolling interest	—	—	6.2	30.0	20.7
Net income attributable to OGE Energy	\$ 271.3	\$ 395.8	\$ 387.6	\$ 355.0	\$ 342.9
Diluted earnings per average common share	\$ 1.36	\$ \$1.98	\$ 1.94	\$ 1.79	\$ 1.73
Long-term debt	\$ 2,755.6	\$ 2,755.3	\$ 2,400.1	\$ 2,848.6	\$ 2,737.1
Total assets	\$ 9,597.4	\$ 9,527.8	\$ 9,134.7	\$ 9,922.2	\$ 8,906.0
Common Stock Statistics					
Dividends paid per share	\$ 1.025	\$ 0.925	\$ 0.835	\$ 0.785	\$ 0.750
Dividends declared per share	\$1.05000	\$0.95000	\$0.85125	\$0.79750	\$0.75875
Book value	\$ 16.65	\$ 16.27	\$ 15.30	\$ 14.01	\$ 13.17
Market price – year end	\$ 26.29	\$ 35.48	\$ 33.9	\$ 28.16	\$ 28.36
Price/earnings ratio – year end	19.3	17.9	17.5	15.7	16.4
Basic average shares outstanding (millions)	199.6	199.2	198.2	197.1	195.8
Diluted average shares outstanding (millions)	199.6	199.9	199.4	198.1	198.5
Actual shares outstanding (millions)	199.7	199.4	198.5	197.5	196.0
Number of shareholders	16,214	16,957	17,828	18,905	19,948
Capitalization Ratios^(A)					
Stockholders' equity	54.7%	54.1%	55.9%	51.9%	50.7%
Long-term debt	45.3%	45.9%	44.1%	48.1%	49.3%
Miscellaneous Statistics					
Electric customers	824,776	814,982	806,940	798,110	789,146
Megawatt-hour sales (millions)	28.9	30.2	28.6	29.4	29.5
Megawatt generating capability – year end (thousands)	6.8	6.8	6.8	6.8	6.8
Megawatt peak demand (thousands)	6.5	6.3	6.3	7.0	7.1
Fuel mix (generation only, by kilowatt-hours generated)					
Natural gas	44%	32%	40%	42%	39%
Coal	49%	61%	53%	52%	58%
Wind	7%	7%	7%	6%	3%
Cost (in kilowatt-hours – cents)					
Natural gas	\$ 2.529	\$ 4.506	\$ 3.905	\$ 2.930	\$ 4.328
Coal	\$ 2.187	\$ 2.152	\$ 2.273	\$ 2.310	\$ 2.064
Weighted average	\$ 2.196	\$ 2.752	\$ 2.784	\$ 2.437	\$ 2.897

^(A) Capitalization ratios = [Stockholders' equity/(Stockholders' equity + Long-term debt + Long-term debt due within one year)] and [(Long-term debt + Long-term debt due within one year)/(Stockholders' equity + Long-term debt + Long-term debt due within one year)].

Investor Information

Annual Meeting

The annual meeting of shareholders is scheduled for 10 a.m. Thursday, May 19, 2016, at the Skirvin Hilton Hotel, 1 Park Avenue, Oklahoma City. The Board of Directors will request proxies for this meeting and statements will be mailed to shareholders on or about April 4, 2016.

Ticker Symbol Information

The New York Stock Exchange lists OGE Energy Corp. common stock for trading under the symbol OGE.

Stock Exchange Listing

New York Stock Exchange
OGE Energy Corp.
Common stock

Form 10-K

A copy of the Annual Report to the Securities and Exchange Commission, Form 10-K, will be furnished without charge to any shareholder upon written request by contacting:

Todd Tidwell
OGE Energy Corp.
Investor Relations, MC 1105
P.O. Box 321
Oklahoma City, OK 73101-0321

Shareholder Information

Shareholders with questions or in need of assistance concerning their OGE stock accounts should contact OGE's registrar, stock plan administrator, transfer agent and dividend disbursing agent:

Computershare
P.O. Box 30170
College Station, TX 77842-3170
Phone toll free: 1-888-216-8114
Internet account access:
www.computershare.com/investor

Additional Information

Shareholders, analysts, brokers and institutional investors with questions or comments may contact Todd Tidwell, Director, Investor Relations at (405) 553-3966.

Stock Purchase Plan

This plan offers a convenient and economical way to purchase OGE Energy Corp. common stock. Plan materials are available on the Internet at www.oge.com or a prospectus and enrollment packet may be obtained by calling 1-888-216-8114. Please read the prospectus thoroughly before enrolling in the plan.

Dividend Direct Deposit

Shareholders may have their dividends deposited directly into their checking, savings or money market accounts. To take advantage of this service, please contact the registrar.

Market Price of Common Stock

The following table gives information with respect to price ranges, as reported in The Wall Street Journal as New York Stock Exchange Composite Transactions, for the periods shown.

	High	Low
2016		
First Quarter (through February 20)	\$27.81	\$23.37

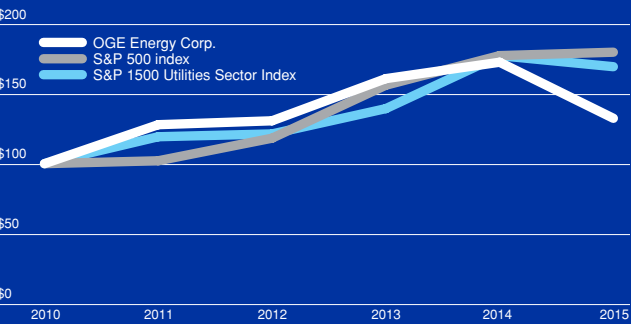
2015		
First Quarter	\$36.48	\$30.82
Second Quarter	33.21	28.28
Third Quarter	31.52	26.44
Fourth Quarter	29.40	24.15

2014		
First Quarter	\$37.29	\$32.91
Second Quarter	39.10	34.93
Third Quarter	39.28	34.88
Fourth Quarter	37.90	32.85

The number of record holders of the Company's Common Stock on Feb. 26, 2016, was 16,142. The reported closing market price of the Company's Common Stock on the New York Stock Exchange on Feb. 26, 2016, was \$25.07.

Cumulative Five-Year Total Return

This graph shows a five-year comparison of cumulative total returns for the Company's common stock, the S&P 500 Index and the S&P 1500 Utilities Sector Index. The graph assumes that the value of the investment in the Company's common stock and each index was \$100 at Dec. 31, 2010, and that all dividends were reinvested. As of Dec. 31, 2015, the closing price of the Company's common stock on the New York Stock Exchange was \$26.29.



Duplicate Annual Reports

Annual reports are typically mailed for each separate shareholder registration. To eliminate duplicate mailings please contact the registrar.

Corporate Governance

All of OGE Energy Corp.'s corporate governance material, including codes of conduct, guidelines for corporate governance and committee charters, is available for public viewing on the OGE Energy web site at www.oge.com under the heading "Investors," "Investor Relations," "Corporate Governance." OGE Energy Corp.'s corporate governance material also is available upon request sent to OGE Energy Corp.'s Corporate Secretary.

OGE

OGE employees Alvett Taylor-Lawson, Customer Service Representative, Oklahoma City (Back); Michelle Rodriguez-Pico, Lead Project Manager in Utility Technical Support, Oklahoma City; and John Stogsdill, Manager, Muskogee Power Plant, Muskogee, Okla.

