OGE ENERGY CORP.
Form 10-Q
August 09, 2018

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

FORM 10-Q

(Mark One)
x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 30, 2018

OR

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

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

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

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

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

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

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

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

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

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

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

At June 30, 2018, there were 199,731,036 shares of common stock, par value $0.01 per share, outstanding.

OGE ENERGY CORP.

FORM 10-Q

FOR THE QUARTER ENDED JUNE 30, 2018

TABLE OF CONTENTS

GLOSSARY OF TERMS

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

Abbreviation	Definition
2017 Form 10-K	Annual Report on Form 10-K for the year ended December 31, 2017
2017 Tax Act	Tax Cuts and Jobs Act of 2017
APSC	Arkansas Public Service Commission
ArcLight group	Bronco Midstream Holdings, LLC and Bronco Midstream Holdings II, LLC, collectively
ASC	FASB Accounting Standards Codification
ASU	FASB Accounting Standards Update
CenterPoint	CenterPoint Energy Resources Corp., wholly-owned subsidiary of CenterPoint Energy, Inc.
CO_2	Carbon dioxide
Company	OGE Energy Corp., collectively with its subsidiaries
CSAPR	Cross-State Air Pollution Rule
Dry Scrubbers	Dry flue gas desulfurization units with spray dryer absorber
ECP	Environmental Compliance Plan
Enable	Enable Midstream Partners, LP, a partnership between OGE Energy, the ArcLight group and CenterPoint Energy, Inc. formed to own and operate the midstream businesses of OGE Energy and CenterPoint
Enogex Holdings	Enogex Holdings LLC, the parent company of Enogex LLC and a majority-owned subsidiary of OGE Holdings, LLC (prior to May 1, 2013)
Enogex LLC	Enogex LLC, collectively with its subsidiaries (effective July 30, 2013, the name was changed to Enable Oklahoma Intrastate Transmission, LLC)
EPA	U.S. Environmental Protection Agency
FASB	Financial Accounting Standards Board
Federal Clean Water Act	Federal Water Pollution Control Act of 1972, as amended
FERC	Federal Energy Regulatory Commission
FIP	Federal Implementation Plan
GAAP	Accounting principles generally accepted in the U.S.
IRP	Integrated Resource Plan
MATS	Mercury and Air Toxics Standards
MBbl/d	Thousand barrels per day
Mustang Modernization Plan	The construction of seven new, efficient combustion turbines with generating capability of 462 megawatts
MWh	Megawatt-hour
NAAQS	National Ambient Air Quality Standards
NGL	Natural gas liquid
NO_X	Nitrogen oxide
OCC	Oklahoma Corporation Commission
OG&E	Oklahoma Gas and Electric Company, wholly-owned subsidiary of OGE Energy
OGE Holdings	OGE Enogex Holdings, LLC, wholly-owned subsidiary of OGE Energy, parent company of Enogex Holdings (prior to May 1, 2013) and 25.6 percent owner of Enable Midstream Partners
Pension Plan	Qualified defined benefit retirement plan
Ppb	Parts per billion
Regional Haze Rule	The EPA's Regional Haze Rule
Restoration of Retirement Income Plan	Supplemental retirement plan to the Pension Plan
SIP	State Implementation Plan
SO_2	Sulfur dioxide

SPP	Southwest Power Pool
System sales	Sales to OG&E's customers
TBtu/d	Trillion British thermal units per day
U.S.	United States of America

FORWARD-LOOKING STATEMENTS

Except for the historical statements contained herein, the matters discussed in this Form 10-Q, including those matters discussed in "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations," are forward-looking statements that are subject to certain risks, uncertainties and assumptions. Such forward-looking statements are intended to be identified in this document by the words "anticipate," "believe," "estimate," "expect," "intend," "objective," "plan," "possible," "potential," "project" and similar expressions. Actual results may vary materially from those expressed in forward-looking statements. In addition to the specific risk factors discussed in "Item 1A. Risk Factors" in the Company's 2017 Form 10-K and in "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations" and Item 1A. of Part II herein, factors that could cause actual results to differ materially from the forward-looking statements include, but are not limited to:

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

- identification of suitable investment opportunities to enhance shareholder returns and achieve long-term financial objectives through business acquisitions and divestitures;
- increased pension and healthcare costs;
- costs and other effects of legal and administrative proceedings, settlements, investigations, claims and matters, including, but not limited to, those described in this Form 10-Q;
- difficulty in making accurate assumptions and projections regarding future revenues and costs associated with the Company's equity investment in Enable that the Company does not control; and
- other risk factors listed in the reports filed by the Company with the Securities and Exchange Commission, including those listed in "Item 1A. Risk Factors" in the Company's 2017 Form 10-K and Item 1A. of Part II herein.

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

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
(In millions, except per share data)	2018	2017	2018	2017
OPERATING REVENUES				
Revenues from contracts with customers	$547.7	$—	$1,025.6	$—
Other revenues	19.3	—	34.1	—
Operating revenues	567.0	586.4	1,059.7	1,042.4
COST OF SALES	208.7	232.1	419.2	440.8
OPERATING EXPENSES				
Other operation and maintenance	123.2	112.5	242.0	234.6
Depreciation and amortization	80.9	74.7	159.7	130.3
Taxes other than income	22.5	21.3	46.6	45.2
Operating expenses	226.6	208.5	448.3	410.1
OPERATING INCOME	131.7	145.8	192.2	191.5
OTHER INCOME (EXPENSE)				
Equity in earnings of unconsolidated affiliates	29.3	29.4	63.2	65.0
Allowance for equity funds used during construction	6.3	8.5	13.3	15.4
Other net periodic benefit income (expense)	0.8	(2.3)	2.1	(4.2)
Other income	4.7	10.3	10.1	19.1
Other expense	(3.3)	(3.2)	(7.7)	(7.3)
Net other income	37.8	42.7	81.0	88.0
INTEREST EXPENSE				
Interest on long-term debt	39.7	39.2	79.3	75.1
Allowance for borrowed funds used during construction	(2.8)	(4.1)	(6.5)	(7.4)
Interest on short-term debt and other interest charges	4.0	2.0	6.7	4.4
Interest expense	40.9	37.1	79.5	72.1
INCOME BEFORE TAXES	128.6	151.4	193.7	207.4
INCOME TAX EXPENSE	17.9	46.6	28.0	66.6
NET INCOME	$110.7	$104.8	$165.7	$140.8
BASIC AVERAGE COMMON SHARES OUTSTANDING	199.7	199.7	199.7	199.7
DILUTED AVERAGE COMMON SHARES OUTSTANDING	200.5	199.9	200.3	200.0
BASIC EARNINGS PER AVERAGE COMMON SHARE	$0.55	$0.52	$0.83	$0.70
DILUTED EARNINGS PER AVERAGE COMMON SHARE	$0.55	$0.52	$0.83	$0.70
DIVIDENDS DECLARED PER COMMON SHARE	$0.33250	$0.30250	$0.66500	$0.60500

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
(In millions)	2018	2017	2018	2017
Net income	$110.7	$104.8	$165.7	$140.8
Other comprehensive income (loss), net of tax:				
Pension Plan and Restoration of Retirement Income Plan:				
Amortization of deferred net loss, net of tax of $0.3, $0.4, $0.5 and $0.8, respectively	1.0	0.8	1.7	1.4
Postretirement benefit plans:				
Amortization of prior service credit, net of tax of ($0.2), ($0.0), ($0.3) and ($0.0), respectively	(0.3)	—	(0.8)	—
Other comprehensive income, net of tax	0.7	0.8	0.9	1.4
Comprehensive income	$111.4	$105.6	$166.6	$142.2

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

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

	Six Months Ended June 30,	
(In millions)	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$165.7	$140.8
Adjustments to reconcile net income to net cash provided from operating activities:		
Depreciation and amortization	159.7	130.3
Deferred income taxes and investment tax credits, net	19.4	68.0
Equity in earnings of unconsolidated affiliates	(63.2)	(65.0)
Distributions from unconsolidated affiliates	63.2	65.0
Allowance for equity funds used during construction	(13.3)	(15.4)
Stock-based compensation expense	5.8	4.5
Regulatory assets	(1.6)	(15.6)
Regulatory liabilities	1.9	(0.2)
Other assets	7.3	(3.5)
Other liabilities	(0.6)	11.7
Change in certain current assets and liabilities:		
Accounts receivable and accrued unbilled revenues, net	(51.5)	(38.6)
Income taxes receivable	(2.0)	4.6
Fuel, materials and supplies inventories	0.1	1.1
Fuel recoveries	37.0	(56.1)
Other current assets	22.0	5.7
Accounts payable	(45.7)	1.3
Other current liabilities	50.0	(41.2)
Net cash provided from operating activities	354.2	197.4
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures (less allowance for equity funds used during construction)	(273.8)	(491.1)
Investment in unconsolidated affiliates	(0.5)	(5.2)
Return of capital - unconsolidated affiliates	7.4	5.6
Proceeds from sale of assets	—	0.4
Net cash used in investing activities	(266.9)	(490.3)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in short-term debt	31.7	(43.0)
Proceeds from long-term debt	—	296.5
Payment of long-term debt	—	(0.1)
Increase in long-term revolver	—	160.0
Dividends paid on common stock	(133.0)	(120.8)
Other	(0.4)	—
Net cash (used in) provided from financing activities	(101.7)	292.6
NET CHANGE IN CASH AND CASH EQUIVALENTS	(14.4)	(0.3)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	14.4	0.3
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$—	$—

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

OGE ENERGY CORP.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

(In millions)	June 30, 2018	December 31, 2017
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$—	$14.4
Accounts receivable, less reserve of $1.0 and $1.5, respectively	221.2	188.7
Accounts receivable - unconsolidated affiliates	—	1.9
Accrued unbilled revenues	87.8	66.5
Income taxes receivable	7.8	5.8
Fuel inventories	81.1	84.3
Materials and supplies, at average cost	130.3	80.8
Other	32.6	54.6
Total current assets	560.8	497.0
OTHER PROPERTY AND INVESTMENTS		
Investment in unconsolidated affiliates	1,153.6	1,160.4
Other	77.0	76.7
Total other property and investments	1,230.6	1,237.1
PROPERTY, PLANT AND EQUIPMENT		
In service	11,544.6	11,041.2
Construction work in progress	566.0	867.5
Total property, plant and equipment	12,110.6	11,908.7
Less accumulated depreciation	3,637.5	3,568.8
Net property, plant and equipment	8,473.1	8,339.9
DEFERRED CHARGES AND OTHER ASSETS		
Regulatory assets	270.2	283.0
Other	8.9	55.7
Total deferred charges and other assets	279.1	338.7
TOTAL ASSETS	$10,543.6	$10,412.7

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

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

(In millions)	June 30, 2018	December 31, 2017
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Short-term debt	$200.1	$168.4
Accounts payable	161.4	230.4
Dividends payable	66.4	66.4
Customer deposits	82.5	80.7
Accrued taxes	42.9	44.5
Accrued interest	44.0	44.0
Accrued compensation	37.7	35.9
Long-term debt due within one year	499.9	249.8
Fuel clause over recoveries	38.7	1.7
Other	76.7	28.7
Total current liabilities	1,250.3	950.5
LONG-TERM DEBT	2,500.4	2,749.6
DEFERRED CREDITS AND OTHER LIABILITIES		
Accrued benefit obligations	188.4	192.7
Deferred income taxes	1,255.1	1,227.8
Regulatory liabilities	1,296.1	1,283.4
Other	163.2	157.6
Total deferred credits and other liabilities	2,902.8	2,861.5
Total liabilities	6,653.5	6,561.6
COMMITMENTS AND CONTINGENCIES (NOTE 13)		
STOCKHOLDERS' EQUITY		
Common stockholders' equity	1,120.1	1,114.8
Retained earnings	2,792.3	2,759.5
Accumulated other comprehensive loss, net of tax	(22.3)	(23.2)
Total stockholders' equity	3,890.1	3,851.1
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$10,543.6	$10,412.7

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

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

(In millions)	Shares Outstanding	Common Stock	Premium on Common Stock	Retained Earnings	Accumulated Other Comprehensive (Loss) Income	Total
Balance at December 31, 2017	199.7	$ 2.0	$ 1,112.8	$ 2,759.5	$ (23.2)	$ 3,851.1
Net income	—	—	—	165.7	—	165.7
Other comprehensive income, net of tax	—	—	—	—	0.9	0.9
Dividends declared on common stock	—	—	—	(132.9)	—	(132.9)
Stock-based compensation	—	—	5.3	—	—	5.3
Balance at June 30, 2018	199.7	$ 2.0	$ 1,118.1	$ 2,792.3	$ (22.3)	$ 3,890.1
Balance at December 31, 2016	199.7	$ 2.0	$ 1,103.8	$ 2,367.3	$ (29.3)	$ 3,443.8
Net income	—	—	—	140.8	—	140.8
Cumulative effect of change in accounting principle	—	—	—	22.3	—	22.3
Other comprehensive income, net of tax	—	—	—	—	1.4	1.4
Dividends declared on common stock	—	—	—	(120.8)	—	(120.8)
Stock-based compensation	—	—	4.5	—	—	4.5
Balance at June 30, 2017	199.7	$ 2.0	$ 1,108.3	$ 2,409.6	$ (27.9)	$ 3,492.0

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

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

1. Summary of Significant Accounting Policies

The Company's significant accounting policies are detailed in "Note 1. Summary of Significant Accounting Policies" in the Company's 2017 Form 10-K. Changes to the Company's accounting policies as a result of adopting ASU 2014-09, "Revenue from Contracts with Customers (Topic 606)," are discussed in Note 3 in this Form 10-Q.

Organization

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

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

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

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

Basis of Presentation

The Condensed Consolidated Financial Statements included herein have been prepared by the Company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to such rules and regulations; however, the Company believes that the disclosures are adequate to prevent the information presented from being misleading.

In the opinion of management, all adjustments necessary to fairly present the consolidated financial position of the Company at June 30, 2018 and December 31, 2017, the consolidated results of its operations for the three and six months ended June 30, 2018 and 2017 and its consolidated cash flows for the six months ended June 30, 2018 and 2017 have been included and are of a normal, recurring nature except as otherwise disclosed. Management also has evaluated the impact of events occurring after June 30, 2018 up to the date of issuance of these Condensed Consolidated Financial Statements, and these statements contain all necessary adjustments and disclosures resulting from that evaluation.

Due to seasonal fluctuations and other factors, the Company's operating results for the three and six months ended June 30, 2018 are not necessarily indicative of the results that may be expected for the year ending December 31, 2018 or for any future period. The Condensed Consolidated Financial Statements and Notes thereto should be read in conjunction with the audited Consolidated Financial Statements and Notes thereto included in the Company's 2017 Form 10-K.

Accounting Records

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

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

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

(In millions)	June 30, 2018	December 31, 2017
REGULATORY ASSETS		
Current:		
Oklahoma demand program rider under recovery (A)	$16.7	$31.6
SPP cost tracker under recovery (A)	0.8	7.7
Other (A)	2.2	1.5
Total current regulatory assets	$19.7	$40.8
Non-current:		
Benefit obligations regulatory asset	$171.9	$177.2
Deferred storm expenses	39.0	42.2
Smart Grid	29.3	32.8
Unamortized loss on reacquired debt	11.8	12.3
Other	18.2	18.5
Total non-current regulatory assets	$270.2	$283.0
REGULATORY LIABILITIES		
Current:		
Fuel clause over recoveries	$38.7	$1.7
Other (B)	2.5	2.2
Total current regulatory liabilities	$41.2	$3.9
Non-current:		
Income taxes refundable to customers, net	$944.2	$955.5
Accrued removal obligations, net	300.2	288.4
Pension tracker	44.4	32.3
Other	7.3	7.2
Total non-current regulatory liabilities	$1,296.1	$1,283.4

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

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

Investment in Unconsolidated Affiliates

The Company's investment in Enable is considered to be a variable interest entity because the owners of the equity at risk in this entity have disproportionate voting rights in relation to their obligations to absorb the entity's expected losses or to receive its expected residual returns. However, the Company is not considered the primary beneficiary of Enable since it does not have the power to direct the activities of Enable that are considered most significant to the economic performance of Enable; therefore, the Company accounts for its investment in Enable using the equity method of accounting. Under the equity method, the investment will be adjusted each period for contributions made, distributions received and the Company's share of the investee's comprehensive income as adjusted for basis differences. The Company's maximum exposure to loss related to Enable is limited to the Company's equity investment in Enable at June 30, 2018 as presented in Note 12. The Company evaluates its equity method investments for impairment when events or changes in circumstances indicate there is a loss in value of the investment that is other than a temporary decline.

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

Accumulated Other Comprehensive Income (Loss)

The following tables summarize changes in the components of accumulated other comprehensive income (loss) attributable to the Company during the six months ended June 30, 2018 and 2017. All amounts below are presented net of tax.

	Pension Plan and Restoration of Retirement Income Plan		Postretirement Benefit Plans		
(In millions)	Net income (loss)	Prior service cost	Net income	Prior service credit	Total
Balance at December 31, 2017	$ (32.7)	$ —	$ 2.5	$ 7.0	$ (23.2)
Amounts reclassified from accumulated other comprehensive income (loss)	1.7	—	—	(0.8)	0.9
Balance at June 30, 2018	$ (31.0)	$ —	$ 2.5	$ 6.2	$ (22.3)

	Pension Plan and Restoration of Retirement Income Plan		Postretirement Benefit Plans		
(In millions)	Net income (loss)	Prior service cost	Net income	Prior service credit	Total
Balance at December 31, 2016	$ (32.1)	$ 0.1	$ 2.7	$ —	$ (29.3)
Amounts reclassified from accumulated other comprehensive income	1.4	—	—	—	1.4
Balance at June 30, 2017	$ (30.7)	$ 0.1	$ 2.7	$ —	$ (27.9)

The following table summarizes significant amounts reclassified out of accumulated other comprehensive income (loss) by the respective line items in net income during the three and six months ended June 30, 2018 and 2017.

Details about Accumulated Other Comprehensive Income (Loss) Components	Amount Reclassified from Accumulated Other Comprehensive Income (Loss)				Affected Line Item in the Condensed Consolidated Statements of Income
	Three Months Ended June 30,		Six Months Ended June 30,		
(In millions)	2018	2017	2018	2017	
Amortization of Pension Plan and Restoration of Retirement Income Plan items:					
Actuarial losses (A)	$(1.3)	$(1.2)	$(2.2)	$(2.2)	Other Net Periodic Benefit Income (Expense)
	(0.3)	(0.4)	(0.5)	(0.8)	Income Tax Expense
	$(1.0)	$(0.8)	$(1.7)	$(1.4)	Net Income
Amortization of postretirement benefit plans items:					
Prior service credit (A)	$0.5	$—	$1.1	$—	Other Net Periodic Benefit Income (Expense)
	0.2	—	0.3	—	Income Tax Expense
	$0.3	$—	$0.8	$—	Net Income
Total reclassifications for the period, net of tax	$(0.7)	$(0.8)	$(0.9)	$(1.4)	Net Income

(A) These accumulated other comprehensive income (loss) components are included in the computation of net periodic benefit cost (see Note 11 for additional information).

Reclassifications

Certain prior-year amounts have been reclassified to conform to the current year presentation.

Amounts for the three and six months ended June 30, 2017 have been adjusted for the reclassification of net periodic benefit cost components between Other Operation and Maintenance and Other Net Periodic Benefit Income (Expense) on the Company's Condensed Consolidated Statements of Income to be consistent with the 2018 presentation due to the Company's adoption of ASU 2017-07, "Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost."

2. Accounting Pronouncements

Recently Adopted Accounting Standards

Revenue from Contracts with Customers. In May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers (Topic 606)." The Company adopted this standard in the first quarter of 2018 utilizing the modified retrospective transition method and applied the new standard only to contracts that were not completed at the date of initial application. The Company determined it was not necessary to change the timing or amounts of revenue recognized based on the adoption of Topic 606. Therefore, financial statement amounts in the period of adoption have not changed under Topic 606 as compared with the guidance that was in effect before the adoption of Topic 606. The adoption did change financial statement presentation as Operating Revenues are now separated between Revenues from Contracts with Customers and Other Revenues on the 2018 Condensed Consolidated Statement of Income. In addition, gains and losses associated with OG&E's guaranteed flat bill program that were previously included in Net Other Income on the Condensed Consolidated Statements of Income are now presented as Revenues from Contracts with Customers since the gains and losses are included within the transaction price in the contract under Topic 606. Operating Revenues presented on the 2017 Condensed Consolidated Statement of Income did not change from prior year.

Alternative revenue programs are scoped out of Topic 606, as these programs are considered agreements between an entity and a regulator, not contracts between an entity and a customer; therefore, the Company now presents revenues from alternative revenue programs separately from revenues from contracts with customers. Further discussion regarding the Company's revenue recognition as well as additional disclosures resulting from the adoption of Topic 606 can be found in Note 3.

Clarifying the Scope of Asset Derecognition Guidance and Accounting for Partial Sales of Nonfinancial Assets. In February 2017, the FASB issued ASU 2017-05, "Other Income - Gains and Losses from the Derecognition of Nonfinancial Assets (Subtopic 610-20): Clarifying the Scope of Asset Derecognition Guidance and Accounting for Partial Sales of Nonfinancial Assets." ASC 610-20 was issued as part of ASU 2014-09 and was added to provide guidance for recognizing gains and losses from the transfer of nonfinancial assets in contracts with non-customers. The new guidance clarifies the application of the guidance in Topic 606 for the derecognition of nonfinancial assets and unifies guidance related to partial sales of nonfinancial assets. The Company adopted the new guidance beginning in the first quarter of 2018, which did not have a material effect on its Condensed Consolidated Financial Statements.

Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost. In May 2017, the FASB issued ASU 2017-07, "Compensation-Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost." The new guidance is designed to improve the reporting of pension and other postretirement benefit costs by bifurcating the components of net benefit cost between those that are attributed to compensation for service and those that are not. The service cost component of benefit cost continues to be presented within operating income, but entities are now required to present the other components of benefit cost as non-operating within the income statement. Additionally, the new guidance only permits the capitalization of the service cost component of net benefit cost. The accounting change is required to be applied on a retrospective basis for the presentation of components of net benefit cost and on a prospective basis for the capitalization of only the service cost component of net benefit costs. The Company adopted the new guidance beginning in the first quarter of 2018. The presentation and recognition impacts of the Company's adoption of ASU 2017-07 are further discussed in Note 11.

Recognition and Measurement of Financial Assets and Financial Liabilities. In January 2016, the FASB issued ASU 2016-01, "Financial Instruments-Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities." The new guidance, among other things, requires entities to measure equity instruments (except those accounted for under the equity method of accounting or those that result in consolidation of the investee) at fair value with changes in fair value recognized in net income. Further, an entity has the option to measure equity instruments that do not have readily determinable fair values at cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or similar investment of the same issuer. The Company adopted the new guidance beginning in the first quarter of 2018, which did not have a material effect on its Condensed Consolidated Financial Statements.

Issued Accounting Standards Not Yet Adopted

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

In January 2018, the FASB issued ASU 2018-01, "Leases (Topic 842): Land Easement Practical Expedient for Transition to Topic 842," which is an amendment to ASU 2016-02. Land easements (also commonly referred to as rights of way) represent the right to use, access or cross another entity's land for a specified purpose. This new guidance permits an entity to elect a transitional practical expedient, to be applied consistently, to not evaluate under Topic 842 land easements that exist or expired before the entity's adoption of Topic 842 and that were not previously accounted for as leases under ASC 840, "Leases." Once Topic 842 is adopted, an entity is required to apply Topic 842 prospectively to all new (or modified) land easements to determine whether the arrangement should be accounted for as a lease. ASU 2018-01 is effective for fiscal years beginning after December 2018. The Company currently intends to elect this practical expedient during its adoption of Topic 842 and does not plan to evaluate existing easement contracts under Topic 842, if these contracts have not previously been accounted for under Topic 840.

In July 2018, the FASB issued ASU 2018-11, "Leases (Topic 842): Targeted Improvements," which provides the following additional amendments to ASU 2016-02: (i) entities can elect to initially apply ASU 2016-02 at the adoption date and recognize a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption and (ii) lessors can elect a practical expedient, by class of underlying asset, to account for nonlease components and the associated lease component as a single component, if the nonlease component otherwise would be accounted for under Topic 606 and certain conditions, as described in ASU 2018-11, are met. If an entity elects the additional (and optional) transition method, the entity will provide the required Topic 840 disclosures for all periods that continue to be reported under Topic 840. ASU 2018-11 is effective for fiscal years beginning after December 2018. The Company is reviewing potential impacts of ASU 2018-11 and currently intends to elect the transition method provided by the guidance allowing for initial application at the adoption date.

3. Revenue Recognition

Revenue from Contracts with Customers

General

OG&E recognizes revenue from electric sales when power is delivered to customers. The performance obligation to deliver electricity is generally created and satisfied simultaneously, and the provisions of the regulatory-approved tariff determine the charges OG&E may bill the customer, payment due date and other pertinent rights and obligations of both parties. OG&E reads its customers' meters and sends bills to its customers throughout each month. As a result, there is a significant amount of customers' electricity consumption that has not been billed at the end of each month. OG&E accrues an estimate of the revenues for electric sales delivered since the latest billings. Unbilled revenue is presented in Accrued Unbilled Revenues on the Condensed Consolidated Balance Sheets and in Revenues from Contracts with Customers on the Condensed Consolidated Statements of Income based on estimates of usage and prices during the period. The estimates that management uses in this calculation could vary from the actual amounts to be paid by customers.

Integrated Market and Transmission

OG&E currently owns and operates transmission and generation facilities as part of a vertically integrated utility. OG&E is a member of the SPP regional transmission organization and has transferred operational authority, but not ownership, of OG&E's transmission facilities to the SPP. The SPP has implemented FERC-approved regional day ahead and real-time markets for energy and operating services, as well as associated transmission congestion rights. Collectively the three markets operate together under the global name, SPP Integrated Marketplace. OG&E represents owned and contracted generation assets and customer load in the SPP Integrated Marketplace for the sole benefit of its customers. OG&E has not participated in the SPP Integrated Marketplace for any speculative trading activities.

OG&E records the SPP Integrated Marketplace transactions as sales or purchases per FERC Order 668, which requires that purchases and sales be recorded on a net basis for each settlement period of the SPP Integrated Marketplace. Sales are billed based on the fixed transaction price determined by the market at the time of the sale and the MWh quantity purchased. These results are reported as Revenues from Contracts with Customers or Cost of Sales in the Condensed Consolidated Financial Statements. OG&E revenues, expenses, assets and liabilities may be adversely affected by changes in the organization, operating and regulation by the FERC or the SPP.

OG&E's transmission revenues are generated by the use of OG&E's transmission network by the SPP, which operates the network, on behalf of other transmission owners. OG&E recognizes revenue on the sale of transmission service to its customers over time as the service is provided in the amount OG&E has a right to invoice. Transmission service to the SPP is billed monthly based on a fixed transaction price determined by OG&E's FERC-approved formula transmission rates along with other SPP-specific charges and the megawatt quantity reserved.

Disaggregated Revenue

The following table disaggregates the Company's revenues from contracts with customers by customer classification. The Company's operating revenues disaggregated by customer classification can be found in "OG&E (Electric Utility) Results of Operations" in "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations."

	June 30, 2018	
(In millions)	Three Months Ended	Six Months Ended
Residential	$217.3	$413.5
Commercial	152.4	270.2
Industrial	47.7	89.4
Oilfield	37.7	71.5
Public authorities and street light	51.1	92.8
System sales revenues	506.2	937.4
Provision for rate refund	(16.5)	(19.7)
Integrated market	13.1	21.8
Transmission	40.2	76.0
Other	4.7	10.1