OGE ENERGY CORP
Form DEF 14A
March 30, 2007

SCHEDULE 14A

SCHEDULE 14A INFORMATION

PROXY STATEMENT PURSUANT TO SECTION 14(A) OF THE SECURITIES EXCHANGE ACT OF 1934 (AMENDMENT NO.)

Filed by the Registrant [X]

Filed by a Party other than the Registrant [ ]

Check the appropriate box:

[ ] Preliminary Proxy Statement

[ ] Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

[X] Definitive Proxy Statement

[ ] Definitive Additional Materials

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OGE ENERGY CORP.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

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**Notice of Annual Meeting of Shareowners
and Proxy Statement**

Thursday, May 17, 2007, at 10:00 a.m.

**National Cowboy and Western Heritage Museum
1700 Northeast 63rd Street
Oklahoma City, Oklahoma**

March 30, 2007

Dear Shareowner:

You are cordially invited to attend the annual meeting of OGE Energy Corp. at 10:00 a.m. on Thursday, May 17, 2007, at the National Cowboy and Western Heritage Museum, 1700 Northeast 63rd Street, Oklahoma City, Oklahoma.

The matters to be voted on at the meeting are described in the Notice of Annual Meeting of Shareowners and Proxy Statement on the following pages.

Even though you may own only a few shares, your proxy is important in making up the total number of shares necessary to hold the meeting. Whether or not you plan to attend the meeting, please vote your shares as soon as possible. A return envelope for your proxy card is enclosed for your convenience. Again this year, in addition to telephone voting, you also have the option of voting by the Internet. Instructions are included on the proxy card. Your vote will be appreciated.

Those arriving before the meeting will have the opportunity to visit informally with the management of your Company. In addition to the business portion of the meeting, there will be reports on our current operations and outlook.

Your continued interest in the Company is most encouraging and, on behalf of the Board of Directors and employees, I want to express our gratitude for your confidence and support.

Very truly yours,

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

(ii)

Notice of Annual Meeting

of Shareowners

The Annual Meeting of Shareowners of OGE Energy Corp. will be held on Thursday, May 17, 2007, at 10:00 a.m. at the National Cowboy and Western Heritage Museum, 1700 Northeast 63rd Street, Oklahoma City, Oklahoma, for the following purposes:

(1) To elect four directors to serve for a three-year term;

(2) To ratify the appointment of Ernst & Young LLP as our principal independent accountants; and

(3) To transact such other business as may properly come before the meeting.

The map on page 34 will assist you in locating the National Cowboy and Western Heritage Museum.

Shareowners who owned stock on March 20, 2007, are entitled to notice of and to vote at this meeting or any adjournment of the meeting. A list of such shareowners will be available, as required by law, at our principal offices at 321 North Harvey, Oklahoma City, Oklahoma 73102.

/s/ Carla D. Brockman
Carla D. Brockman
Vice President - Administration
and Corporate Secretary

Dated: March 30, 2007

IMPORTANT YOUR PROXY CARD IS ENCLOSED IN THIS ENVELOPE

To assure your representation at the meeting, please vote your shares by the Internet, by telephone or by signing, dating and returning the proxy card promptly in the enclosed envelope. No postage is required for mailing in the United States. If your shares are held in the name of a broker, trust, bank or other nominee and you plan to attend the meeting and vote your shares in person, you should bring with you a proxy or letter from the broker, trustee, bank or other nominee confirming your beneficial ownership of the shares.

(iii)

Proxy Statement

March 30, 2007

Introduction

The Annual Meeting of Shareowners of OGE Energy Corp. (the Company) will be held at the National Cowboy and Western Heritage Museum, 1700 Northeast 63rd Street, Oklahoma City, Oklahoma, on May 17, 2007, at 10:00 a.m. For the convenience of those shareowners who may attend the meeting, a map is printed on page 34 that gives directions to the National Cowboy and Western Heritage Museum. At the meeting, we intend to present the first two items in the accompanying notice for action by the owners of the Company s Common Stock. The Board of Directors does not now know of any other matters to be presented at the meeting, but, if any other matters are properly presented to the meeting for action, the persons named in the accompanying proxy will vote upon them in accordance with their best judgment.

Your Board of Directors is sending you this proxy statement in connection with the solicitation of your proxy for use at the Annual Meeting. When you vote by Internet, by telephone or by mail, you appoint Steven E. Moore, H. H. Champlin and Robert Kelley as your representatives at the Annual Meeting. Mr. Moore, Mr. Champlin and Mr. Kelley will vote your shares, as you have instructed them, at the Annual Meeting. This way, your shares will be voted whether or not you attend the Annual Meeting. Even if you plan to attend the meeting, it is a good idea to vote your shares in advance of the meeting, just in case your plans change.

If an issue comes up for vote at the meeting that is not on the proxy card, Mr. Moore, Mr. Champlin and Mr. Kelley will vote your shares, under your proxy, in accordance with their best judgment.

Voting Procedures; Revocation of Proxy

You may vote by mail, by telephone, by Internet, or in person. To vote by mail, simply complete and sign the proxy card and mail it in the enclosed, prepaid and preaddressed envelope. If you mark your voting instructions on the proxy card, your shares will be voted as you instruct. If you return a signed card but do not provide voting instructions, your shares will be voted **FOR** the four named nominees for director and **FOR** the ratification of Ernst & Young LLP as the Company s principal independent accountants.

Shareowners of record also may vote by the Internet or by using the toll-free number listed on the proxy card. Telephone and Internet voting also is available to shareowners who hold their shares in the Automatic Dividend Reinvestment and Stock Purchase Plan (DRIP/DSPP) and the OGE Energy Corp. Employees Stock Ownership and Retirement Savings Plan (the Retirement Savings Plan). The telephone voting and Internet voting procedure is designed to verify shareowners through use of a number that is provided on each proxy card. This procedure allows you to vote your shares and to confirm that your instructions have been properly recorded. If you vote by telephone or by the Internet, you do not have to mail in your proxy card. Please see your proxy card for specific instructions.

If you wish to vote in person, we will pass out written ballots at the meeting. If you hold your shares in street name (i.e., they are held by your broker in an account for you), you must request a legal proxy from your broker in order to vote at the meeting.

If you change your mind after voting your proxy, you can revoke your proxy and change your vote at any time before the polls close at the meeting. You can revoke your proxy by either signing another proxy with a later date, by voting by Internet, by telephone or by voting at the meeting. Alternatively, you may provide a written statement to the Company (attention Carla D. Brockman, Vice President - Administration and Corporate Secretary) of your intention to revoke your proxy.

Record Date; Number of Votes

If you owned shares of our Common Stock at the close of business on March 20, 2007, you are entitled to one vote per share upon each matter presented at the meeting.

On March 1, 2007, there were 91,568,663 shares of Common Stock outstanding. The Company does not have any other outstanding class of voting stock. No person holds of record or, to our knowledge, beneficially owns more than 5% of our Common Stock.

Expenses of Proxy Solicitation

We will pay all costs associated with preparing, assembling and mailing the proxy cards and proxy statements. We also will reimburse brokers, nominees, fiduciaries and other custodians for their expenses in forwarding proxy materials to shareowners. Officers and other employees of the Company may solicit proxies by mail, personal interview, telephone, Internet and/or telegraph. In addition, we have retained Mellon Investor Services to assist in the solicitation of proxies, at a fee of approximately $7,500 plus associated costs and expenses. Our employees will not receive any additional compensation for soliciting proxies.

Mailing of Proxy Statement and Annual Report

This proxy statement and the enclosed proxy were mailed on or about March 30, 2007. Appendix A to this proxy statement includes our audited financial statements and management s discussion and analysis of financial condition and results of operations. This Appendix A and our Summary Annual Report, which contains Mr. Moore s letter to shareowners, condensed financial statements and a summary discussion of results of operations, were mailed with this proxy statement on or about March 30, 2007, to all of our shareowners who owned stock on March 20, 2007.

Voting Under Plans

If you are a participant in our DRIP/DSPP, your proxy will represent the shares held on your behalf under the DRIP/DSPP and such shares will be voted in accordance with the instructions on your proxy. If you do not vote your proxy, your shares in the DRIP/DSPP will not be voted.

If you are a participant in our Retirement Savings Plan, you will receive a voting directive for shares allocated to your account. The trustee will vote these shares as instructed by you in your voting directive. If you do not return your voting directive, the trustee will vote your allocated shares in the same proportion that all plan shares are voted.

Voting of Shares Held in Street Name by Your Broker

Brokerage firms have authority under New York Stock Exchange Rules to vote customers unvoted shares on certain routine matters, including the election of directors and ratification of the auditors. If you do not vote your proxy, your brokerage firm may either vote your shares on routine matters or leave your shares unvoted. We encourage you to provide instructions to your brokerage firm by voting your proxy. This ensures your shares will be voted at the meeting. When a brokerage firm votes its customers unvoted shares on routine matters, these shares are counted for purposes of establishing a quorum to conduct business at the meeting. A brokerage firm, however, cannot vote customers shares on non-routine matters. Accordingly, these shares (sometimes referred to as broker non-votes) are considered not entitled to vote on non-routine matters, rather than as a vote against the matter.

PROPOSAL NO. 1 -

ELECTION OF DIRECTORS

The Board of Directors of the Company presently consists of ten members. The directors are classified into three groups. One class of directors is elected at each year s Annual Meeting for a three-year term and to continue in office until their successors are elected and qualified. The following four persons are the nominees of the Board to be elected for such three-year term at the Annual Meeting to be held on May 17, 2007: Mr. Luke R. Corbett, Mr. Peter B. Delaney, Mr. Robert Kelley and Mr. J.D. Williams. Each of these individuals is currently a director of the Company whose term as a director is scheduled to expire at the Annual Meeting. In addition, each of these individuals, as well as each other director of the Company during 2006, also was a director of the Company s principal subsidiary, Oklahoma Gas and Electric Company (OG&E).

The enclosed proxy, unless otherwise specified, will be voted in favor of the election as directors of the previously listed four nominees. The Board of Directors does not know of any nominee who will be unable to serve, but if any of them should be unable to serve, the proxy holder may vote for a substitute nominee. No nominee or director owns more than 1.2% of any class of voting securities of the Company.

For the nominees described herein to be elected as directors, they must receive the affirmative vote of the holders of a majority of the votes of shares of Common Stock present in person or by proxy and entitled to vote. Withholding authority is treated as a vote against.

INFORMATION ABOUT DIRECTORS AND NOMINEES

The following contains certain information as of March 1, 2007, concerning the four nominees for directors, as well as the directors whose terms of office e

Nominees for Election for Term Expiring at 2010 Annual Meeting of Shareowners

LUKE R. CORBETT, 60, is the former Chairman and Chief Executive Officer of Kerr-McGee Corporation, which engageded in oil and gas exploration a

PETER B. DELANEY, 53, is President and Chief Operating Officer of the Company and OG&E. From 2004 to January 2007, he was Executive Vice Pre

ROBERT KELLEY, 61, is President of Kellco Investments Inc., a private investment company. Prior to May 1, 2001, he served as Chairman of the Boarc

J. D. WILLIAMS, 69, is founder and a former member of Williams & Jensen, P.C., a law firm in Washington, D. C., having resigned as a member of the f

Directors Whose Terms Expire at 2009 Annual Meeting of Shareowners

JOHN D. GROENDYKE, 62, is Chairman of the Board and Chief Executive Officer of Groendyke Transport Incorporated, a bulk truck transportation co

ROBERT O. LORENZ, 60, is a retired partner of the Arthur Andersen accounting firm. Mr. Lorenz joined Arthur Andersen in 1969, became a partner in

STEVEN E. MOORE, 61, is Chairman and Chief Executive Officer of the Company and of OG&E, having been appointed to such positions with the Con

Directors Whose Terms Expire at 2008 Annual Meeting of Shareowners

HERBERT H. CHAMPLIN, 69, is President of Champlin Exploration, Inc., an independent oil producer, and Chairman of Enid Data Systems, computer

LINDA PETREE LAMBERT, 67, is President of LASSO Corporation, a diversified oil and gas investment company, and President of Enertree, L.L.C., a

RONALD H. WHITE, M.D., 70, is a practicing cardiologist and President, Partner and Director of Oklahoma Cardiovascular Associates, and a member o

The affirmative vote of the holders of a majority of the shares of Common Stock present in person or by proxy and entitled to vote at the Annual Meeting will be required for the election of the four nominees as director. Withholding authority is treated as a vote against.

The Board of Directors recommends a vote FOR the election of the four nominees as director. Proxies solicited by the Board of Directors will be voted FOR the election of the four nominees as director, unless a different vote is specified.

INFORMATION CONCERNING THE BOARD OF DIRECTORS

General. Each member of our Board of Directors other than Mr. Delaney was also a director of OG&E during 2006. The Board of Directors of the Company met on ten occasions during 2006 and the Board of Directors of OG&E met on seven occasions during 2006. Each director attended at least 85% of the total number of meetings of the Boards of Directors and the committees of the Boards on which he or she served.

Committees. The standing committees of the Company s Board of Directors include a compensation committee, an audit committee and a nominating and corporate governance committee.

The members of the committees during 2006, the general functions of the committees and number of committee meetings in 2006 are set forth below.

Name of Committee and Members	**General Functions of the Committee**	**Number of Meetings in 2006**
Compensation Committee: Herbert H. Champlin Luke R. Corbett* John D. Groendyke Robert Kelley Ronald H. White, M.D. J. D. Williams	Oversees compensation of directors and principal officers executive compensation policy benefit programs	6
Audit Committee: Herbert H. Champlin Luke R. Corbett Robert Kelley* Linda Petree Lambert Robert O. Lorenz	Oversees financial reporting process evaluate performance of independent auditors select independent auditors discuss with internal and independent auditors scope and plans for audits, adequacy and effectiveness of internal controls for financial reporting purposes, and results of their examinations review interim financial statements and annual financial statements to be included in Form 10-K	4

Nominating and Corporate Governance Committee: John D. Groendyke Linda Petree Lambert Robert O. Lorenz Ronald H. White, M.D. J. D. Williams*	Reviews and recommends nominees for election as directors membership of director committees succession plans various corporate governance issues	5

* Chairperson

Corporate Governance

Corporate Governance Guidelines. The Board of Directors of the Company operates pursuant to a set of written Corporate Governance Guidelines that set forth the Company s corporate governance philosophy and the governance policies and practices that the Company has established to assist in governing the Company and its affiliates. The Guidelines state that the primary mission of the Board of Directors of the Company is to advance the interests of the Company s shareowners by creating a valuable long-term business.

The Guidelines describe Board membership criteria and the Board selection and member orientation process. The guidelines require that a majority of the directors must be independent and that members of each committee must be independent and state the Board s belief that the chief executive officer (CEO) and the president should be the only Company executives serving as a director. Absent approval of the Nominating and Corporate Governance Committee, no director may be nominated to a new term if he or she would be older than 70 at the time of election. The Guidelines also provide that no director may serve on more than three other boards of directors of publicly-held companies without the prior approval of the Nominating and Corporate Governance Committee. Directors whose professional responsibilities change, such as upon retirement or a change in employer, are required to submit a letter of resignation for the Board s consideration. The Guidelines provide that, except for employment arrangements with the CEO and the president, the Company will not engage in transactions with directors or their affiliates if such transactions would cast into doubt the independence of a director, present the appearance of a conflict of interest, or are otherwise prohibited by law, rule or regulation.

The Guidelines provide that the Compensation Committee of the Board will evaluate the performance of the CEO on an annual basis and that the Nominating and Corporate Governance Committee will report to the Board at least annually on succession planning, which will include appropriate contingencies in the event the CEO retires or is incapacitated. The Guidelines also provide that the Nominating and Corporate Governance Committee is responsible for overseeing an annual assessment of the performance of the Board and Board committees, as well as for reviewing with the Board the results of these assessments. All of these tasks were completed for 2006.

The Guidelines provide that Board members have full access to officers and employees of the Company and, as necessary and appropriate, the Company s independent advisors, including legal counsel and independent accountants. The Guidelines further provide that the Board and each committee have the power to hire independent legal, financial or other advisors as they deem necessary. The Guidelines provide that the independent directors, which include all non-management directors, are to meet in executive session, generally coinciding with regularly scheduled Board meetings. In 2006, the independent directors met in executive session nine times.

Our Code of Conduct that is applicable to all of our directors, officers and employees, and the Corporate Governance Guidelines comply with the Sarbanes-Oxley Act of 2002 and the listing standards of the New York Stock Exchange. We also have a separate code of ethics that applies to our CEO and our senior financial officers, including, our chief financial officer and our chief accounting officer, and that complies with the requirements imposed by the Sarbanes-Oxley Act of 2002 and the rules issued thereunder for codes of ethics applicable to such officers. The Board has reviewed and will continue to evaluate its role and responsibilities with respect to the legislative and other governance requirements of the New York Stock Exchange. All of our corporate governance materials, including our codes of conduct and ethics, our Guidelines for Corporate Governance and all of our committee charters, are available for public viewing on the OGE Energy web site at *www.oge.com* under the heading Investors, Corporate Governance. Copies of our corporate governance material also are available without charge to shareowners who request them. Requests must be in writing and sent to: Corporate Secretary, OGE Energy Corp., 321 North Harvey, P.O. Box 321, Oklahoma City, Oklahoma 73101-0321.

Director Independence. The Board of Directors of the Company currently has ten directors, eight of whom are independent within the meaning of the New York Stock Exchange listing standards. Our Chairman and CEO and our President are the only directors who are not considered independent. For purposes of determining independence, we have adopted the following standards for director independence in compliance with the listing standards of the New York Stock Exchange:

A director who is or was an employee, or whose immediate family member is or was an executive officer of the Company or any of our subsidiaries is not independent until three years after the end of such employment relationship;

A director who received, or whose immediate family member received, more than $100,000 during any twelve-month period within the past three years in direct compensation from us or any of our subsidiaries, other than director and committee fees and pension or other forms or deferred compensation for prior service (provided such compensation is not contingent in any way on continued service), is not independent until three years after he or she ceases to receive more than $100,000 in any twelve-month period in such compensation;

A director who is a current partner or employee, or whose immediate family member is a current partner, of a firm that is the internal or external auditor of the Company or any of our subsidiaries is not independent;

A director who was, or whose immediate family member was, within the last three years (but is no longer) a partner or employee of the internal or external auditor of the Company or any of our subsidiaries and who personally worked on the audit of the Company or any of its subsidiaries within that time is not independent;

A director whose immediate family member is a current employee of the internal or external auditor of the Company or any of our subsidiaries and who participates in the firm s audit, assurance or tax compliance (but not tax planning) practice is not independent;

A director who is or was employed, or whose immediate family member is or was employed, as an executive officer of another company where, at the same time, any of our or any of our subsidiaries present executives is or was serving on that company s compensation committee is not independent until three years after the end of such service or the employment relationship;

A director who is a current employee, or whose immediate family member is a current executive officer, of a company that makes payments to, or receives payments from, us or any of our subsidiaries for property or services in an amount which, in any of the past three fiscal years, exceeds the greater of $1 million, or 2% of such other company s consolidated gross revenues, is not independent until three years after falling below such threshold; and

No director qualifies as independent unless the Board affirmatively determines that the director has no other relationship with us or any of our subsidiaries (either directly or as a partner, shareholder or officer of an organization that has a relationship with us or any of our subsidiaries) that in the opinion of the Board of Directors could be considered to affect the directors ability to exercise his or her independent judgment as a director.

For purposes of determining whether the directors met the aforementioned tests and should be deemed independent, the Board concluded that the purchase of electricity from OG&E at rates approved by a state utility commission does not constitute a material relationship. Based on this, the Board determined that each of the following members of the Board met the aforementioned independence standards: Herbert H. Champlin; Luke R. Corbett; John D. Groendyke; Robert Kelley; Linda Petree Lambert; Robert O. Lorenz; Ronald H. White, M.D. and J.D. Williams. Mr. Moore does not meet the aforementioned independence standards, because he is the current CEO and an employee of the Company. Mr. Delaney does not meet the aforementioned independence standards because he is the current President and Chief Operating Officer (COO) and an employee of the Company.

Standing Committees. The standing committees of the Board of Directors include - audit; compensation; and nominating and corporate governance. All members of these committees are independent directors who are nominated and approved by the Board each year. The roles and responsibilities of these committees are defined in the committee charters adopted by the Board and provide for oversight of, among other things, executive management. Each of these committee charters is available on our website at *www.oge.com* under the heading Investors, Corporate Governance. The duties and responsibilities of the Board committees are reviewed regularly and are outlined above.

Audit Committee Financial Expert. The Board has determined that Mr. Robert Kelley meets the Securities and Exchange Commission definition of audit committee financial expert.

Process Related to Executive Officer and Director Compensation. Under the terms of its charter, the compensation committee of the Board of Directors (the Compensation Committee) has broad authority to develop and implement the Company s compensation policies and programs for executive officers and Board members. In particular the Compensation Committee is to:

review and approve corporate goals and objectives relevant to the compensation of the CEO and other executive officers

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evaluate the performance of the CEO and the other executive officers in light of the corporate goals and objectives and set compensation levels for the executive officers

recommend to the Board the approval, adoption and amendment of all incentive compensation plans in which any executive officer participates and all other equity-based plans

administer the equity-based incentive compensation plans and any other plans adopted by the Board that contemplate administration by the Compensation Committee

approve all grants of stock options and other equity-based awards

review and approve employment, severance or termination arrangements for any executive officers

review Board compensation

The Compensation Committee may, in its discretion, delegate all or a portion of its duties and responsibilities to a subcommittee or, to the extent permitted by applicable law, to any other body or individual. In particular, the Compensation Committee may delegate the approval of certain transactions to a subcommittee consisting solely of members of the Compensation Committee who are (a) non-employee directors within the meaning of Rule 16b-3 of the Securities Exchange Act of 1934, and (b) outside directors for the purpose of Section 162(m) of the Internal Revenue Code (the Code).

The process for setting director and executive compensation in 2006 involved numerous steps. In the late summer of 2005, senior management met with representatives of Towers Perrin, a nationally recognized compensation consulting firm engaged by the Compensation Committee, to discuss the Company s existing executive compensation program and potential changes to the program or any of the underlying compensation plans. In September 2005, the Company s Board of Directors received a presentation from Towers Perrin that included an annual review of director and executive compensation in the utility industry and an overview of trends and emerging issues in executive and board remuneration.

The next step in the process was an annual performance evaluation of each member of the management team. This process entailed for each member of the management team (other than the CEO) an objective scoring by such individual s supervisor of various competencies, including the individual s management skills, business knowledge and achievement of various performance and development objectives set at the beginning of the year. These reviews were used by the CEO and COO in making compensation recommendations to the Compensation Committee.

The balance of the process for setting director and executive compensation for 2006 involved actions taken by the Compensation Committee. The Compensation Committee met in November 2005, December 2005 and February 2006 to address 2006 compensation. At the November 2005 meeting, the Compensation Committee reviewed with the CEO and COO the performance evaluations of each member of management (other than the CEO), with the CEO giving his performance evaluation of the COO. The Compensation Committee at its November 2005 meeting also reviewed and discussed with the CEO and COO their recommendations for each member of management (other than the CEO) of 2006 salaries, target annual incentive awards (expressed as a percentage of salary) and target long-term incentive awards (also expressed as a percentage of salary). In addition, the Compensation Committee evaluated the CEO s performance at its November 2005 meeting and discussed his potential salary, target annual incentive award and target long-term compensation for 2006. The meeting of the Compensation Committee in November 2005 concluded without any action by the Compensation Committee on these components of 2006 executive compensation. The Compensation Committee did review and set compensation for the directors, which is described below under Director Compensation.

At the Compensation Committee s meeting in December 2005, the Compensation Committee met and set 2006 salaries and, subject to potential adjustment at its meeting in February 2006, target annual incentive awards and target long-term compensation awards for each member of management. The target annual incentive awards and target long-term compensation awards were expressed as percentages of salary. The Company performance goals that needed to be achieved for any payouts of annual incentive awards or long-term incentives were not set at this meeting; but, instead, were left for consideration at the scheduled meeting in February 2006.

Prior to the Compensation Committee s meeting in February 2006, the Company s senior management developed recommendations for the Company performance goals that needed to be met in order for any payouts of 2006 annual incentive awards or 2006 long-term compensation awards to occur.

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At this meeting in February 2006, the Compensation Committee reviewed with senior management its recommendations and basis for Company performance goals for payouts of 2006 annual incentive awards and long-term compensation awards. Following this discussion, the Compensation Committee set the 2006 Company performance goals for annual incentive awards and long-term compensation awards that had to be achieved in order for payouts of such awards to occur. The Compensation Committee also approved the form of the long-term compensation awards, which, like prior years, consisted entirely of performance units.

Lead Director. In an effort to strengthen independent oversight of management and to provide for more open communication, the Board has appointed Luke R. Corbett to serve in the role of lead director. The nonmanagement lead director chairs executive sessions of the Board conducted without management. These sessions will be held at least twice annually and were held nine times in 2006.

Communications with the Board of Directors. Shareowners and other interested parties who wish to communicate with members of the Board, including the independent directors individually or as a group, may send correspondence to them in care of the Corporate Secretary at the Company s principal offices, 321 North Harvey, P.O. Box 321, Oklahoma City, Oklahoma 73101-0321. We currently do not intend to have the Corporate Secretary screen this correspondence, but we may change this policy if directed by the Board due to the nature and volume of the correspondence.

The Company encourages each of its Board members to attend the Annual Meeting and the directors are expected to attend whenever reasonably possible. All of the Board members attended the Annual Meeting in 2006.

Prohibition on Loans. The Company s Stock Incentive Plan prohibits all loans to executive officers.

Auditors; Audit Partner Rotation. As described on page 13, the Company is requesting that the shareowners ratify the selection of Ernst & Young LLP as the Company s principal independent accountants for 2007. The Audit Committee charter provides that the audit partners will be rotated as required by Sarbanes-Oxley.

Stock Ownership Guidelines. During 2004, the Company established stock ownership guidelines for its directors and officers. The terms of these guidelines are explained on page 22 in Compensation Discussion and Analysis.

Shareowner Nominations for Directors. It is expected that the nominating and corporate governance committee will consider nominees recommended by shareowners in accordance with our By-laws. Our By-laws provide that, if you intend to nominate director candidates for election at an Annual Meeting of Shareowners, you must deliver written notice to the Corporate Secretary no later than 90 days in advance of the meeting. The notice must set forth certain information concerning you and the nominee(s), including each nominee s name and address, a representation that you are entitled to vote at such meeting and intend to appear in person or by proxy at the meeting to nominate the person or persons specified in your notice, a description of all arrangements or understandings between you and each nominee and any other person pursuant to which the nomination or nominations are to be made by you, such other information as would be required to be included in a proxy statement soliciting proxies for the election of the nominee(s) and the consent of each nominee to serve as a director if so elected. The chairman of the Annual Meeting may refuse to acknowledge the nomination of any person not made in compliance with the foregoing procedure.

In considering individuals for nomination as directors, the nominating and corporate governance committee typically solicits recommendations from its current directors and is authorized to engage third party advisors, including search firms, to assist in the identification and evaluation of candidates.

The nominating and corporate governance committee has not established specific minimum qualities for director nominees or set forth specific qualities or skills that the nominating and corporate governance committee believes are necessary for one or more directors to possess. Instead, in evaluating potential candidates and incumbent directors for reelection, the nominating and corporate governance committee considers numerous factors, including judgment, skill, independence, integrity, experience with businesses and other organizations of comparable size, the interplay of the candidate s experience with the experience of other Board members, experience as an officer or director of another publicly-held corporation, understanding of management trends in general or in industries relevant to the Company, expertise in financial accounting and corporate finance, ability to bring diversity to the group, community or civic service, appropriateness of having a member of management, in addition to the CEO, on the Board as part of the succession planning process, knowledge or expertise not currently on the Board, shareowner perception, and the extent to which the candidate would be a desirable addition to the Board and any committees of the Board. No particular weight is given to one factor over another on a general basis, but rather the factors are weighted in relationship to the perceived needs of the Board at the time of selecting nominees. The nominating and corporate governance committee will evaluate candidates recommended by shareowners on the same basis as they evaluate other candidates.

Director Compensation. Compensation of non-officer directors of the Company during 2006 included an annual retainer fee of $81,000, of which $2,500 was payable monthly in cash and $51,000 was deposited in the director s account under the Company s Deferred Compensation Plan in December 2006 and converted to 1300.357 common stock units based on the closing price of the Company s Common Stock on November 30, 2006. All non-officer directors received $1,200 for each Board meeting and $1,200 for each committee meeting attended. The lead director and the chairman of the audit committee each received an additional $10,000 cash retainer. The chairmen of the compensation and nominating and corporate governance committees received an additional $5,000 annual cash retainer in 2006. Each chairman of a board committee also received a meeting fee of $1,200 for each meeting (either in person or by phone) with management to address committee matters. These amounts represent the total fees paid to directors in their capacities as directors of the Company and OG&E.

Under the Company s Deferred Compensation Plan, non-officer directors may defer payment of all or part of their attendance fees and the cash portion of their annual retainer fee, which deferred amounts are credited to their account as of the first day of the month in which the deferred amounts otherwise would have been paid. Amounts credited to the accounts are assumed to be invested in one or more of the investment options permitted under the Company s Deferred Compensation Plan. During 2006, those investment options included a Company Common Stock fund, whose value was determined based on the stock price of the Company s Common Stock, a money market fund, a bond fund and several stock funds. When an individual ceases to be a director of the Company, all amounts credited under the Company s Deferred Compensation Plan are paid in cash in a lump sum or installments.

Historically, for those directors who retired from the Board of Directors after ten years or more of service, the Company and OG&E continued to pay their annual cash retainer until their death. In November 1997, the Board eliminated this retirement policy for directors. Directors who retired prior to November 1997, however, will continue to receive benefits under the former policy.

Director Compensation

Name	Fees Earned or Paid in Cash ($)	Stock Awards ($)(1)	Option Awards ($)	Non-Equity Incentive Plan Compensation ($)	Change in Pension Value and Nonqualified Deferred Compensation Earnings ($)	All Other Compensation ($)	Total ($)
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
Herbert H. Champlin	$52,800	$51,000	0	0	0	0	$103,800
Luke R. Corbett	$75,000	$51,000	0	0	0	0	$126,000
William E. Durrett (2)	$23,300	0	0	0	0	0	$23,300
John D. Groendyke	$56,400	$51,000	0	0	0	0	$107,400
Robert Kelley	$72,400	$51,000	0	0	0	0	$123,400
Linda P. Lambert	$50,400	$51,000	0	0	0	0	$101,400
Robert O. Lorenz	$54,000	$51,000	0	0	0	0	$105,000
Ronald H. White	$56,400	$51,000	0	0	0	0	$107,400
J.D. Williams	$60,200	$51,000	0	0	0	0	$111,200

(1) Amounts in this column represent the dollar value of the annual retainer that was deposited in the director s account under the Directors Deferred Compensation Plan. As of December 31, 2006, the number of common stock units in the Company Common Stock Fund for each of the directors was as follows: Mr. Champlin, 52,690 common stock units; Mr. Corbett, 36,506 common stock units; Mr. Durrett, 22,643 common stock units; Mr. Groendyke, 9,564 common stock units; Mr. Kelley, 33,384 common stock units; Ms. Lambert, 5,067 common stock units; Mr. Lorenz, 4,804 common stock units; Mr. White, 40,442 common stock units; and Mr. Williams, 10,555 common stock units.

(2) Mr. Durrett retired from the Board in May 2006.

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PROPOSAL NO. 2

RATIFICATION OF THE APPOINTMENT OF ERNST & YOUNG LLP AS THE COMPANY S

PRINCIPAL INDEPENDENT ACCOUNTANTS FOR 2007

The Audit Committee of the Board of Directors has selected Ernst & Young LLP as principal independent accountants to audit the accounts of the Company for the fiscal year ending December 31, 2007. Ernst & Young LLP was originally selected by the Board, upon the recommendation of the Audit Committee, as principal independent accountants for the Company effective May 16, 2002.

While the Audit Committee is responsible for the appointment, retention, termination and oversight of the Company s principal independent accountants, the Audit Committee and the Board are requesting, as a matter of policy, that shareowners ratify the appointment of Ernst & Young LLP as the Company s principal independent accountants. The Audit Committee is not required to take any action as a result of the outcome of the vote on this proposal. However, if the shareowners do not ratify appointment, the Audit Committee may investigate the reasons for the shareowners rejection and may consider whether to retain Ernst & Young LLP or to appoint another auditor. Furthermore, even if the appointment is ratified, the Audit Committee in its discretion may direct the appointment of different principal independent accountants at any time during the year if it determines that such a change would be in the best interests of the Company and its shareowners.

Representatives of Ernst & Young LLP will be present at the Annual Meeting and will have an opportunity to make a statement if they so desire. Such representatives will be available to respond to appropriate questions from the shareowners at the Annual Meeting.

The affirmative vote of the holders of a majority of the votes of shares of Common Stock present in person or by proxy and entitled to vote at the Annual Meeting will be required for the ratification of the appointment of Ernst & Young LLP as the Company s principal independent accountants for 2007. Abstentions from voting in this matter are treated as votes AGAINST.

The Board of Directors recommends a vote FOR the ratification of the appointment of the Company s principal independent accountants. Proxies solicited by the Board of Directors will be voted FOR the ratification of the appointment of the Company s principal independent accountants, unless a different vote is specified.

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REPORT OF AUDIT COMMITTEE

The audit committee of the Board of Directors of the Company (the Audit Committee) oversees the Company s financial reporting process on behalf of the Board of Directors. Management, however, has the primary responsibility for the financial statements and the reporting process including the systems of internal controls.

The Audit Committee has five members, none of whom has any relationship to the Company that interferes with the exercise of his or her independence from management and the Company, and each of whom qualifies as independent under the standards used by the New York Stock Exchange, where the Company s shares are listed. The Audit Committee operates under a written charter that has been approved by the Board of Directors. The Audit Committee annually reviews and reassesses the adequacy of its charter. Among other things, the charter specifies the policies for selecting the auditors (including rotation for the audit partner) and the scope of the Audit Committee s responsibilities and how it carries out those responsibilities, including structure, processes and membership requirements.

In fulfilling its oversight responsibilities regarding the 2006 financial statements, the Audit Committee reviewed with Company management the audited financial statements contained in our Annual Report. The Audit Committee s review included a discussion of the quality, not just the acceptability, of the accounting principles, the reasonableness of significant judgments and the clarity of disclosures in the financial statements.

The Audit Committee also reviewed with the Company s independent auditors the Company s 2006 financial statements and management s assessment of the Company s internal control over financial reporting. The Company s independent auditors are responsible for expressing an opinion on the conformity of our audited financial statements with accounting principles generally accepted in the United States and on management s assessment of the Company s internal control over financial reporting. Our review with the independent auditors included a discussion of the auditors judgments as to the quality, not just the acceptability, of the Company s accounting principles and such other matters as are required to be discussed with the Audit Committee under Statement on Auditing Standards No. 61, as amended. In addition, the Audit Committee discussed with the independent auditors the auditors independence from management and the Company, including the matters in the written disclosures received by the Audit Committee pursuant to Rule 3600T of the Public Company Accounting Oversight Board.

The Audit Committee also discussed with the Company s internal and independent auditors the overall scope and plans for their respective audits for 2007. The Audit Committee meets with the internal and independent auditors, with and without management present, to discuss the results of their examinations, their evaluations of the Company s internal controls, and the overall quality of the Company s financial reporting. The Audit Committee held four meetings during 2006 and the Chairman of the Audit Committee conducted six conferences with management by telephone or in person, to discuss Audit Committee matters.

Fees for Independent Auditors

Audit Fees

Total audit fees for 2006 were $1,996,069 for the Company s 2006 financial statement audit. These fees include $682,669 for the audit of internal control over financial reporting pursuant to the requirements of Sarbanes-Oxley section 404 and $15,750 for services in support of debt and stock offerings. Total audit fees for 2005 were $2,107,307 for the Company s 2005 financial statement audit. These fees include $775,500 for the audit of internal control over financial reporting pursuant to the requirements of Sarbanes-Oxley section 404 and $37,321 for services in support of debt and stock offerings.

The aggregate audit fees include fees billed for the audit of the Company s annual financial statements and for the reviews of the financial statements included in the Company s Quarterly Reports on Form 10-Q. For 2006, this amount includes estimated billings for the completion of the 2006 audit, which were rendered after year-end.

Audit-Related Fees

The aggregate fees billed for audit-related services for the fiscal year ended December 31, 2006 were $89,575, of which $73,575 was for employee benefit plan audits and $16,000 for other audit-related services.

The aggregate fees billed for audit-related services for the fiscal year ended December 31, 2005 were $82,500, of which $67,500 was for employee benefit plan audits and $15,000 for other audit-related services.

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Tax Fees

The aggregate fees billed for tax services for the fiscal year ended December 31, 2006 were $331,499. These fees include $239,555 for tax preparation and compliance ($74,000 for the review of federal and state tax returns and $165,555 for assistance with examinations and other return issues) and $91,944 for other tax services.

The aggregate fees billed for tax services for the fiscal year ended December 31, 2005 were $292,096. These fees include $198,758 for tax preparation and compliance ($76,732 for the review of federal and state tax returns and $122,026 for assistance with examinations and other return issues) and $93,338 for other tax services.

All Other Fees

There were no other fees billed to the Company in 2006 or 2005 for other services.

The Audit Committee has considered whether the provision of non-audit services by the Company s principal independent public accountants is compatible with maintaining auditor independence.

In reliance on the review and discussions referred to above, the Audit Committee recommended to the Board of Directors, and the Board has approved, that the Company s audited financial statements be included in the Annual Report on Form 10-K for the fiscal year ended December 31, 2006, for filing with the SEC. The Audit Committee selected Ernst & Young LLP as the Company s independent public accountants for 2007.

Audit Committee Pre-Approval Procedures

Rules adopted by the SEC in order to implement requirements of the Sarbanes-Oxley Act of 2002 require public company audit committees to pre-approve audit and non-audit services. Our Audit Committee follows procedures pursuant to which audit, audit-related and tax services, and all permissible non-audit services, are pre-approved by category of service. The fees are budgeted, and actual fees versus the budget are monitored throughout the year. During the year, circumstances may arise when it may become necessary to engage the independent public accountants for additional services not contemplated in the original pre-approval. In those instances, we will obtain the specific pre-approval of the Audit Committee before engaging the independent public accountants. The procedures require the Audit Committee to be informed of each service, and the procedures do not include any delegation of the Audit Committee s responsibilities to management. The Audit Committee may delegate pre-approval authority to one or more of its members. The member to whom such authority is delegated will report any pre-approval decisions to the Audit Committee at its next scheduled meeting.

For 2006, 100% of the audit-related fees, tax fees and all other fees were pre-approved by the Audit Committee or the Chairman of the Audit Committee pursuant to delegated authority.

Audit Committee

Robert Kelley, Chairman

Herbert H. Champlin, member

Luke R. Corbett, member

Linda Petree Lambert, member

Robert O. Lorenz, member

EXECUTIVE OFFICERS COMPENSATION

The following discussion and analysis is intended to present the material principles underlying our executive compensation policies and decisions and the key factors relevant to an analysis of those policies and decisions.

COMPENSATION DISCUSSION AND ANALYSIS

General. The Compensation Committee of the Board of Directors of the Company (the Committee) administers our executive compensation program. Our executive compensation program is premised on two basic principles. First, our overall compensation levels must be sufficiently competitive to attract and retain talented leaders. At the same time, we believe that compensation should be set at reasonable and responsible levels, consistent with our continuing focus on controlling costs. Second, our executive compensation program should be substantially performance-based and should align the interests of our executives with those of our shareowners.

Three key components of our executive compensation program are salary, annual incentive awards under our Annual Incentive Compensation Plan and long-term incentive awards under our Stock Incentive Plan. Both the Annual Incentive Compensation Plan and Stock Incentive Plan were approved by our shareowners at the 2003 Annual Shareowners Meeting. Salaries are a critical element of executive compensation because they provide executives with a base level of monthly income. The Committee s intent in setting salaries is to pay competitive rates based on an individual s experience and level of performance. The annual and long-term incentive awards of an executive s compensation are directly linked to performance. Payouts of these portions of an executive s compensation are placed at risk and require the accomplishment of specific results that are designed to benefit our shareowners and the Company, both in the long and short term. Specifically, awards under the Annual Incentive Plan provide officers and key employees an opportunity to earn an annual cash bonus for achieving specified Company performance-based goals established for the year. These Company performance goals typically are tied to measures of operating performance. Awards under the Stock Incentive Plan are equity-based and require the achievement over a three-year period of specific Company performance goals that are tied directly to the performance of the Company s stock or to factors that affect the performance of the Company s stock.

Our executive compensation program recognizes that our senior executives are in a position to influence directly the Company s achievement of targeted results and strategic initiatives. For this reason, as an individual s position and responsibilities increase, a greater portion of the officer s compensation is at risk and consists of performance-based pay dependent on the achievement of performance objectives. This is shown by the level of salaries, annual incentive awards and long-term incentive awards set for our five most highly paid executive officers in 2006. For each of these executive officers, salary represented less than 60% of the potential amount that could be received through achievement, at target level, of the Company performance goals set in connection with the officer s annual and long-term incentive awards. As a result, our executive compensation program is designed to reward executives with a highly-competitive level of compensation during years of excellent Company performance and, conversely, in years of below-average performance, their compensation may be below competitive levels.

In an effort to measure the continued reasonableness and competitiveness of our executive compensation policies, the Committee in 2005 followed its past practice and engaged Towers Perrin, a nationally recognized compensation consulting firm, to help survey the marketplace. In setting base salaries and making annual and long-term incentive awards for 2006, the Committee considered the salaries and annual and long-term incentive awards for executives with similar duties at the 50th percentile within the following three groups: (i) Towers Perrin s 2005 Energy Services Industry Executive Compensation Database (the Energy Services Survey Group), consisting of approximately 94 energy services organizations, many of which have significant utility operations, (ii) Towers Perrin s 2005 General Industry Executive Compensation Database (the General Industry Survey Group), consisting of more than 800 companies in general industries and (iii) the average of the Energy Services Survey Group and the General Industry Survey Group (the Blended Industry Survey Group). All compensation data from these surveys was size-adjusted so that it would compare to the Company s or a subsidiary s projected 2006 revenues, as appropriate, and was updated using a 3.60 percent update factor to reflect anticipated 2006 compensation levels. Compensation to be paid at the 50th percentile to an executive in the General Industry Survey Group is typically higher, often significantly higher, than the compensation that would be paid to an executive with similar duties in the Energy Services Survey Group. This difference is largely attributable to higher compensation being paid in general industry as compared to the utility industry, which, as noted above, comprises a significant portion of the Energy Services Survey Group.

While the three survey groups are reviewed by our senior management in making recommendations to the Committee and by the Committee in making compensation decisions, both management and the Committee have utilized, where appropriate, the Blended Industry Survey Group for base salary, target annual incentive awards and target long-term incentive awards. The rationale for utilizing the blended industry data has been to:

- Facilitate the Company s ability to attract and retain key executive talent with the desired skills sets and ranges of experience from both inside and outside the traditional utility industry;

- Acknowledge the Company s business mix between utility and non-utility assets; and

- Be consistent with the approach used by similar companies in the industry.

In practice, however, most utility-specific jobs (e.g., Vice President of Transmission) have no comparable jobs in general industry and can only be benchmarked to the utility industry. As a result, the Company has targeted the 50th percentile market pay data of the Blended Industry Survey Group for executives whose responsibilities are not limited to utility operations and the 50th percentile market pay data of the Energy Services Survey Group for executives whose responsibilities are limited to utility operations. This market pay data for an executive is intended to represent what would be paid to a hypothetical, seasoned performer in a job having similar responsibilities and scope, in an organization of similar size and type, to the executive in question. However, actual compensation recommendations by senior management and decisions on compensation by the Committee can vary from this market data for numerous reasons, including an individual s performance, experience level and internal equity.

An individual s performance is judged through an annual performance evaluation, which involves, for each member of senior management (other than the CEO), an objective scoring by such individual s supervisor of various competencies, including the individual s management skills, business knowledge and achievement of various performance and development objectives set at the beginning of the year. The annual performance evaluations are reviewed with the Committee and are used by the CEO and COO in making compensation recommendations to the Committee. The Committee also conducted an annual performance evaluation of the CEO.

The Committee met in December 2005 and set each executive officer s 2006 salary and, subject to potential adjustment at its meeting in February 2006, each executive officer s target annual incentive award and target long-term incentive award for 2006 based primarily on the individual s annual performance evaluation and on the comparable amounts shown at the 50th percentile for an executive officer with similar duties in the Blended Industry Group or, in the case of an executive officer whose responsibilities are limited to utility operations, in the Energy Services Survey Group. The target annual and long-term incentive awards were expressed as percentages of salary. While the setting of the target annual incentive and long-term incentive awards is an important part of the executive compensation process, another critical part is the setting of the Company performance goals for such awards. This is a critical part because the level of achievement of the Company performance goals will determine the amount, if any, of the possible payouts of the target annual and long-term incentive awards.

Following a discussion of recommendations by the CEO and COO, the Committee, at its meeting in February 2006, set the Company performance goals for annual incentive and long-term incentive awards. These Company performance goals for executive officers are described in detail below and were intended to align the executive s interests with our shareowners by having achievement of Company performance goals be directly beneficial to our shareowners. The Committee also approved the form of the long-term compensation awards, which, like recent prior years, were equity-based and consisted entirely of performance units. The Committee chose to take these actions at its meeting in February 2006 because the Committee wanted to know the Company s audited 2005 financial results before setting many of the 2006 performance goals and such audited financial results were not available until shortly before the meeting.

In setting the executive compensation for any given year, the Committee historically (including 2006) has not looked to compensation earned by executives in prior years, including specifically amounts realized from grants in prior years of annual incentive awards or long-term incentive awards. The primary reasons are that our executive compensation program seeks to have all components of executive compensation be competitive, and the portions of an executive s compensation that could vary materially from year to year are primarily performance-based. As a result, high levels of executive compensation in a particular year historically have resulted from excellent Company performance, which the Committee believed did not warrant a reduction in future compensation levels or in our compensation principles. There also is no established policy or target for the allocation between either cash and non-cash or annual and long-term compensation. Rather, the Committee reviews information from Towers Perrin to determine the appropriate level and mix of incentive compensation.

As indicated above, our senior management and, in particular our CEO and COO, played an important part in setting 2006 executive compensation. Besides developing recommendations for the Company performance goals that needed to be met for payouts of 2006 annual incentive awards and long-term incentive awards, they reviewed with the Committee at its November 2005 meeting the performance evaluations of each member of management (other than the CEO), with the CEO giving his performance evaluation of the COO. They also reviewed and discussed with the Committee at its November meeting their recommendations for each member of management (other than the CEO) of 2006 salaries, target annual incentive awards and target long-term incentive awards. As noted above, the CEO s performance evaluation and the setting of his potential salary, target annual incentive award and target long-term incentive award were conducted by the Committee without any members of management present. The Committee s performance evaluation of the CEO, along with his 2006 salary, target annual incentive award and target long-term incentive award, were reviewed by the Committee with all independent members of the Board.

The following three sections illustrate the application of our executive compensation principles and discuss in detail the salaries, bonuses and long-term compensation that were approved by the Committee and were paid in connection with 2006 compensation.

Base Salary. As explained above, the base salaries for our executive officers in 2006 were designed to be competitive with the Blended Industry Survey Group for most of our executive officers and with the Energy Services Survey Group for those officers whose responsibilities are limited to utility operations. Base salaries of our executive officers were determined based primarily on an individual s annual performance evaluation and the salaries at the 50th percentile of the range for executives with similar duties in the appropriate survey group. The salaries of executive officers for 2006 were initially determined in December 2005, with an effective date of January 1, 2006. The 2006 base salary amounts for the most highly compensated executive officers are shown in the salary column of the Summary Compensation Table on page 23. The percentage increase (decrease) in salaries for these individuals was as follows: Steven Moore, 4%; Peter Delaney, 7%; James Hatfield, 6%; Dan Harris, 9%; and Steven Gerdes, (5%).

Annual Incentive Compensation. Annual incentive awards with respect to 2006 performance were made under the Annual Incentive Compensation Plan to 90 employees, including all executive officers. The Plan provides key management personnel with annual incentive awards, the payment of which is dependent entirely on the achievement of the Company performance goals that, for 2006, were established by the Committee in February 2006.

The amount of the award for each executive officer was expressed as a percentage of base salary (the targeted amount), with the officer having the ability, depending upon achievement of the Company performance goals, to receive from 0% to 150% of such targeted amount. For 2006, the targeted amounts ranged from 30% to 85% of base salary for executive officers and were at or slightly below the 50th percentile of the level of such awards granted to comparable executives in the Blended Industry Survey Group or, in the case of executive officers whose responsibilities are limited to utility operations, to comparable executives in the Energy Services Survey Group. For the most highly compensated executives reported in the Summary Compensation Table on page 23, the targeted amounts were as follows: Mr. Moore, 85% of his 2006 salary; Mr. Delaney, 70% of his 2006 salary; Mr. Hatfield, 55% of his 2006 salary; Mr. Harris, 40% of his 2006 salary; and Mr. Gerdes, 30% of his 2006 salary.

As noted above, potential payouts of targeted amounts are dependent entirely on achievement of Company performance goals. For Messrs. Moore and Delaney, the two most senior executive officers of the Company, the Company performance goals were based: (i) 50% on a Company consolidated earnings per share target established by the Committee (the Earnings Target), (ii) 25% on a combined operating and maintenance expense and capital expenditure target for the Company and OG&E established by the Committee (the O&M/Capital Target), and (iii) 25% on a consolidated net income target of Enogex and its subsidiaries (the Unregulated Income Target) established by the Committee. At least two of these three Company performance goals were used in establishing the corporate goals for all other executive officers. However, the weighting of the Company performance goals was slightly different for the remaining executive officers based on their responsibilities. For two executive officers whose responsibilities pertain primarily or exclusively to utility operations, the Company performance goals were based 50% on the Earnings Target and 50% on the O&M/Capital Target, and for Mr. Harris, whose responsibilities are focused on Enogex, his Company performance goals were based 40% on the Earnings Target, 40% on the Unregulated Income Target and 20% on a return on invested capital target for Enogex (the ROIC Target) established by the Committee. For the remaining executive officers, the Company performance goals were based 50% on the Earnings Target, 30% on the O&M/Capital Target and 20% on the Unregulated Income Target.

For each Company performance goal, the Committee established a minimum level of performance (below which no payout would be made), a target level of performance (at which a 100% payout would be made) and a maximum level of performance (at or above which a 150% payout would be made). The following table shows the target levels of performance for the four Company performance goals set for executive officers in 2006, the actual level of performance, as calculated pursuant to the terms of the awards, and the percentage payout of the targeted amount based on the actual level of performance:

	Target	Actual Performance	% Payout
Earnings Target (1)	$1.86/share	$2.45/share	150.00%
O&M/ Capital Target (1)	$307 million/ $247 million	$306.8 million/ $245.3 million	100.94%
Unregulated Income Target	$50.1 million	$76.2 million	150.00%
ROIC Target (1)	8.36 %	11.74%	150.00%

(1) As indicated above, calculation of the Earnings Target, O&M/Capital Target and Unregulated Income Target are derived from the Company s financial statements, with the Earnings Target being the Company s reported consolidated diluted earnings per share from continuing operations, the Unregulated Income Target being the reported consolidated net income of Enogex from continuing operations, the O&M/Capital Target being the operating and maintenance expenditures and capital expenditures of various OGE Energy and OG&E business units and ROIC being generally the sum of consolidated net operating profit less adjusted taxes of Enogex divided by the amount of Enogex s average invested capital. Notwithstanding the foregoing, the Committee at the time of setting these Company performance goals specifically excluded various items in calculating the achievement of these performance goals, including, for example, increases or decreases in revenues, expenses, gains or losses from any change in accounting principles occurring during 2006 and any gains or losses from the sale, other disposition or impairment of any business or asset during 2006. While the overall effect of these exclusions was to lower Enogex s consolidated net income from continuing operations from the $77.5 million reported in Enogex s financial statements to $76.2 million, the exclusions had no effect on the payouts to executive officers of the Earnings Target, O&M/Capital Target, Unregulated Income Target or the ROIC Target.

The percentage of the targeted amount that an executive officer ultimately received based on corporate performance was subject to being decreased, but not increased, at the discretion of the Committee. For 2006, corporate performance of the Earnings Target, the ROIC Target, the O&M/Capital Target and the Unregulated Income Target exceeded the minimum levels of achievement established by the Committee and, based on the level of achievement, the Committee approved payouts under the Annual Incentive Compensation Plan to executive officers ranging from approximately 35% to 117% of their base salaries and from approximately 116% to 150% of their targeted amounts. Payouts under the Annual Incentive Compensation Plan are in cash and the amounts paid to the Company s most highly compensated executive officers are reflected in the Non-Equity Incentive Plan Compensation column of the Summary Compensation Table on page 23.

Long-Term Incentive Compensation. Long-term incentive awards also were made in 2006 under our Company s Stock Incentive Plan. The Plan provides for the grant of any or all of the following types of awards: stock options, stock appreciation rights, restricted stock and performance units. In 2006, the Committee set a targeted amount of long-term incentive compensation to be awarded each executive officer, which amount was expressed as a percentage of the individual s base salary as of January 1, 2006. For 2006, the targeted amount ranged from 30% to 150% of base salary for executive officers and was at or below the 50th percentile of the level of such awards granted to comparable executives in the Blended Industry Survey Group or, in the case of executive officers whose responsibilities are limited to utility operations, to comparable executives in the Energy Services Survey Group. The targeted amount (expressed as a percentage of salary) of long-term incentive compensation for several executive officers of the Company was set by the Committee more than 10% below the level of such awards granted to comparable executives in the appropriate survey group. This action by the Committee was due to long-term compensation for comparable executives in the appropriate survey group being substantially higher than the amounts awarded by the Committee in the past to such executives of the Company and the Committee s

desire to make up such shortfall over a period of several years rather than through a substantial increase in a particular year. For the most highly compensated executives reported in the Summary Compensation Table on page 23, the targeted amounts of long-term incentive compensation were as follows: Mr. Moore, 150% of his 2006 salary; Mr. Delaney, 120% of his 2006 salary; Mr. Hatfield, 85% of his 2006 salary; Mr. Harris, 55% of his 2006 salary; and Mr. Gerdes, 35% of his 2006 salary.

Historically, the Committee had awarded long-term compensation in the forms of stock options and restricted stock. At its meeting in the fourth quarter of 2002, the Committee chose to discontinue awarding restricted stock and, instead, to make awards of stock options and performance units commencing in 2003, with 50% of an executive officer s award being in the form of stock options and 50% in the form of performance units. For 2004, the Committee chose to place less emphasis on stock options with 25% of an executive officer s award of long-term compensation being in the form of stock options and 75% in the form of performance units. In 2005, the Committee decided to cease awarding stock options and instead, for both 2005 and 2006, awarded all long-term compensation in the form of performance units, with, as explained below, payout of the performance units being dependent on achievement of Company performance goals set by the Committee. Specifically, for 75% of the performance units awarded in 2006, the Company performance goal is based on the relative total shareholder return (TSR) of the Company s Common Stock over the three-year period ending December 31, 2008 compared to a peer group and, for the remaining 25%, the Company performance goal is based on the growth in the Company s earnings per share over the same three-year period compared to an earnings growth target (the Earnings Growth Target) set by the Committee.

The performance units were granted to executive officers on February 22, 2006, immediately following the Committee s meeting on such date. The number of performance units granted was determined by taking the amount of the executive s long-term compensation to be delivered in performance units (expressed as a percentage of the executive s 2006 base salary and as determined above) and dividing that amount by $19.734, which was the value of a performance unit computed in a manner consistent with SFAS No. 123(R) based on a recent closing price of the Company s Common Stock of $26.50 per share. This resulted in executives receiving a number of performance units with an expected value at the date of grant from 0% to 150% of their 2006 base salaries. All payouts of such performance units will be made in shares of the Company s Common Stock, which causes the value of the performance units to be substantially dependent upon the changing value of the Company s Common Stock in the marketplace. As indicated above, the terms of 75% of the performance units granted to each executive officer in 2006 entitle the officer to receive from 0% to 200% of the performance units granted depending upon the Company s TSR over a three-year period (defined as share price increase (decrease) since December 31, 2005 plus dividends paid, divided by share price at December 31, 2005) measured against the TSR for such period of a peer group selected by the Committee. The peer group for measuring the Company s TSR performance consists of approximately 80 utility holding companies and gas and electric utilities in the Standard & Poor s Utility Index. At the end of the three-year period (i.e., December 31, 2008), the terms of these performance units provide for payout of 100% of the performance units initially granted if the Company s TSR is at the 50th percentile of the peer group, with higher payouts for performance above the 50th percentile up to 200% of the performance units granted if the Company s TSR is at or above the 90th percentile of the peer group. The terms of these performance units provide for payouts of less than 100% of the performance units granted if the Company s TSR is below the 50th percentile of the peer group, with no payout for performance below the 35th percentile.

For the remaining 25% of performance units granted to each executive officer in 2006, the officer is entitled to receive from 0% to 200% of the performance units granted depending upon the growth in the Company s earnings per share over the three-year period ending December 31, 2008. The growth in the earnings per share will be measured from $1.83 per share (which consisted of the $1.77 earned in 2005 from continuing operations plus $0.06 per share for a one time event in 2005 that lowered earnings from continuing operations by $0.06 per share) against the Earnings Growth Target (4% per year) set by the Committee for such period. At the end of the three-year period (i.e., December 31, 2008), the terms of these performance units provide for payout of 100% of the performance units initially granted if the rate of growth of the Company s earnings per share during such period is at the Earnings Growth Target, with higher payouts for growth rates in excess of the Earnings Growth Target up to 200% for growth rates at or above 150% of the Earnings Growth Target and payout of less than 100% for growth rates below the Earnings Growth Target, with no payouts for growth rates below 62.5% of the Earnings Growth Target. The Company s earnings growth rate is calculated on a point-to-point basis by dividing by one-third the percentage increase in the Company s earnings per share for the year ended December 31, 2008, compared to the benchmark of $1.83 for 2005.

In January 2004, as part of their long-term compensation executive officers received performance units whose payout was dependent on the achievement of a Company performance goal based on TSR for the three-year period ended December 31, 2006. The Company s TSR for such period was at the 77.70th percentile (approximately the top 23%) of the peer group. Stated differently, the percentage return on the Company s Common Stock, consisting of increases (decreases) in the price of the Company s Common Stock plus dividends paid, was higher than 77.70% of the companies in the Standard & Poor s Utility Index during the period commencing on January 1, 2004 and ending on December 31, 2006. This high level of performance resulted in payouts in February 2007 of 169.25% of the performance units originally awarded in January 2004. The value of these payouts is reflected in the Stock Awards Value Realized on Vesting column of the Option Exercises and Stock Vested Table on page 26.

CEO Compensation. The 2006 compensation for Mr. Moore consisted of the same components as the compensation for other executive officers. Mr. Moore s 2006 salary was increased from $750,000 to $780,000, and his 2006 targeted award under the Annual Incentive Plan, was increased from 80% to 85% of his base salary, which the Committee believed were appropriate levels based on his performance and the amounts paid to a chief executive officer in the Blended Industry Survey Group. As a result of 2006 corporate performance of the corporate goals described above, he received a payout of $913,183 under the Annual Incentive Plan, representing approximately 117% of his base salary and 137.74% of his targeted award. Mr. Moore also received as long-term compensation in February 2006 an award of 59,288 performance units, having an estimated value of 150% of his 2006 base salary. The terms of these performance units are identical to those awarded other executives and are described above. The award of performance units in 2006 made to Mr. Moore was based on his prior performance and a comparison of his award to the long-term compensation of other chief executive officers in the 50th percentile of the Energy Services Survey Group and of the Blended Industry Survey Group. Consideration also was given by the Committee to Mr. Moore s prior experience with the Company and OG&E, his demonstrated leadership skills and his positive reputation within the community and utility industry.

Like other executive officers, Mr. Moore also received in February 2007 a payout of 169.25% of the performance units granted to Mr. Moore in January 2004 based on the Company s TSR for the three years ended December 31, 2006 being at the 77.70th percentile (approximately the top 23%) of the peer group selected by the Committee. This resulted in Mr. Moore receiving a payout of 61,566 units, of which two-thirds (41,044) were paid in shares of the Company s Common Stock and one-third (20,522) was paid in cash based on the high and low prices of the Company s Common Stock on the date the Committee approved the payout. The value of this payout, based on the closing price of the Company s Common Stock on December 31, 2006, is reported in the Stock Awards Value Realized on Vesting column of the Option Exercises and Stock Vested Table on page 26.

Other Benefits. As noted above, the key components of our executive compensation program are salary, annual incentive awards and long-term incentive awards. Virtually all of our employees, including executive officers, are eligible to participate in our pension plan and supplemental restoration plan that enables participants, including executive officers, to receive the same benefits that they would have received under our pension plan in the absence of limitations imposed by the federal tax laws. In addition, a Supplemental Executive Retirement Plan (the SERP), which was adopted in 1993, offers supplemental pension benefits to specified lateral hires. Mr. Delaney is the only executive officer who participates in the SERP. Mr. Delaney s participation in the SERP was the result of arms-length bargaining between Mr. Delaney and the Company at the time of his hire in April 2002 as Executive Vice President of the Company. For additional information on the pension plan, restoration plan and SERP, see Pension Benefits below.

Almost all employees of the Company, including the executive officers, also are eligible to participate in our tax-qualified defined contribution savings plan (the Retirement Savings Plan). Under the Retirement Savings Plan, participants may contribute between two percent and 19 percent of their compensation. 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; or (ii) a contribution made on an after-tax basis. The Company will match, depending upon the participant s years of service and date of initial participation, 50 percent, 75 percent or 100 percent of the first six percent of compensation. Participants contributions are fully vested and non-forfeitable. The Company match contributions vest over a six-year period. After two years of service, participants become 20 percent vested in their Company contribution account and vest an additional 20 percent for each subsequent year of service. In addition, participants fully vest when they are eligible for normal or early retirement under the Company s pension plan, in the event of their termination due to death, permanent disability or upon attainment of age 65 while employed by the Company or its affiliates.

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The Company also maintains a non-qualified deferred compensation plan that is described below under Nonqualified Deferred Compensation.

The Company also offers executive officers a limited amount of perquisites. These include up to $7,500 annually for tax and financial planning services, payment of dues at luncheon and country clubs, reimbursement for liability insurance, an annual physical exam and, in the case of Mr. Moore, a leased car. The value of the perquisites received by each executive officer, other than Mr. Moore, was less than $10,000 in 2006. In reviewing the perquisites and benefits under the SERP, Retirement Savings Plan, deferred compensation plan, pension plan and related restoration plan, the Committee sought in 2006 to provide participants with benefits at least commensurate with those offered by other utilities of comparable size.

Change-of-Control Provisions. Each of the executive officers has an employment agreement that provides for specified benefits upon termination following a change of control. These employment agreements are described in detail below under the heading Potential Payments Upon Termination or Change of Control. In addition, pursuant to the terms of the Company s incentive compensation plans, upon a change of control, all stock options will vest immediately and, for a 60-day period following the change of control, executive officers may surrender their options and receive in return a cash payment equal to the excess of the change of control price (as defined) over the exercise price; all performance units will vest and be paid out immediately in cash as if the applicable performance goals had been satisfied at target levels; and any annual incentive award outstanding at the participant s termination for any reason other than cause within 24 months after the change of control will be paid in cash at target level on a prorated basis.

Stock Ownership Guidelines. In an effort to further align management s interests with those of the share-owners, the Committee recommended, and the Board of Directors adopted, stock ownership guidelines for the officers of the Company and its subsidiaries during 2004. The Committee believes that linking a significant portion of an officer s current and potential future net worth to the Company s success, as reflected in the ownership of the Company s Common Stock and the price of the Company s Common Stock, helps to ensure that officers have a stake similar to that of the Company s shareowners. The share ownership guideline for each executive is based on the executive s position. The guideline for Chairman of the Board and CEO is five times base salary. The guidelines for other Company officers range from three and one-half to one and one-half times their base salaries. Each executive is expected to achieve the applicable ownership guideline within five years. Similar guidelines were adopted for members of the Board of Directors at a level of five times their annual retainer.

Financial Restatement. It is the Board of Directors policy that the Compensation Committee will, to the extent permitted by governing law, have the sole and absolute authority to make retroactive adjustment to any cash or equity-based incentive compensation paid to executive officers and certain other officers where the payment was predicated upon the achievement of certain financial results that were subsequently the subject of a restatement. Where applicable, the Company will seek to recover any amount determined to have been inappropriately received by the individual executive.

Tax and Accounting Issues.

Deductibility of Executive Compensation. A Federal tax law currently limits our ability to deduct an executive s compensation in excess of $1,000,000 unless such compensation qualifies as performance based compensation or certain other exceptions are met. The Committee has continued to analyze the structure of its salary and various compensation programs in light of this law. The Committee s present intent is to take appropriate steps to ensure the continued deductibility of its executive compensation. For this reason, the Committee and the Board of Directors recommended, and the shareowners approved, the Stock Incentive Plan and the Annual Incentive Plan at the 2003 Annual Meeting so that certain compensation payable thereunder would qualify for the performance based compensation exception to the $1,000,000 deduction limit and thereby continue to be deductible by the Company.

Nonqualified Deferred Compensation. On October 22, 2004, the American Jobs Creation Act of 2004 was signed into law, changing the tax rules applicable to nonqualified deferred compensation arrangements. While the final regulations have not become effective yet, the Company believes it is operating in good faith compliance with the statutory provisions which were effective January 1, 2005. A more detailed discussion of the Company s nonqualified deferred compensation arrangements is provided below under the heading Nonqualified Deferred Compensation.

Accounting for Stock-Based Compensation. Beginning on January 1, 2006, the Company began accounting for stock-based payments, including its stock options and performance units, in accordance with the requirements of Statement of Financial Accounting Standards No. 123(R), Share-Based Payment.

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SUMMARY COMPENSATION TABLE

The following table provides information regarding compensation paid or to be paid by us or any of our subsidiaries to the Chief Executive Officer, the Chief Financial Officer and the three other most highly compensated executive officers for 2006.

	Year	Salary ($)	Bonus ($)	Stock Awards ($) (1)	Option Awards ($) (2)	Non-Equity Incentive Plan Compensation ($) (3)	Change in Pension Value and Nonq fied Deferred Compensation Earnin ($) (4)
	(b)	(c)	(d)	(e)	(f)	(g)	(h)
(6)	2006	$780,000	0	$2,538,567	$19,384	$913,183	$410,186
r (7)	2006	$510,000	0	$1,366,449	$10,022	$491,714	$582,898
	2006	$370,700	0	$646,150	$4,806	$275,820	$61,694
resident and Chief Operating Officer, Enogex, Inc.	2006	$284,000	0	$262,992	$1,549	$170,400	$55,659
	2006	$210,000	0	$250,646	$2,209	$79,046	$15,859

sation Plan) and $11,660 (insurance premiums). A significant portion of the insurance premiums reported for each of these individuals is for life insurance policies ar

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Grants of Plan-Based Awards Table

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards			Estimated Future Payouts Under Equity Incentive Plan Awards			All Other Stock Awards: Number of Shares of Stock or Units	All Other Option Awards: Number of Securities Underlying Options	Exercise or Base Price of Option Awards	Grant Date Fair Value of Stock and Option Awards
		Threshold ($)	Target ($)	Maximum ($)	Threshold ($)	Target ($)	Maximum ($)	(#)	(#)	($/Sh)	($)
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)
S.E. Moore	2/22/2006				0	44,466	88,932	N/A	N/A	N/A	$1,019,605
	2/22/2006				0	14,822	29,644	N/A	N/A	N/A	415,016
	2/22/2006	0	663,000	994,500							
P.B. Delaney	2/22/2006				0	23,259	46,518	N/A	N/A	N/A	$533,329
	2/22/2006				0	7,753	15,506	N/A	N/A	N/A	217,084
	2/22/2006	0	357,000	535,500							
J.R. Hatfield	2/22/2006				0	11,975	23,950	N/A	N/A	N/A	$274,587
	2/22/2006				0	3,992	7,984	N/A	N/A	N/A	111,776
	2/22/2006	0	203,885	305,828							
D.P. Harris	2/22/2006				0	5,936	11,872	N/A	N/A	N/A	$136,112
	2/22/2006				0	1,979	3,958	N/A	N/A	N/A	55,412
	2/22/2006	0	113,600	170,400							
S.R. Gerdes	2/22/2006				0	2,793	5,586	N/A	N/A	N/A	$64,043
	2/22/2006				0	931	1,862	N/A	N/A	N/A	26,068
	2/22/2006	0	63,000	94,500							

Amounts in columns (c), (d) and (e) of the Grants of Plan-Based Awards table above represent the minimum, target and maximum amounts that would be payable pursuant to the 2006 annual incentive awards made under the Annual Incentive Compensation Plan. As described in the Compensation Discussion and Analysis section above, the amount that each executive officer received was dependent upon performance against two or more of the following performance measures: Earnings Target, O&M/Capital Target, Unregulated Income Target and ROIC Target. For each Company performance measure, the Compensation Committee established a minimum level of performance (below which no payout would be made), a target level of performance (at which a 100% payout would be made) and a maximum level of performance (at or above which a 150% payout would be made). The percentage of the targeted amount that an executive officer ultimately received based on corporate performance was subject to being decreased, but not increased, at the discretion of the Committee. For 2006, payouts of these annual incentive awards were made in cash and are reflected in the Non-Equity Incentive Plan Compensation column of the Summary Compensation Table.

Amounts in columns (f), (g) and (h) above represent awards of performance units under the Company s Stock Incentive Plan. All payouts of such performance units will be made in shares of the Company s Common Stock. As described in more detail in the Compensation Discussion and Analysis section above, the terms of 75% of the performance units granted to each executive officer in 2006 entitle the officer to receive from 0% to 200% of the performance units granted depending upon the Company s TSR over a three-year period measured against the TSR for such period by a peer group selected by the Committee. At the end of the three-year period (i.e., December 31, 2008), the terms of these performance units provide for payout of 100% of the performance units initially granted if the Company s TSR is at the 50th percentile of the peer group, with higher payouts for performance above the 50th percentile up to 200% of the performance units granted if the Company s TSR is at or above the 90th percentile of the peer group. The terms of these performance units provide for payouts of less than 100% of the performance units granted if the Company s TSR is below the 50th percentile of the peer group, with no payout for performance below the 35th percentile.

For the remaining 25% of performance units granted in 2006, the officer is entitled to receive from 0% to 200% of the performance units granted based on the growth in the Company s earnings per share measured against the Earnings Growth Target set by the Committee for such period. At the end of the three-year period (i.e., December 31, 2008), the terms of these performance units provide for payout of 100% of the performance units initially granted if the rate of growth of the Company s earnings per share during such period is at the Earnings Growth Target, with higher payouts for growth rates in excess of the Earnings Growth Target up to 200% for growth rates at or above 150% of the Earnings Growth Target and payout of less than 100% for growth rates below the Earnings Growth

Target, with no payouts for growth rates below 62.5% of the Earnings Growth Target. The Company s earnings growth rate is calculated on a point-to-point basis by dividing by one-third the percentage increase in the Company s earnings per share for the year ended December 31, 2008, compared to the benchmark of $1.83 for 2005.

Based on the fair value of equity awards granted to the named executive officers in 2006 and the base salary of the named executive officers, Salary accounted for approximately 30% to 60% of total compensation, while incentive compensation accounted for approximately 40% to 70% of the total compensation, assuming achievement of a target level of performance for each named executive officer. Because the value of certain equity awards included in the Summary Compensation Table is based on the FAS 123R value rather than fair value, these percentages may not be able to be derived using the amounts reflected in the Summary Compensation Table.

Outstanding Equity Awards at Fiscal Year-End Table

	Option Awards					Stock Awards			
Name	Number Of Securities Underlying Unexercised Options Exercisable (#)	Number of Securities Underlying Unexercised Options Unexerciseable (#)	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)	Option Exercise Price ($)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested ($)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ($)(1)
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)
S.E. Moore	56,733	28,367(2)	0						
	202,300	0	0						
	218,500	0	0						
	104,700	0	0						
	77,800	0	0						
	72,800	0	0						
	104,000	0	0						