

OGE ENERGY CORP.
Form 10-K
February 21, 2019

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2018

OR

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 (I.R.S. Employer
incorporation or organization) Identification No.)

321 North Harvey

P.O. Box 321

Oklahoma City, Oklahoma 73101-0321

(Address of principal executive offices)

(Zip Code)

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

Securities registered pursuant to Section 12(b) of the Act:

Title of each class Name of each exchange on which registered

Common Stock New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act.

Yes No

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. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form

10-K.

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 Accelerated filer

Non-accelerated filer Smaller reporting company

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Emerging growth company

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.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

At June 29, 2018, the last business day of the registrant's most recently completed second fiscal quarter, the aggregate market value of shares of common stock held by non-affiliates was \$7,032,567,628 based on the number of shares held by non-affiliates (199,732,111) and the reported closing market price of the common stock on the New York Stock Exchange on such date of \$35.21.

At January 31, 2019, there were 199,732,315 shares of common stock, par value \$0.01 per share, outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

The Proxy Statement for the Company's 2019 annual meeting of shareowners is incorporated by reference into Part III of this Form 10-K.

OGE ENERGY CORP.

FORM 10-K

FOR THE YEAR ENDED DECEMBER 31, 2018

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GLOSSARY OF TERMS

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

Abbreviation	Definition
2017 Tax Act	Tax Cuts and Jobs Act of 2017
401(k) Plan	Qualified defined contribution retirement plan
AES	AES-Shady Point, Inc.
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
Bcf	Billion cubic feet
Btu	British thermal unit
CenterPoint	CenterPoint Energy Resources Corp., wholly-owned subsidiary of CenterPoint Energy, Inc.
CO ₂	Carbon dioxide
Code	Internal Revenue Code of 1986
Company	OGE Energy Corp., collectively with its subsidiaries
CSAPR	Cross-State Air Pollution Rule
Dry Scrubber	Dry flue gas desulfurization unit with spray dryer absorber
ECP	Environmental Compliance Plan
EGT	Enable Gas Transmission, LLC, a wholly-owned subsidiary of Enable that operates a 5,900-mile interstate pipeline that provides natural gas transportation and storage services to customers principally in the Anadarko, Arkoma and Ark-La-Tex Basins in Oklahoma, Texas, Arkansas, Louisiana, Missouri and Kansas
Enable	Enable Midstream Partners, LP, partnership between OGE Energy, the ArcLight group and CenterPoint Energy, Inc. formed to own and operate the midstream businesses of OGE Energy and CenterPoint
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 June 30, 2013, the name was changed to Enable Oklahoma Intrastate Transmission, LLC)
EOIT	Enable Oklahoma Intrastate Transmission, LLC, formerly Enogex LLC, a wholly-owned subsidiary of Enable that operates a 2,200-mile intrastate pipeline that provides natural gas transportation and storage services to customers in Oklahoma
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
kV	Kilovolt
LDC	Local distribution company involved in the delivery of natural gas to consumers within a specific geographic area
MATS	Mercury and Air Toxics Standards
MBbl/d	Thousand barrels per day
MMBtu	Million British thermal unit
MRT	Enable Mississippi River Transmission, LLC, a wholly owned subsidiary of Enable that operates a 1,600-mile interstate pipeline that provides natural gas transportation and storage services

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principally in Texas, Arkansas, Louisiana, Missouri and Illinois

Mustang Modernization Plan	The construction of seven new, efficient combustion turbines with generating capability of 462 MWs
MW	Megawatt
MWh	Megawatt-hour
NAAQS	National Ambient Air Quality Standards
NERC	North American Electric Reliability Corporation
NGLs	Natural gas liquids
NO _x	Nitrogen oxide
OCC	Oklahoma Corporation Commission
OG&E	Oklahoma Gas and Electric Company, wholly-owned subsidiary of OGE Energy
OGE Energy	Holding company

OGE Holdings	OGE Enogex Holdings LLC, wholly-owned subsidiary of OGE Energy, parent company of Enogex Holdings and 25.6 percent owner of Enable
OSHA	Federal Occupational Safety and Health Act of 1970
Pension Plan	Qualified defined benefit retirement plan
Ppb	Parts per billion
QF	Qualified cogeneration facility
QF contracts	Contracts with QFs and small power production producers
Regional Haze Rule	The EPA's Regional Haze Rule
Restoration of Retirement Income Plan	Supplemental retirement plan to the Pension Plan
SESH	Southeast Supply Header, LLC, in which Enable owns a 50 percent interest as of December 31, 2018, that operates an approximately 290-mile interstate natural gas pipeline from Perryville, Louisiana to southwestern Alabama near the Gulf Coast
SIP	State Implementation Plan
SO ₂	Sulfur dioxide
SPP	Southwest Power Pool
Stock Incentive Plan	2013 Stock Incentive Plan
System sales	Sales to OG&E's customers
TBtu/d	Trillion British thermal units per day
U.S.	United States of America

FORWARD-LOOKING STATEMENTS

Except for the historical statements contained herein, the matters discussed in this Form 10-K, including those matters discussed in "Item 7. 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" and "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" herein, factors that could cause actual results to differ materially from the forward-looking statements include, but are not limited to:

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

Item 1. Business.

The Company

Introduction

The Company, incorporated in August 1995 in the State of Oklahoma, is a holding company with investments in energy and energy services providers 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 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 was formed in 2013 and is primarily engaged in the business of gathering, processing, transporting and storing natural gas. Enable's natural gas gathering and processing assets are strategically located in four states and serve natural gas production from shale developments in the Anadarko, Arkoma and Ark-La-Tex Basins. Enable also owns a crude oil gathering business in the Anadarko and Williston Basins. Enable has intrastate natural gas transportation and storage assets that are located in Oklahoma as well as interstate assets that extend from western Oklahoma and the Texas Panhandle to Louisiana, from Louisiana to Illinois and from Louisiana to Alabama. At December 31, 2018, the Company owned 111.0 million common units, or 25.6 percent, of Enable's outstanding common units.

The Company's principal executive offices are located at 321 North Harvey, P.O. Box 321, Oklahoma City, Oklahoma 73101-0321 (telephone 405-553-3000). At December 31, 2018, the Company had 2,292 employees, of which 90 are seconded to Enable. The Company's website address is www.ogeenergy.com. Through the Company's website under the heading "Investors," "SEC Filings," the Company makes available, free of charge, its annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and all amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 as soon as reasonably practicable after such material is electronically filed with or furnished to the Securities and Exchange Commission. The Company's website and the information contained therein or connected thereto are not intended to be incorporated into this Form 10-K and should not be considered a part of this Form 10-K. Reports filed with the Securities and Exchange Commission are also made available on its website at www.sec.gov.

Company Strategy

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

energy products and services to customers, as well as seeking growth opportunities in both businesses.

OG&E is focused on:

- providing exceptional customer experiences by continuing to improve customer interfaces, tools, products and services that deliver high customer satisfaction and operating productivity;
- providing safe, reliable energy to the communities and customers we serve, with a particular focus on enhancing the value of the grid by improving distribution grid reliability by reducing the frequency and duration of customer interruptions and leveraging previous grid technology investments;
- having strong regulatory and legislative relationships for the long-term benefit of our customers, investors and members;
- continuing to grow a zero-injury culture and deliver top-quartile safety results;

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ensuring we have the necessary mix of generation resources to meet the long-term needs of our customers; and continuing focus on operational excellence and efficiencies in order to protect the customer bill.

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

Electric Operations - OG&E

General

The electric utility segment generates, transmits, distributes and sells electric energy in Oklahoma and western Arkansas. Its operations are conducted through OG&E. OG&E furnishes retail electric service in 267 communities and their contiguous rural and suburban areas. The service area covers 30,000 square miles in Oklahoma and western Arkansas, including Oklahoma City, the largest city in Oklahoma, and Fort Smith, Arkansas, the second largest city in that state. Of the 267 communities that OG&E serves, 241 are located in Oklahoma, and 26 are in Arkansas. OG&E derived 92 percent of its total electric operating revenues in 2018 from sales in Oklahoma and the remainder from sales in Arkansas. OG&E does not currently serve wholesale customers in either state.

OG&E's system control area peak demand in 2018 was 6,863 MWs on July 20, 2018. OG&E's load responsibility peak demand was 6,094 MWs on July 20, 2018. The following table shows system sales and variations in system sales for 2018, 2017 and 2016.

Year Ended December 31	2018	2018 vs. 2017	2017	2017 vs. 2016	2016
System sales - (Millions of MWh)	28.1	6.8%	26.3	(2.2)%	26.9

OG&E is subject to competition in various degrees from government-owned electric systems, municipally-owned electric systems, rural electric cooperatives and, in certain respects, from other private utilities, power marketers and cogenerators. Oklahoma law forbids the granting of an exclusive franchise to a utility for providing electricity. Besides competition from other suppliers or marketers of electricity, OG&E competes with suppliers of other forms of energy. The degree of competition between suppliers may vary depending on relative costs and supplies of other forms of energy. It is possible that changes in regulatory policies or advances in technologies such as fuel cells, microturbines, windmills and photovoltaic solar cells will reduce costs of new technology to levels that are equal to or below that of most central station electricity production. Our ability to maintain relatively low cost, efficient and reliable operations is a significant determinant of our competitiveness.

OKLAHOMA GAS AND ELECTRIC COMPANY
CERTAIN OPERATING STATISTICS

Year Ended December 31	2018	2017	2016
ELECTRIC ENERGY (Millions of MWh)			
Generation (exclusive of station use)	18.2	18.5	21.4
Purchased	12.6	11.0	9.6
Total generated and purchased	30.8	29.5	31.0
OG&E use, free service and losses	(1.3)(1.4)(1.1
Electric energy sold	29.5	28.1	29.9
ELECTRIC ENERGY SOLD (Millions of MWh)			
Residential	9.7	8.8	9.3
Commercial	8.1	7.6	7.6
Industrial	3.8	3.6	3.6
Oilfield	3.4	3.2	3.2
Public authorities and street light	3.1	3.1	3.2
System sales	28.1	26.3	26.9
Integrated market	1.4	1.8	3.0
Total sales	29.5	28.1	29.9
ELECTRIC OPERATING REVENUES (In millions)			
Residential	\$901.0	\$884.1	\$951.9
Commercial	598.0	588.3	573.7
Industrial	196.7	200.6	194.6
Oilfield	153.2	159.5	156.9
Public authorities and street light	204.0	208.0	204.3
Sales for resale	0.2	0.2	0.3
System sales revenues	2,053.1	2,040.7	2,081.7
Provision for rate refund	(6.0)(26.8	(33.6
Integrated market	48.7	23.5	49.3
Transmission	147.4	151.2	143.0
Other	27.1	18.9	18.8
Total operating revenues	\$2,270.3	\$2,261.1	\$2,259.2
ACTUAL NUMBER OF ELECTRIC CUSTOMERS (At end of period)			
Residential	725,440	719,441	712,467
Commercial	97,685	96,098	94,790
Industrial	2,771	2,795	2,831
Oilfield	6,386	6,415	6,469
Public authorities and street light	17,090	17,081	17,025
Total customers	849,372	841,830	833,582
AVERAGE RESIDENTIAL CUSTOMER SALES			
Average annual revenue	\$1,247.22	\$1,234.92	\$1,342.88
Average annual use (kilowatt-hour)	13,466	12,324	13,105
Average price per kilowatt-hour (cents)	9.26	10.02	10.25

Regulation and Rates

OG&E's retail electric tariffs are regulated by the OCC in Oklahoma and by the APSC in Arkansas. The issuance of certain securities by OG&E is also regulated by the OCC and the APSC. OG&E's transmission activities, short-term borrowing authorization and accounting practices are subject to the jurisdiction of the FERC. The Secretary of the U.S. Department of Energy has jurisdiction over some of OG&E's facilities and operations. In 2018, 86 percent of OG&E's electric revenue was subject to the jurisdiction of the OCC, eight percent to the APSC and six percent to the FERC.

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

For information concerning OG&E's recently completed and currently pending regulatory proceedings, see Note 15 in "Item 8. Financial Statements and Supplementary Data."

Regulatory Assets and Liabilities

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

OG&E records certain incurred costs and obligations as regulatory assets or liabilities if, based on regulatory orders or other available evidence, it is probable that the costs or obligations will be included in amounts allowable for recovery or refund in future rates. 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. See Note 1 in "Item 8. Financial Statements and Supplementary Data" for further discussion of OG&E's regulatory assets and liabilities.

Rate Structures

Oklahoma

OG&E's standard tariff rates include a cost of service component (including an authorized return on capital) plus a fuel adjustment clause mechanism that allows OG&E to pass through to customers the actual cost of fuel and purchased power.

OG&E offers several alternative customer programs and rate options, as described below.

Under OG&E's Smart Grid-enabled SmartHours programs, "time-of-use" and "variable peak pricing" rates offer customers the ability to save on their electricity bills by shifting some of the electricity consumption to off-peak times when demand for electricity and costs are at their lowest.

The guaranteed flat bill option for residential and small general service accounts allows qualifying customers the opportunity to purchase their electricity needs at a set monthly price for an entire year.

The Renewable Energy Credit purchase program, a rate option that provides a "renewable energy" resource, is available as a voluntary option to all of OG&E's Oklahoma retail customers. OG&E's ownership and access to wind and solar resources makes the renewable option a possible choice in meeting the renewable energy needs of our conservation-minded customers.

Load Reduction is a voluntary load curtailment program that provides OG&E's commercial and industrial customers with the opportunity to curtail usage on a voluntary basis when OG&E's system conditions merit curtailment action. Customers that curtail their usage will receive payment for their curtailment response. This voluntary curtailment program seeks customers that can curtail on most curtailment event days but may not be able to curtail every time that a curtailment event is required.

OG&E offers certain qualifying customers "day-ahead price" and "flex price" rate options which allow participating customers to adjust their electricity consumption based on price signals received from OG&E. The prices for the "day-ahead price" and "flex price" rate options are based on OG&E's projected next day hourly operating costs.

OG&E has Public Schools-Demand and Public Schools Non-Demand rate classes that provide OG&E with flexibility to provide targeted programs for load management to public schools and their unique usage patterns. OG&E also provides service level, seasonal and time period fuel charge differentiation that allows customers to pay fuel costs that better reflect the underlying costs of providing electric service. Lastly, OG&E has a military base rider that demonstrates Oklahoma's continued commitment to our military partners.

The previously discussed rate options, coupled with OG&E's other rate choices, provide many tariff options for OG&E's Oklahoma retail customers. The revenue impacts associated with these options are not determinable in future years because customers may choose to remain on existing rate options instead of volunteering for the alternative rate option choices. Revenue variations may occur in the future based upon changes in customers' usage characteristics if they choose alternative rate options.

Arkansas

OG&E's standard tariff rates include a cost of service component (including an authorized return on capital) plus an energy cost recovery mechanism that allows OG&E to pass through to customers the actual cost of fuel and purchased power. In May 2017, the APSC approved a settlement requiring OG&E to be regulated under a formula rate rider. The formula rate rider provides for an annual adjustment to rates approved by the APSC in the May 2017 settlement if the earned rate of return falls outside of a plus or minus 50 basis point dead-band around the allowed return on equity. Adjustments are limited to plus or minus four percent of revenue for each rate class for the 12 months preceding the projected year. The initial term for the formula rate rider is not to exceed five years, unless additional approval is obtained from the APSC.

OG&E offers several alternative customer programs and rate options, as described below.

The "time-of-use" and "variable peak pricing" tariffs allow participating customers to save on their electricity bills by shifting some of the electricity consumption to off-peak times when demand for electricity is lowest.

The Renewable Energy Credit purchase program, a tariff rate option that provides a "renewable energy" resource, is available as a voluntary option to all of OG&E's Arkansas retail customers. OG&E's ownership and access to wind resources makes the renewable option a possible choice in meeting the renewable energy needs of our conservation-minded customers.

Load Reduction is a voluntary load curtailment program that provides OG&E's commercial and industrial customers with the opportunity to curtail usage on a voluntary basis and receive a billing credit when OG&E's system conditions merit curtailment action.

OG&E offers certain qualifying customers a "day-ahead price" rate option which allows participating customers to adjust their electricity consumption based on a price signal received from OG&E. The "day-ahead price" is based on OG&E's projected next day hourly operating costs.

Fuel Supply and Generation

The OG&E-generated energy produced and the weighted average cost of fuel used, by type, for the last three years is presented below.

Fuel	Fuel Mix (A)			Fuel Cost (In cents/Kilowatt-Hour)		
	2018	2017	2016	2018	2017	2016
Natural gas	48%	39%	45%	2.517	2.821	2.488
Coal	45%	54%	48%	2.025	2.069	2.213
Renewable	7%	7%	7%	—	—	—

Total fuel 100% 100% 100% 2.122 2.211 2.199

(A) Fuel mix calculated as a percent of net MWhs generated.

The decrease in the weighted average cost of fuel in 2018 compared to 2017 was primarily due to lower natural gas prices. The increase in the weighted average cost of fuel in 2017 as compared to 2016 was primarily due to higher natural gas prices. These fuel costs are recovered through OG&E's fuel adjustment clauses that are approved by the OCC, the APSC and the FERC.

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OG&E participates in the SPP Integrated Marketplace. As part of the Integrated Marketplace, the SPP has balancing authority responsibilities for its market participants. The SPP Integrated Marketplace functions as a centralized dispatch, where market participants, including OG&E, submit offers to sell power to the SPP from their resources and bid to purchase power from the SPP for their customers. The SPP Integrated Marketplace is intended to allow the SPP to optimize supply offers and demand bids based upon reliability and economic considerations and to determine which generating units will run at any given time for maximum cost-effectiveness within the SPP area. As a result, OG&E's generating units produce output that is different from OG&E's customer load requirements. Net fuel and purchased power costs are recovered through fuel adjustment clauses.

Of OG&E's 6,616 total MWs of generation capability reflected in the table in "Item 2. Properties," 3,631 MWs, or 54.9 percent, are from natural gas generation, 2,524 MWs, or 38.1 percent, are from coal generation, 449 MWs, or 6.8 percent, are from wind generation and 12 MWs, or 0.2 percent, are from solar generation.

Coal

OG&E's coal-fired units are designed to burn low sulfur western sub-bituminous coal. The combination of all 2018 coal had a weighted average sulfur content of 0.23 percent. Based on the average sulfur content and EPA-certified data, OG&E's coal units have an approximate emission rate of 0.5 lbs. of SO₂ per MMBtu.

For the first quarter of 2019, OG&E has purchased 100 percent of its coal requirements. OG&E plans to fill the remainder of its 2019 coal needs through spot purchases and use of existing inventory. OG&E has no coal purchase contracts beyond December 2019. In 2018, OG&E purchased 4.6 million tons of coal from various Wyoming suppliers. See "Environmental Laws and Regulations" in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" for a discussion of environmental matters which may affect OG&E in the future, including its utilization of coal.

Natural Gas

As a participant in the SPP Integrated Marketplace, OG&E purchases its natural gas supply through short-term agreements. OG&E relies on a combination of natural gas call agreements, whereby OG&E has the right but not the obligation to purchase a defined quantity of natural gas, combined with day and intra-day purchases to meet the demands of the SPP Integrated Marketplace.

Wind

OG&E owns the 120 MW Centennial, 101 MW OU Spirit and 228 MW Crossroads wind farms. OG&E's current wind power portfolio also includes purchased power contracts as listed in the table below.

Company	Location	Original Term of Contract	Expiration of Contract	MWs
CPV Keenan	Woodward County, OK	20 years	2030	152.0
Edison Mission Energy	Dewey County, OK	20 years	2031	130.0
NextEra Energy	Blackwell, OK	20 years	2032	60.0

Solar

In 2015, OG&E placed its first solar plant into service. The plant consists of two separate solar farms and is located in Oklahoma City on the site of the Mustang generating facility. The Mustang solar plant has a maximum capacity of 2.5 MWs and consists of almost 10,000 photovoltaic panels.

In the first quarter of 2018, OG&E placed its second solar plant, which is located near Covington, Oklahoma, into service. The Covington solar plant has a maximum capacity of 9.7 MWs and consists of almost 38,000 photovoltaic panels.

OG&E will continue to evaluate the need to add solar plants to its generation portfolio based on customer demand, cost and reliability.

Safety and Health Regulation

OG&E is subject to a number of federal and state laws and regulations, including OSHA, the EPA and comparable state statutes, whose purpose is to protect the safety and health of workers.

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In addition, the OSHA Hazard Communication Standard, the EPA Emergency Planning and Community Right-to-Know regulations under Title III of the Federal Superfund Amendment and Reauthorization Act and comparable state statutes require that information be maintained concerning hazardous materials stored, used or produced in OG&E's operations and that this information be provided or made available to employees, state and local government authorities and citizens. OG&E believes that it is in material compliance with all applicable laws and regulations relating to worker safety and health.

Natural Gas Midstream Operations - Enable

Overview

Enable is a publicly traded Delaware limited partnership formed to own, operate and develop strategically located natural gas and crude oil infrastructure assets. Enable serves current and emerging production areas in the U.S., including several unconventional shale resource plays and local and regional end-user markets in the U.S. Enable's assets and operations are organized into two reportable segments: (i) gathering and processing and (ii) transportation and storage. Enable's gathering and processing segment primarily provides natural gas gathering and processing to its producer customers and crude oil, condensate and produced water gathering services to its producer and refiner customers. Enable's transportation and storage segment provides interstate and intrastate natural gas pipeline transportation and storage services primarily to its producer, power plant, LDC and industrial end-user customers.

Gathering and Processing

Enable owns and operates substantial natural gas gathering and processing and crude oil, condensate and produced water gathering assets in five states. Enable's gathering and processing operations consist primarily of natural gas gathering and processing assets serving the Anadarko, Arkoma and Ark-La-Tex Basins, crude oil and condensate gathering assets serving the Anadarko Basin and crude oil and produced water assets serving the Williston Basin. Enable provides a variety of services to the active producers in its operating areas, including gathering, compressing, treating and processing natural gas, fractionating NGLs and gathering crude oil, condensate and produced water.

Enable generates revenues from producers in the basins in which it operates. For the year ended December 31, 2018, Enable's top ten natural gas producer customers accounted for approximately 70 percent of its natural gas gathered volumes. Enable's Anadarko Basin crude oil gathering systems gathers crude oil and condensate from producers, which are primarily delivered to one customer. The rates and terms of service on Enable's Anadarko Basin crude oil and condensate gathering system are regulated by the OCC. Enable's Williston Basin crude oil and produced water gathering systems serve one customer. The rates and terms of service on Enable's Williston Basin crude oil gathering systems, but not its produced water gathering systems, are regulated by the FERC. Enable's contracts typically provide for crude oil, condensate and produced water gathering services that are fee-based and for natural gas gathering and processing arrangements that are fee-based, or percent-of-liquids, percent-of-proceeds or keep-whole based.

Competition for Enable's gathering and processing systems is primarily a function of gathering rate, processing value, system reliability, fuel rate, system run time, construction cycle time and prices at the wellhead. Enable's gathering and processing systems compete with gatherers and processors of all types and sizes, including those affiliated with various producers, other major pipeline companies and various independent midstream entities. In the process of selling NGLs, Enable competes against other natural gas processors extracting and selling NGLs. Enable's primary competitors are other midstream companies who are active in the regions where Enable operates.

While the results of Enable's gathering and processing segment are not materially affected by seasonality, from time to time, its operations and construction of assets can be impacted by inclement weather.

Transportation and Storage

Enable owns and operates interstate and intrastate natural gas transportation and storage systems across nine states. Enable's transportation and storage systems consist primarily of its interstate systems, EGT and MRT, its intrastate system, EOIT, and its investment in SESH. Enable's transportation and storage assets transport natural gas from areas of production and interconnected pipelines to power plants, LDCs and industrial end users as well as interconnected pipelines for delivery to additional markets. Enable's transportation and storage assets also provide facilities where natural gas can be stored by customers.

Enable's interstate and intrastate natural gas transportation and storage systems generate revenue primarily by serving various LDCs, producers, utilities, power plants and industry end-users. For the year ended December 31, 2018, approximately 28 percent of EGT's service revenue was attributable to contracts with one customer, CenterPoint. All of EGT's firm transportation

and storage contracts for CenterPoint's LDCs are scheduled to expire in March 2021. CenterPoint's LDCs have initiated proceedings before the state utility commissions in Arkansas and Oklahoma to consider whether contracts extending transportation and storage services with EGT would be more favorable than the expected results of competitive bidding for the same services. If the proposed contracts are approved, then the term for the transportation and storage services provided to CenterPoint's LDCs in Arkansas, Louisiana, Oklahoma and northeast Texas will be extended beyond March 2021, pursuant to the terms of the approved contracts.

For the year ended December 31, 2018, approximately 70 percent of MRT's service revenue was attributable to contracts with one customer, Spire Inc. MRT's firm transportation contracts representing 63 percent of Spire Inc.'s firm transportation capacity are scheduled to expire in July 2019, and 37 percent of Spire Inc.'s firm transportation capacity are scheduled to expire in July 2020. 32 percent of Spire Inc.'s firm storage contracts are scheduled to expire in May 2019, and 68 percent of Spire Inc.'s firm storage contracts are scheduled to expire in May 2020. On August 3, 2018, the FERC approved a Certificate of Public Convenience and Necessity for the Spire STL Pipeline. The Spire STL Pipeline will be an additional interstate pipeline serving Spire Inc.'s affiliates in the St. Louis, Missouri market. Spire Inc. has indicated that it is targeting a 2019 in-service date for this pipeline. When the pipeline is placed into service, Enable anticipates that Spire Inc.'s LDC's need for firm transportation and storage capacity on MRT will decrease.

Enable's EGT, MRT and SESH transportation and storage services are typically provided under firm, fee-based transportation and storage agreements, with rates and terms of service regulated by the FERC. EOIT provides fee-based firm and interruptible transportation and storage services on both an intrastate and interstate basis.

Enable's interstate and intrastate pipelines compete with a variety of other interstate and intrastate pipelines in providing transportation and storage services within its operating areas. Enable's management views the principal elements of competition among pipelines as rates and terms, flexibility and reliability of service.

Customer demand for natural gas on EGT and MRT is usually greater during the winter, primarily due to LDC demand to serve residential and commercial natural gas requirements. Customer demand for natural gas transportation and storage services on EOIT is usually greater during the summer, primarily due to demand by natural gas-fired power plants to serve residential and commercial electricity requirements, including for OG&E. SESH is generally not impacted by seasonality.

Environmental Matters

General

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

In the past, environmental regulation caused the Company to incur significant costs because the trend was to place more and more restrictions and limitations on the Company's activities. The Trump administration has delayed, reversed or proposed to repeal some of these regulations and generally has not sought to adopt new, more stringent regulations. Nonetheless, the Company continues to have obligations to take or complete action under previously adopted environmental rules, and the Company cannot assure that future events, such as changes in existing laws, the

promulgation of new laws or regulations or the development or discovery of new facts or conditions will not cause it to incur significant costs for environmental matters.

It is estimated that OG&E's total expenditures to comply with environmental laws, regulations and requirements for 2019 will be \$50.0 million, of which \$25.5 million is for capital expenditures. The amounts for OG&E include capital expenditures for the Dry Scrubbers at Sooner Units 1 and 2 and the conversion of Muskogee Units 4 and 5 to natural gas. It is estimated that OG&E's total expenditures to comply with environmental laws, regulations and requirements for 2020 will be \$22.6 million, of which \$0.2 million is for capital expenditures. Management continues to evaluate its compliance with existing and proposed environmental legislation and regulations and implement appropriate environmental programs in a competitive market.

For further discussion of environmental matters and capital expenditures related to environmental factors that may affect the Company, see "2018 Capital Requirements, Sources of Financing and Financing Activities," "Future Capital Requirements" and "Environmental Laws and Regulations" in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations."

Executive Officers

The table below includes the names, titles and business experience for the most recent five years for those persons serving as Executive Officers of the Registrant as of February 20, 2019:

Name	Age	Current Title and Business Experience
Sean Trauschke	51	2015 - Present: Chairman of the Board, President and Chief Executive Officer of OGE Energy Corp. 2014 - 2015: President of OGE Energy Corp. 2014: Vice President and Chief Financial Officer of OGE Energy Corp.
E. Keith Mitchell	56	2015 - Present: Chief Operating Officer of OG&E 2014 - 2015: Executive Vice President and Chief Operating Officer of Enable Midstream Partners, LP
Stephen E. Merrill	54	2014 - Present: Chief Financial Officer of OGE Energy Corp. 2014: Executive Vice President of Finance and Chief Administrative Officer of Enable Midstream Partners, LP
Sarah R. Stafford	37	2018 - Present: Controller and Chief Accounting Officer of OGE Energy Corp. 2016 - 2018: Accounting Research Officer of OGE Energy Corp. 2014 - 2016: Senior Manager - Ernst & Young, LLP
Patricia D. Horn	60	2014 - Present: Vice President - Governance and Corporate Secretary of OGE Energy Corp. 2014: Vice President - Governance, Environmental and Corporate Secretary of OGE Energy Corp.
Jean C. Leger, Jr.	60	2014 - Present: Vice President - Utility Operations of OG&E
Kenneth R. Grant	54	2016 - Present: Vice President - Sales and Marketing of OG&E 2015: Vice President Marketing and Product Development of OG&E 2014 - 2015: Managing Director Tech Solutions & Ops of OG&E
Cristina F. McQuiston	54	2017 - Present: Vice President - Chief Information Officer of OG&E 2016 - 2017: Vice President - Chief Information Officer and Utility Strategy of OG&E 2014 - 2015: Vice President - Strategic Planning, Performance Improvement and Chief Information Officer of OG&E 2014: Vice President - Strategic Planning, Performance Improvement and Chief Information Officer of OGE Energy Corp. and OG&E
Kenneth A. Miller	52	2019 - Present: Vice President - Regulatory and State Government Affairs of OG&E 2014 - 2018: State Treasurer of Oklahoma
Jerry A. Peace	56	2016 - Present: Vice President - Integrated Resource Planning and Development of OG&E 2014 - 2015: Chief Generation Planning and Procurement Officer of OG&E 2014: Chief Risk Officer of OGE Energy Corp.
William H. Sultemeier	51	2017 - Present: General Counsel of OGE Energy Corp. 2016: Partner - Jones Day

Charles B. Walworth	44	2014-2015:	Shareholder - Greenberg Traurig, LLP
		2014 - Present:	Treasurer of OGE Energy Corp.
		2014:	Assistant Treasurer of OGE Energy Corp.

No family relationship exists between any of the Executive Officers of the Registrant. Messrs. Trauschke, Merrill, Sultemeier, Walworth and Mses. Horn and Stafford are also officers of OG&E. Each Executive Officer is to hold office until the Board of Directors meeting following the next Annual Meeting of Shareholders, currently scheduled for May 16, 2019.

Messrs. Trauschke and Merrill are members of the Board of Directors of Enable GP, LLC, the general partner of Enable.

Item 1A. Risk Factors.

In the discussion of risk factors set forth below, unless the context otherwise requires, the terms "we," "our" and "us" refer to the Company. In addition to the other information in this Form 10-K and other documents filed by us and/or our subsidiaries with the Securities and Exchange Commission from time to time, the following factors should be carefully considered in evaluating OGE Energy and its subsidiaries. Such factors could affect actual results and cause results to differ materially from those expressed in any forward-looking statements made by or on behalf of us or our subsidiaries. Additional risks and uncertainties not currently known to us or that we currently view as immaterial may also impair our business operations.

REGULATORY RISKS

OG&E's profitability depends to a large extent on the ability to fully recover its costs from its customers in a timely manner, and there may be changes in the regulatory environment that impair its ability to recover costs from its customers.

OG&E is subject to comprehensive regulation by several federal and state utility regulatory agencies, which significantly influences its operating environment and its ability to fully recover its costs from utility customers. Recoverability of any under recovered amounts from OG&E's customers due to a rise in fuel costs is a significant risk. The utility commissions in the states where OG&E operates regulate many aspects of its utility operations including siting and construction of facilities, customer service and the rates that OG&E can charge customers. The profitability of the utility operations is dependent on OG&E's ability to fully recover costs related to providing energy and utility services to its customers in a timely manner. Any failure to obtain utility commission approval to increase rates to fully recover costs, or a delay in the receipt of such approval, could have an adverse impact on OG&E's results of operations. In addition, OG&E's jurisdictions have fuel adjustment clauses that permit OG&E to recover fuel costs through rates without a general rate case, subject to a later determination that such fuel costs were prudently incurred. If the state regulatory commissions determine that the fuel costs were not prudently incurred, recovery could be disallowed.

In recent years, the regulatory environments in which OG&E operates have received an increased amount of attention. It is possible that there could be changes in the regulatory environment that would impair OG&E's ability to fully recover costs historically paid by OG&E's customers. State utility commissions generally possess broad powers to ensure that the needs of the utility customers are being met. OG&E cannot assure that the OCC, APSC and the FERC will grant rate increases in the future or in the amounts requested, and they could instead lower OG&E's rates.

OG&E is unable to predict the impact on its operating results from future regulatory activities of any of the agencies that regulate OG&E. Changes in regulations or the imposition of additional regulations could have an adverse impact on OG&E's results of operations.

OG&E's rates are subject to rate regulation by the states of Oklahoma and Arkansas, as well as by a federal agency, whose regulatory paradigms and goals may not be consistent.

OG&E is currently a vertically integrated electric utility. Most of its revenue results from the sale of electricity to retail customers subject to bundled rates that are approved by the applicable state utility commission.

OG&E operates in Oklahoma and western Arkansas and is subject to rate regulation by the OCC and the APSC, in addition to FERC regulation of its transmission activities and any wholesale sales. Exposure to inconsistent state and federal regulatory standards may limit our ability to operate profitably. Further alteration of the regulatory landscape in which we operate, including a change in our authorized return on equity, may harm our financial position and results of operations.

Costs of compliance with environmental laws and regulations are significant, and the cost of compliance with future environmental laws and regulations may adversely affect our results of operations, consolidated financial position or liquidity.

We are subject to extensive federal, state and local environmental statutes, rules and regulations relating to air quality, water quality, waste management, wildlife conservation, natural resources and health and safety that could, among other things, restrict or limit the output of certain facilities or the use of certain fuels required for the production of electricity and/or require additional pollution control equipment and otherwise increase costs. There are significant capital, operating and other costs associated with compliance with these environmental statutes, rules and regulations and those costs may be even more significant in the future.

In response to recent regulatory and judicial decisions and international accords, emissions of greenhouse gases including, most significantly, CO₂ could be restricted in the future as a result of federal or state legal requirements or litigation relating to greenhouse gas emissions. No rules are currently in effect that require us to reduce our greenhouse gas emissions, but if such rules

were to become effective, they could result in significant additional compliance costs that would affect our future consolidated financial position, results of operations and cash flows if such costs are not recovered through regulated rates.

There is inherent risk of the incurrence of environmental costs and liabilities in our operations and historical industry operations practices. These activities are subject to stringent and complex federal, state and local laws and regulations that can restrict or impact OG&E's business activities in many ways, such as restricting the way OG&E can handle or dispose of its wastes or requiring remedial action to mitigate pollution conditions that may be caused by its operations or that are attributable to former operators. OG&E may be unable to recover these costs from insurance or other regulatory mechanisms. Moreover, the possibility exists that stricter laws, regulations or enforcement policies could significantly increase compliance costs and the cost of any remediation that may become necessary.

For further discussion of environmental matters that may affect the Company, see "Environmental Laws and Regulations" in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations."

We may not be able to recover the costs of our substantial investment in capital improvements and additions.

OG&E has recently made substantial investments in capital improvements and additions, including the installation of environmental upgrades and retrofits. OG&E's business plan calls for extensive investment in capital improvements and additions, including modernizing existing infrastructure as well as other initiatives. Significant portions of OG&E's facilities were constructed many years ago. Older generation equipment, even if maintained in accordance with good engineering practices, may require significant capital expenditures to maintain efficiency, to comply with environmental requirements or to provide reliable operations. OG&E currently provides service at rates approved by one or more regulatory commissions. If these regulatory commissions do not approve adjustments to the rates OG&E charges, it would not be able to recover the costs associated with its planned extensive investment. This could adversely affect OG&E's financial position and results of operations. While OG&E may seek to limit the impact of any denied recovery by attempting to reduce the scope of its capital investment, there can be no assurance as to the effectiveness of any such mitigation efforts, particularly with respect to previously incurred costs and commitments.

As of December 31, 2018, OG&E had invested \$504.3 million in the Dry Scrubbers at Sooner Units 1 and 2 and is currently seeking recovery of its investment with the OCC.

The regional power market in which OG&E operates has changing transmission regulatory structures, which may affect the transmission assets and related revenues and expenses.

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 regional day ahead and real-time markets for energy and operating reserves, 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 with results reported as Operating Revenues or Cost of Sales in its Consolidated Financial Statements. OG&E's revenues, expenses, assets and liabilities may be adversely affected by changes in the organization, operation and regulation of the SPP Integrated Marketplace by the FERC or the SPP.

Increased competition resulting from restructuring efforts could have a significant financial impact on us and consequently decrease our revenue.

We have been and will continue to be affected by competitive changes to the utility and energy industries. Significant changes have occurred and additional changes have been proposed to the wholesale electric market. Although retail restructuring efforts in Oklahoma and Arkansas have been postponed for the time being, if such efforts were renewed, retail competition and the unbundling of regulated energy service could have a significant financial impact on us due to possible impairments of assets, a loss of retail customers, lower profit margins and/or increased costs of capital. Any such restructuring could have a significant impact on our consolidated financial position, results of operations and cash flows. We cannot predict when we will be subject to changes in legislation or regulation, nor can we predict the impact of these changes on our consolidated financial position, results of operations or cash flows.

Events that are beyond our control have increased the level of public and regulatory scrutiny of our industry. Governmental and market reactions to these events may have negative impacts on our business, consolidated financial position, results of operations, cash flows and access to capital.

As a result of accounting irregularities at public companies in general, and energy companies in particular, and investigations by governmental authorities into energy trading activities, public companies, including those in the regulated and unregulated utility business, have been under public and regulatory scrutiny and suspicion. The accounting irregularities have caused regulators and legislators to review current accounting practices, financial disclosures and relationships between companies and their independent auditors. The capital markets and rating agencies also have increased their level of scrutiny. We believe that we are complying with all applicable laws and accounting standards, but it is difficult or impossible to predict or control what effect these types of events may have on our business, consolidated financial position, cash flows or access to the capital markets. It is unclear what additional laws or regulations may develop, and we cannot predict the ultimate impact of any future changes in accounting regulations or practices in general with respect to public companies, the energy industry or our operations specifically. Any new accounting standards could affect the way we are required to record revenues, expenses, assets, liabilities and equity. These changes in accounting standards could lead to negative impacts on reported earnings or decreases in assets or increases in liabilities that could, in turn, affect our consolidated financial position, results of operations and cash flows.

We are subject to substantial utility and energy regulation by governmental agencies. Compliance with current and future utility and energy regulatory requirements and procurement of necessary approvals, permits and certifications may result in significant costs to us.

We are subject to substantial regulation from federal, state and local regulatory agencies. We are required to comply with numerous laws and regulations and to obtain permits, approvals and certifications from the governmental agencies that regulate various aspects of our businesses, including customer rates, service regulations, retail service territories, sales of securities, asset acquisitions and sales, accounting policies and practices and the operation of generating facilities. We believe the necessary permits, approvals and certificates have been obtained for our existing operations and that our business is conducted in accordance with applicable laws; however, we are unable to predict the impact on our operating results from future regulatory activities of these agencies.

In compliance with the Energy Policy Act of 2005, the FERC approved the NERC as the national energy reliability organization. The NERC is responsible for the development and enforcement of mandatory reliability and cyber security standards for the wholesale electric power system. OG&E's plan is to comply with all applicable standards and to expediently correct a violation should it occur. One of OG&E's regulators, the NERC, has comprehensive regulations and standards related to the reliability and security of our operating systems, and is continuously developing additional mandatory compliance requirements for the utility industry. The increasing development of NERC rules and standards will increase compliance costs and our exposure for potential violations of these standards.

OPERATIONAL RISKS

Our results of operations may be impacted by disruptions beyond our control.

We are exposed to risks related to performance of contractual obligations by our suppliers. We are dependent on coal and natural gas for much of our electric generating capacity. We rely on suppliers to deliver coal and natural gas in accordance with short and long-term contracts. We have certain supply contracts in place; however, there can be no assurance that the counterparties to these agreements will fulfill their obligations to supply coal and natural gas to us. The suppliers under these agreements may experience financial or technical problems that inhibit their ability to fulfill their obligations to us. In addition, the suppliers under these agreements may not be required to supply coal and natural gas to us under certain circumstances, such as in the event of a natural disaster. Deliveries may be subject to

short-term interruptions or reductions due to various factors, including transportation problems, weather and availability of equipment. Failure or delay by our suppliers of coal and natural gas deliveries could disrupt our ability to deliver electricity and require us to incur additional expenses to meet the needs of our customers.

Also, because our generation and transmission systems are part of an interconnected regional grid, we face the risk of possible loss of business due to a disruption or black-out caused by an event such as a severe storm, generator or transmission facility outage on a neighboring system or the actions of a neighboring utility. Any such disruption could result in a significant decrease in revenues and significant additional costs to repair assets, which could have a material adverse impact on our consolidated financial position, results of operations and cash flows.

OG&E's electric generation, transmission and distribution assets are subject to operational risks that could result in unscheduled plant outages, unanticipated operation and maintenance expenses, increased purchase power costs, accidents and third-party liability.

OG&E owns and operates coal-fired, natural gas-fired, wind-powered and solar-powered generating assets. Operation of electric generation, transmission and distribution assets involves risks that can adversely affect energy output and efficiency levels or that could result in loss of human life, significant damage to property, environmental pollution and impairment of OG&E's operations. Included among these risks are:

- increased prices for fuel and fuel transportation as existing contracts expire;
- facility shutdowns due to a breakdown or failure of equipment or processes or interruptions in fuel supply;
- operator error or safety related stoppages;
- disruptions in the delivery of electricity; and
- catastrophic events such as fires, explosions, tornadoes, floods, earthquakes or other similar occurrences.

The occurrence of any of these events, if not fully covered by insurance, could have a material effect on our consolidated financial position and results of operations. Further, when unplanned maintenance work is required on power plants or other equipment, OG&E will not only incur unexpected maintenance expenses, but it may also have to make spot market purchases of replacement electricity that could exceed OG&E's costs of generation or be forced to retire a generation unit if the cost or timing of the maintenance is not reasonable and prudent. If OG&E is unable to recover any of these increased costs in rates, it could have a material adverse effect on our financial performance.

Changes in technology, regulatory policies and customer electricity consumption may cause our assets to be less competitive and impact our results of operations.

OG&E primarily generates electricity at large central facilities. This method typically results in economies of scale and lower costs than newer technologies such as fuel cells, microturbines, windmills and photovoltaic solar cells. It is possible that advances in technologies or changes in regulatory policies will reduce costs of new technology to levels that are equal to or below that of most central station electricity production, which could have a material adverse effect on our results of operations. OG&E's widespread use of Smart Grid technology allowing for two-way communications between the utility and its customers could enable the entry of technology companies into the interface between OG&E and its customers, resulting in unpredictable effects on our current business.

Reductions in customer electricity consumption, thereby reducing utility electric sales, could result from increased deployment of renewable energy technologies as well as increased efficiency of household appliances, among other general efficiency gains in technology. However, this potential reduction in load would not reduce our need for ongoing investments in our infrastructure to reliably serve our customers. Continued utility infrastructure investment without increased electricity sales could cause increased rates for customers, potentially resulting in further reductions in electricity sales and reduced profitability.

Economic conditions could negatively impact our business and our results of operations.

Our operations are affected by local, national and worldwide economic conditions. The consequences of a recession could include a lower level of economic activity and uncertainty regarding energy prices and the capital and commodity markets. A lower level of economic activity could result in a decline in energy consumption, which could adversely affect our revenues and future growth. Instability in the financial markets, as a result of recession or otherwise, also could affect the cost of capital and our ability to raise capital. Economic conditions may also impact the valuation of certain long-lived assets, including our investment in unconsolidated affiliates, that are subject to impairment testing, potentially resulting in impairment charges, which could have a material adverse impact on our results of operations.

Economic conditions may be impacted by insufficient financial sector liquidity leading to potential increased unemployment, which could impact the ability of our customers to pay timely, increase customer bankruptcies, and could lead to increased bad debt. If such circumstances occur, we expect that commercial and industrial customers would be impacted first, with residential customers following.

In addition, economic conditions, particularly budget shortfalls, could increase the pressure on federal, state and local governments to raise additional funds by increasing corporate tax rates and/or delaying, reducing or eliminating tax credits, grants or other incentives that could have a material adverse impact on our consolidated results of operations and cash flows.

We are subject to financial risks associated with climate change.

Climate change creates financial risk. Potential regulation associated with climate change legislation could pose financial risks to the Company. In addition, to the extent that any climate change adversely affects the national or regional economic health through physical impacts or increased rates caused by the inclusion of additional regulatory imposed costs, CO₂ taxes or costs associated with additional regulatory requirements, the Company may be adversely impacted. A declining economy could adversely impact the overall financial health of the Company due to a lack of load growth and decreased sales opportunities. To the extent financial markets view climate change and emissions of greenhouse gases as a financial risk, this could negatively affect our ability to access capital markets or cause us to receive less than ideal terms and conditions.

We are subject to cybersecurity risks and increased reliance on processes automated by technology.

In the regular course of our businesses, we handle a range of sensitive security and customer information. We are subject to laws and rules issued by different agencies concerning safeguarding and maintaining the confidentiality of this information. A security breach of our information systems such as theft or inappropriate release of certain types of information, including confidential customer information or system operating information, could have a material adverse impact on our consolidated financial position, results of operations and cash flows.

OG&E operates in a highly regulated industry that requires the continued operation of sophisticated information technology systems and network infrastructure. Despite implementation of security measures, the technology systems are vulnerable to disability, failures or unauthorized access. Such failures or breaches of the systems could impact the reliability of OG&E's generation, transmission and distribution systems which may result in a loss of service to customers and also subject OG&E to financial harm due to the significant expense to repair security breaches or system damage. The implementation of OG&E's Smart Grid program further increases potential risks associated with cybersecurity attacks. Our generation and transmission systems are part of an interconnected system. Therefore, a disruption caused by the impact of a cybersecurity incident of the regional electric transmission grid, natural gas pipeline infrastructure or other fuel sources of our third party service providers' operations, could also negatively impact our business. If the technology systems were to fail or be breached and not recovered in a timely manner, critical business functions could be impaired and sensitive confidential data could be compromised, which could have a material adverse impact on its consolidated financial position, results of operations and cash flows.

Security threats continue to evolve and adapt. We and our third-party vendors have been subject to, and will likely continue to be subject to, attempts to gain unauthorized access to systems, or confidential data, or to disrupt operations. None of these attempts has individually or in aggregate resulted in a security incident with a material impact on our financial condition or results of operations. Despite implementation of security and control measures, there can be no assurance that we will be able to prevent the unauthorized access of our systems and data, or the disruption of our operations, either of which could have a material impact. Our security procedures, which include among others, virus protection software, cybersecurity and our business continuity planning, including disaster recovery policies and back-up systems, may not be adequate or implemented properly to fully address the adverse effect of cybersecurity attacks on our systems, which could adversely impact our operations.

We maintain property, casualty and cybersecurity insurance that may cover certain resultant physical damage or third-party injuries caused by potential cyber events. However, damage and claims arising from such incidents may exceed the amount of any insurance available and other damage and claims arising from such incidents may not be covered at all. For these reasons, a significant cyber incident could reduce future net income and cash flows and impact financial condition.

Terrorist attacks, and the threat of terrorist attacks, have resulted in increased costs to our business. Continued hostilities or sustained military campaigns may adversely impact our consolidated financial position, results of operations and cash flows.

The long-term impact of terrorist attacks and the magnitude of the threat of future terrorist attacks on the electric utility and natural gas midstream industry in general, and on us in particular, cannot be known. Increased security

measures taken by us as a precaution against possible terrorist attacks have resulted in increased costs to our business. Uncertainty surrounding continued hostilities or sustained military campaigns may affect our operations in unpredictable ways, including disruptions of supplies and markets for our products, and the possibility that our infrastructure facilities could be direct targets of, or indirect casualties of, an act of terror. Changes in the insurance markets attributable to terrorist attacks may make certain types of insurance more difficult for us to obtain. Moreover, the insurance that may be available to us may be significantly more expensive than existing insurance coverage.

Weather conditions such as tornadoes, thunderstorms, ice storms, wind storms, earthquakes, prolonged droughts and the occurrence of wildfires, as well as seasonal temperature variations may adversely affect our consolidated financial position, results of operations and cash flows.

Weather conditions directly influence the demand for electric power. In OG&E's service area, demand for power peaks during the hot summer months, with market prices also typically peaking at that time. As a result, overall operating results may fluctuate on a seasonal and quarterly basis. In addition, we have historically sold less power, and consequently received less revenue, when weather conditions are milder. Unusually mild weather in the future could reduce our revenues, net income, available cash and borrowing ability. Severe weather, such as tornadoes, thunderstorms, ice storms, wind storms, earthquakes, prolonged droughts and the occurrence of wildfires may cause outages and property damage which may require us to incur additional costs that are generally not insured and that may not be recoverable from customers. The effect of the failure of our facilities to operate as planned, as described above, would be particularly burdensome during a peak demand period. In addition, prolonged droughts could cause a lack of sufficient water for use in cooling during the electricity generating process. Additionally, if climate change exacerbates physical changes in weather, operations may be impacted as discussed above.

FINANCIAL RISKS

Market performance, increased retirements, changes in retirement plan regulations and increasing costs associated with our Pension Plan, health care plans and other employee-related benefits may adversely affect our consolidated financial position, results of operations or cash flows.

We have a Pension Plan that covers a significant amount of our employees hired before December 1, 2009. We also have defined benefit postretirement plans that cover a significant amount of our employees hired prior to February 1, 2000. Assumptions related to future costs, returns on investments, interest rates and other actuarial assumptions with respect to the defined benefit retirement and postretirement plans have a significant impact on our results of operations and funding requirements. Based on our assumptions at December 31, 2018, we expect to make future contributions to maintain required funding levels. It has been our practice to also make voluntary contributions to maintain more prudent funding levels than minimally required. We may continue to make voluntary contributions in the future. These amounts are estimates and may change based on actual stock market performance, changes in interest rates and any changes in governmental regulations.

If the employees who participate in the Pension Plan retire when they become eligible for retirement over the next several years, or if our plan experiences adverse market returns on its investments, or if interest rates materially fall, our pension expense and contributions to the plans could rise substantially over historical levels. The timing and number of employees retiring and selecting the lump-sum payment option could result in pension settlement charges that could materially affect our results of operations if we are unable to recover these costs through our electric rates. In addition, assumptions related to future costs, returns on investments, interest rates and other actuarial assumptions, including projected retirements, have a significant impact on our consolidated financial position and results of operations. Those factors are outside of our control.

In addition to the costs of our Pension Plan, the costs of providing health care benefits to our employees and retirees have increased substantially in recent years. We believe that our employee benefit costs, including costs related to health care plans for our employees, will continue to rise. The increasing costs and funding requirements with our Pension Plan, health care plans and other employee benefits may adversely affect our consolidated financial position, results of operations or liquidity.

Finally, the Company provides retirement benefits and retiree health care benefits to 90 employees seconded to Enable. If the seconding agreement was terminated, and those employees were no longer employed by the Company, and lump sum payments were made to those employees, the Company would recognize a settlement or curtailment of

the pension/retiree health care charges, which would increase expense at the Company by \$20.4 million. Settlement and curtailment charges associated with the Enable seconded employees are not reimbursable to the Company by Enable. The seconding agreement can be terminated by mutual agreement of the Company and Enable or solely by the Company upon 120 day's notice.

We face certain human resource risks associated with the availability of trained and qualified labor to meet our future staffing requirements.

Workforce demographic issues challenge employers nationwide and are of particular concern to the electric utility industry. The median age of utility workers is significantly higher than the national average. Over the next three years, 32 percent of our current employees will meet the eligibility requirements to retire. Failure to hire and adequately train replacement employees, including the transfer of significant internal historical knowledge and expertise to the new employees, may adversely affect our ability to manage and operate our business.

We are a holding company with our primary assets being investments in our subsidiary and equity investments.

We are a holding company and thus our investments in our subsidiary and unconsolidated affiliate, accounted for under the equity method, are our primary assets. Substantially all of our operations are conducted by our subsidiary and unconsolidated affiliate. Consequently, our operating cash flow and our ability to pay our dividends and service our indebtedness utilizes the operating cash flow of our subsidiary and unconsolidated affiliate and the payment of funds by them to us in the form of dividends or distributions. At December 31, 2018, the Company and its subsidiary had outstanding indebtedness and other liabilities of \$6.7 billion. Our subsidiary and unconsolidated affiliate are separate legal entities that have no obligation to pay any amounts due on our indebtedness or to make any funds available for that purpose, whether by dividends or otherwise. In addition, their ability to pay dividends to us depends on any statutory and contractual restrictions that may be applicable to such subsidiary, which may include requirements to maintain minimum levels of working capital and other assets. Claims of creditors, including general creditors, of our subsidiary or unconsolidated affiliate on their respective assets will generally have priority over our claims (except to the extent that we may be a creditor of the subsidiaries and our claims are recognized) and claims by our shareholders.

In addition, as discussed above, OG&E is regulated by state utility commissions in Oklahoma and Arkansas as well as a federal regulatory agency which generally possess broad powers to ensure that the needs of the utility customers are being met. To the extent that the state commissions or federal regulatory agency attempt to impose restrictions on the ability of OG&E to pay dividends to us, it could adversely affect our ability to continue to pay dividends.

Certain provisions in our charter documents have anti-takeover effects.

Certain provisions of our certificate of incorporation and bylaws, as well as the Oklahoma corporation statute, may have the effect of delaying, deferring or preventing a change in control of the Company. Such provisions, including those regulating the nomination of directors, limiting who may call special stockholders' meetings and eliminating stockholder action by written consent, together with the possible issuance of preferred stock of the Company without stockholder approval, may make it more difficult for other persons, without the approval of our board of directors, to make a tender offer or otherwise acquire substantial amounts of our common stock or to launch other takeover attempts that a stockholder might consider to be in such stockholder's best interest.

We may be able to incur substantially more indebtedness, which may increase the risks created by our indebtedness.

The terms of the indentures governing our debt securities do not fully prohibit us or our subsidiaries from incurring additional indebtedness. If we are in compliance with the financial covenants set forth in our revolving credit agreements and the indentures governing our debt securities, we may be able to incur substantial additional indebtedness. If we incur additional indebtedness, the related risks that we now face may intensify.

Any reductions in our credit ratings could increase our financing costs and the cost of maintaining certain contractual relationships or limit our ability to obtain financing on favorable terms.

We cannot assure you that any of our current credit ratings or the ratings of our subsidiaries will remain in effect for any given period of time or that a rating will not be lowered or withdrawn entirely by a rating agency if, in its judgment, circumstances so warrant. Our ability to access the commercial paper market could be adversely impacted by a credit ratings downgrade or major market disruptions. Pricing grids associated with our credit facilities could cause annual fees and borrowing rates to increase if an adverse rating impact occurs. The impact of any future downgrade could include an increase in the costs of our short-term borrowings, but a reduction in our credit ratings would not result in any defaults or accelerations. Any future downgrade could also lead to higher long-term borrowing costs and, if below investment grade, would require us to post collateral or letters of credit.

Our debt levels may limit our flexibility in obtaining additional financing and in pursuing other business opportunities.

We have revolving credit agreements for working capital, capital expenditures, acquisitions and other corporate purposes. The levels of our debt could have important consequences, including the following:

- the ability to obtain additional financing, if necessary, for working capital, capital expenditures, acquisitions or other purposes may be impaired or the financing may not be available on favorable terms;
- a portion of cash flows will be required to make interest payments on the debt, reducing the funds that would otherwise be available for operations and future business opportunities; and
- our debt levels may limit our flexibility in responding to changing business and economic conditions.

We are exposed to the credit risk of our key customers and counterparties, and any material nonpayment or nonperformance by our key customers and counterparties could adversely affect our consolidated financial position, results of operations and cash flows.

We are exposed to credit risks in our generation and retail distribution operations. Credit risk includes the risk that counterparties who owe us money or energy will breach their obligations. If the counterparties to these arrangements fail to perform, we may be forced to enter into alternative arrangements. In that event, our financial results could be adversely affected and we could incur losses.

RISKS ASSOCIATED WITH OUR INVESTMENT IN ENABLE MIDSTREAM PARTNERS

The Company does not control Enable and therefore is not able to cause or prevent certain actions by Enable. The general partnership of Enable is equally controlled by the Company and CenterPoint.

Enable has its own governing board; therefore, the Company is not able to exercise control over Enable. Accordingly, the Company is unable to cause or prevent certain actions by Enable. Further, the Company cannot control the actions of the other general partner, CenterPoint. Our interests may not align with those of CenterPoint, and this lack of control could adversely impact our investment in Enable.

A portion of our earnings and operating cash flows are based on the performance of Enable. If any of the following risks were to occur, our business, financial condition, results of operations or cash flows could be materially adversely affected.

Our operating cash flow is derived partially from cash distributions we receive from Enable.

Our operating cash flow is derived partially from cash distributions we receive from Enable. The amount of cash Enable can distribute on its units principally depends upon the amount of cash generated from its operations, which will fluctuate from quarter to quarter based on, among other things:

- the fees and gross margins it realizes with respect to the volume of natural gas, NGLs and crude oil that it handles;
- the prices of, levels of production of, and demand for natural gas, NGLs and crude oil;
- the volume of natural gas, NGLs and crude oil it gathers, compresses, treats, dehydrates, processes, fractionates, transports and stores;
- the relationship among prices for natural gas, NGLs and crude oil;
- cash calls and settlements of hedging positions;
- margin requirements on open price risk management assets and liabilities;
- the level of competition from other companies offering midstream services;
- adverse effects of governmental and environmental regulation;
- the level of its operation and maintenance expenses and general and administrative costs; and
- prevailing economic conditions.

In addition, the actual amount of cash Enable will have available for distribution will depend on other factors, including:

- the level and timing of capital expenditures it makes;
- the cost of acquisitions;
- its debt service requirements and other liabilities;
- fluctuations in working capital needs;
- its ability to borrow funds and access capital markets;
- restrictions contained in its debt agreements;

- the amount of cash reserves established by its general partner;
- distributions paid on its Series A Preferred Units; and
- other business risks affecting its cash levels.

Enable's contracts are subject to renewal risk.

As contracts with Enable's existing suppliers and customers expire, Enable negotiates extensions or renewals of those contracts or enters into new contracts with other suppliers and customers. Enable may be unable to extend or renew existing contracts or enter into new contracts on favorable commercial terms, if at all. Depending on prevailing market conditions at the time of an extension or renewal, gathering and processing customers with fee-based contracts may desire to enter into contracts under different fee arrangements, and gathering and processing customers with contracts that contain minimum volume

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commitments may desire to enter into contracts without minimum volume commitments. Likewise, Enable's transportation and storage customers may choose not to extend or renew expiring contracts based on the economics of the related areas of production. To the extent Enable is unable to renew or replace its expiring contracts on terms that are favorable to Enable, if at all, or successfully manage its overall contract mix over time, its financial position, results of operations and ability to make cash distributions to unitholders, including us, could be adversely affected.

As further discussed in "Natural Gas Midstream Operations - Enable Midstream Partners" in "Item 1. Business," in 2018, the FERC approved Spire Inc.'s STL Pipeline, an interstate pipeline that is currently under construction and will serve the St. Louis, Missouri market. When this pipeline is placed into service, Enable anticipates that Spire Inc.'s need for firm transportation and storage capacity on Enable's pipelines will decrease.

Enable depends on a small number of customers for a significant portion of its gathering and processing revenues and its transportation and storage revenues. The loss of, or reduction in volumes from, these customers could result in a decline in sales of its gathering and processing or transportation and storage services and adversely affect its financial position, results of operations and ability to make cash distributions to unitholders, including us.

For the year ended December 31, 2018, 61 percent of Enable's natural gas gathered volumes were attributable to the affiliates of Continental Resources, Inc., Vine Oil and Gas, GeoSouthern Energy Corporation, XTO Energy Inc. and Tapstone Corporation and 51 percent of its transportation and storage service revenues were attributable to affiliates of CenterPoint, Spire Inc., Continental Resources, Inc., American Electric Power Co. and the Company. The loss of all or even a portion of the gathering and processing or transportation and storage services for any of these customers (as discussed above and in "Item 1. Business" regarding Spire Inc.), the failure to extend or replace these contracts or the extension or replacement of these contracts on less favorable terms, as a result of competition or otherwise, could adversely affect Enable's financial position, results of operations and ability to make cash distributions to unitholders, including us.

The businesses of Enable are dependent, in part, on the drilling and production decisions of others.

The businesses of Enable are dependent on the drilling and production of natural gas and crude oil. Enable has no control over the level of drilling activity in its areas of operation, or the amount of natural gas, NGLs and crude oil reserves associated with wells connected to its systems. In addition, as the rate at which production from wells currently connected to its system naturally declines over time, its gross margin associated with those wells will also decline. To maintain or increase throughput levels on its gathering and transportation systems and the asset utilization rates at its natural gas processing plants, its customers must continually obtain new natural gas, NGLs and crude oil supplies. The primary factors affecting its ability to obtain new supplies of natural gas, NGLs and crude oil and attract new customers to its assets are the level of successful drilling activity near its systems, its ability to compete for volumes from successful new wells and its ability to expand its capacity as needed. If Enable is not able to obtain new supplies of natural gas and crude oil to replace the natural decline in volumes from existing wells, throughput on its gathering, processing, transportation and storage facilities would decline, which could adversely affect its financial position, results of operations and ability to make cash distributions to unitholders, including us. Enable has no control over producers or their drilling and production decisions, which are affected by, among other things:

- the availability and cost of capital;
- prevailing and projected commodity prices, including the prices of natural gas, NGLs and crude oil;
- demand for natural gas, NGLs and crude oil;
- levels of reserves;
- geological considerations;
- environmental or other governmental regulations, including the availability of drilling permits, the regulation of hydraulic fracturing and the regulation of air emissions; and
- the availability of drilling rigs and other costs of production and equipment.

Fluctuations in energy prices can also greatly affect the development of new natural gas, NGLs and crude oil reserves. Drilling and production activity generally decreases as commodity prices decrease. In general terms, the prices of natural gas, NGLs, crude oil and other hydrocarbon products fluctuate in response to changes in supply and demand, market uncertainty and a variety of additional factors that are beyond its control. Because of these and other factors, even if new reserves are known to exist in areas served by Enable's assets, producers may choose not to develop those reserves. Declines in natural gas, NGLs or crude oil prices can have a negative impact on exploration, development and production activity and, if sustained, could lead to decreases in such activity. Sustained low natural gas, NGLs or crude oil prices could also lead producers to shut in production from their existing wells. Sustained reductions in exploration or production activity in its areas of operation could lead to further

reductions in the utilization of its systems, which could adversely affect its financial position, results of operations and ability to make cash distributions to its unitholders, including us.

In addition, it may be more difficult to maintain or increase the current volumes on its gathering systems and in its processing plants, as several of the formations in the unconventional resource plays in which Enable operates generally have higher initial production rates and steeper production decline curves than wells in more conventional basins. Should Enable determine that the economics of its gathering assets do not justify the capital expenditures needed to grow or maintain volumes associated therewith, it may reduce such capital expenditures, which could cause revenues associated with these assets to decline over time.

Enable's industry is highly competitive and increased competitive pressure could adversely affect its financial position, results of operations and ability to make cash distributions to unitholders, including us.

Enable competes with similar enterprises in its respective areas of operation. The principal elements of competition are rates, terms of service and flexibility and reliability of service. Competitors include large energy companies that have greater financial resources and access to supplies of natural gas, NGLs and crude oil other than Enable. Some of these competitors may expand or construct gathering, processing, transportation and storage systems that would create additional competition for the services Enable provides to its customers. Excess pipeline capacity in the regions served by Enable's interstate pipelines could also increase competition and adversely impact the ability to renew or enter into new contracts with respect to available capacity when existing contracts expire. In addition, customers that are significant producers of natural gas or crude oil may develop their own gathering, processing, transportation and storage systems in lieu of using Enable. Enable's ability to renew or replace existing contracts with customers at rates sufficient to maintain current revenues and cash flows could be adversely affected by the activities of its competitors and customers. Further, natural gas utilized as a fuel competes with other forms of energy available to end-users, including electricity, coal and liquid fuels. Increased demand for such forms of energy at the expense of natural gas could lead to a reduction in demand for natural gas gathering, processing, transportation and storage services. All of these competitive pressures could adversely affect its financial position, results of operations and ability to make cash distributions to unitholders, including us.

Enable derives a substantial portion of its gross margin from subsidiaries through which it holds a substantial portion of its assets.

Enable derives a substantial portion of its gross margin from, and holds a substantial portion of its assets through, its subsidiaries. As a result, it depends on distributions from its subsidiaries in order to meet its payment obligations. In general, these subsidiaries are separate and distinct legal entities and have no obligation to provide Enable with funds for its payment obligations, whether by dividends, distributions, loans or otherwise. In addition, provisions of applicable law, such as those limiting the legal sources of dividends, limit its subsidiaries' ability to make payments or other distributions, and its subsidiaries could agree to contractual restrictions on its ability to make distributions.

The right by Enable to receive any assets of any subsidiary, and therefore the right of its creditors to participate in those assets, will be effectively subordinated to the claims of that subsidiary's creditors, including trade creditors. In addition, even if Enable were a creditor of any subsidiary, its rights as a creditor would be subordinated to any security interest in the assets of that subsidiary and any indebtedness of the subsidiary senior to that held by them.

The amount of cash Enable has available for distribution to its limited partners depends primarily on its cash flow rather than on its profitability, which may prevent Enable from making distributions, even during periods in which it records net income.

The amount of cash Enable has available for distribution depends primarily upon its cash flow rather than on profitability. Profitability is affected by non-cash items but cash flow is not. As a result, Enable may make cash

distributions during periods when it records losses for financial accounting purposes and may not make cash distributions during periods when it records net earnings for financial accounting purposes.

Enable may not be able to recover the costs of its substantial planned investment in capital improvements and additions, and the actual cost of such improvements and additions may be significantly higher than it anticipates.

Enable's business plan calls for investments in capital improvements and additions. Capital expenditures could range from approximately \$325 million to \$425 million for the year ending December 31, 2019.

The construction of additions or modifications to Enable's existing systems, and the construction of new midstream assets, involves numerous regulatory, environmental, political and legal uncertainties, many of which are beyond its control and may require the expenditure of significant amounts of capital, which may exceed estimates. These projects may not be completed at

the planned cost, on schedule or at all. The construction of new pipeline, gathering, treating, processing, compression or other facilities is subject to construction cost overruns due to labor costs, costs and availability of equipment and materials such as steel, labor shortages or weather or other delays, inflation or other factors, which could be material. In addition, the construction of these facilities is typically subject to the receipt of approvals and permits from various regulatory agencies. Those agencies may not approve the projects in a timely manner, if at all, or may impose restrictions or conditions on the projects that could potentially prevent a project from proceeding, lengthen its expected completion schedule and/or increase its anticipated cost. Moreover, revenues and cash flows may not increase immediately upon the expenditure of funds on a particular project. For instance, if an existing pipeline is expanded or a new pipeline is constructed, the construction may occur over an extended period of time, and Enable may not receive any material increases in revenues or cash flows until the project is completed. In addition, Enable may construct facilities to capture anticipated future growth in production in a region in which such growth does not materialize. As a result, the new facilities may not be able to achieve an expected investment return, which could adversely affect its financial position, results of operations and ability to make cash distributions to its unitholders, including us.

In connection with its capital investments, Enable may estimate, or engage a third party to estimate, potential reserves in areas to be developed prior to constructing facilities in those areas. To the extent Enable relies on estimates of future production in deciding to construct additions to its systems, those estimates may prove to be inaccurate either in volume or timing due to numerous uncertainties inherent in estimating future production. To the extent estimates of the volume of new production are inaccurate, new facilities may not be able to attract sufficient throughput to achieve expected investment return, which could adversely affect its financial position, results of operations and ability to make cash distributions to unitholders, including us. To the extent estimates in the timing of new production are inaccurate, new facilities may be constructed in advance of the actual need for capacity or may not be constructed in time to accommodate volume flows, which could adversely affect Enable's financial position, results of operations and ability to make cash distributions to unitholders, including us. In addition, the construction of additions to existing gathering and transportation assets may require new rights-of-way prior to construction. Those rights-of-way to connect new natural gas supplies to existing gathering lines may be unavailable, and it may not be able to capitalize on attractive expansion opportunities. Additionally, it may become more expensive to obtain new rights-of-way or to renew existing rights-of-way. If the cost of renewing or obtaining new rights-of-way increases, its financial position, results of operations and ability to make cash distributions to unitholders, including us, could be adversely affected.

Natural gas, NGLs and crude oil prices are volatile, and changes in these prices could adversely affect Enable's financial position, results of operations and its ability to make cash distributions to unitholders, including us.

Enable's financial position, results of operations and ability to make cash distributions to us could be negatively affected by adverse changes in the prices of natural gas, NGLs and crude oil depending on factors that are beyond its control. These factors include demand for these commodities, which fluctuates with changes in market and economic conditions and other factors, including the impact of seasonality and weather, general economic conditions, the level of domestic and offshore natural gas production and consumption, the availability of imported natural gas, liquefied natural gas, NGLs and crude oil, actions taken by foreign natural gas and oil producing nations, the availability of local, intrastate and interstate transportation systems, the availability and marketing of competitive fuels, the impact of energy conservation efforts, technological advances affecting energy consumption and the extent of governmental regulation and taxation.

Enable's natural gas processing arrangements expose Enable to commodity price fluctuations. In 2018, six percent, 27 percent and 67 percent of Enable's processing plant inlet volumes consisted of keep-whole arrangements, percent-of-proceeds or percent-of-liquids and fee-based, respectively. If the price at which Enable sells natural gas or NGLs is less than the cost at which it purchases natural gas or NGLs under these arrangements, then its financial position, results of operations and ability to make cash distributions to unitholders, including us, could be adversely affected.

At any given time, Enable's overall portfolio of processing contracts may reflect a net short position in natural gas (meaning that it is a net buyer of natural gas) and a net long position in NGLs (meaning that it is a net seller of NGLs). As a result, Enable's financial position, results of operations and ability to make cash distributions to unitholders, including us, could be adversely affected to the extent the price of NGLs decreases in relation to the price of natural gas.

Enable's exposure to credit risks of its customers, and any material nonpayment or nonperformance by its customers could adversely affect its financial position, results of operations and ability to make cash distributions to unitholders, including us.

Some of Enable's customers may experience financial problems that could have a significant effect on its customers' creditworthiness. Severe financial problems encountered by its customers could limit Enable's ability to collect amounts owed to it, or to enforce performance of obligations under contractual arrangements. In addition, many of Enable's customers finance their activities through cash flow from operations, the incurrence of debt or the issuance of equity. The combination of reduction of cash flow resulting from declines in commodity prices, a reduction in borrowing bases under reserve-based credit facilities and

the lack of availability of debt or equity financing may result in a significant reduction of its customers' liquidity and limit its customers' ability to make payments or perform on obligations to Enable. Furthermore, some of Enable's customers may be highly leveraged and subject to their own operating and regulatory risks, which increases the risk that they may default on their obligations to Enable. Financial problems experienced by its customers could result in the impairment of its assets, reduction of its operating cash flows and may also reduce or curtail its customers' future use of its products and services, which could reduce revenues.

Enable provides certain transportation and storage services under fixed-price "negotiated rate" contracts that are not subject to adjustment, even if the cost to perform such services exceeds the revenues received from such contracts, and, as a result, costs could exceed revenues received under such contracts.

Enable has been authorized by the FERC to provide transportation and storage services at its facilities at negotiated rates. As of December 31, 2018, approximately 44 percent of Enable's aggregate contracted firm transportation capacity on EGT and MRT and 45 percent of its aggregate contracted firm storage capacity on EGT and MRT was subscribed under such "negotiated rate" contracts. These contracts generally do not include provisions allowing for adjustment for increased costs due to inflation, pipeline safety activities or other factors that are not tied to an applicable tracking mechanism authorized by the FERC. Successful recovery of any shortfall of revenue, representing the difference between "recourse rates" (if higher) and negotiated rates, is not assured under current FERC policies. If Enable's costs increase and it is not able to recover any shortfall of revenue associated with its negotiated rate contracts, the cash flow realized by its systems could decrease and, therefore, the cash Enable has available for distribution to its unitholders, including us, could also decrease.

If third-party pipelines and other facilities interconnected to Enable's gathering, processing or transportation facilities become partially or fully unavailable to Enable for any reason, Enable's financial position, results of operations and its ability to make cash distributions to us could be adversely affected.

Enable depends upon (i) third-party pipelines to deliver natural gas to, and take natural gas from, its natural gas transportation systems, (ii) third-party pipelines and other facilities to take crude oil from its crude oil gathering systems, and, in some cases, (iii) third-party facilities to process natural gas from its gathering systems. It also depends on third-party facilities to transport and fractionate NGLs that are delivered to the third party at the tailgates of its processing plants. Fractionation is the separation of the heterogeneous mixture of extracted NGLs into individual components for end-use sale. For example, an outage or disruption on certain pipelines or fractionators operated by a third party could result in the shutdown of certain of Enable's processing plants and gathering systems, and a prolonged outage or disruption could ultimately result in a reduction in the volume of natural gas Enable gathers and NGLs it is able to produce. Additionally, Enable depends on third parties to provide electricity for compression at many of its facilities. Since it does not own or operate any of these third-party pipelines or other facilities, continuing operation of those facilities is not within its control. If any of these third-party pipelines or other facilities become partially or fully unavailable to Enable for any reason, its financial position, results of operations and ability to make cash distributions to unitholders, including us, could be adversely affected.

Enable does not own all of the land on which its pipelines and facilities are located, which could disrupt its operations.

Enable does not own all of the land on which its pipelines and facilities have been constructed, and it is therefore subject to the possibility of more onerous terms and/or increased costs to retain necessary land use if it does not have valid rights-of-way or if such rights-of-way lapse or terminate. Enable may obtain the rights to construct and operate its pipelines for a specific period of time on lands owned by governmental agencies, American Indian tribes or other third parties, including on American Indian allotments, title to which is held in trust by the U.S. A loss of these rights, through its inability to renew right-of-way contracts or otherwise, could cause a cease in operations temporarily or permanently on the affected land, increase costs related to the construction and continuing operations elsewhere, and adversely affect its financial position, results of operations and ability to make cash distributions to unitholders,

including us.

Enable conducts a portion of its operations through joint ventures, which subjects them to additional risks that could adversely affect the success of its operations and financial position, results of operations and ability to make cash distributions to unitholders, including us.

Enable conducts a portion of its operations through joint ventures with third parties, including Enbridge Inc., DCP Midstream Partners, LP, CVR Refining, LP, Trans Louisiana Gas Pipeline, Inc. and Pablo Gathering, LLC. It may also enter into other joint venture arrangements in the future. These third parties may have obligations that are important to the success of the joint venture, such as the obligation to pay their share of capital and other costs of the joint venture. The performance of these third-party obligations, including the ability of the third parties to satisfy their obligations under these arrangements, is outside the control of Enable. If these parties do not satisfy their obligations under these arrangements, Enable's business may be adversely affected.

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The joint venture arrangements of Enable may involve risks not otherwise present when operating assets directly, including, for example:

- joint venture partners may share certain approval rights over major decisions;
- joint venture partners may not pay their share of the obligations, leaving Enable liable for the liabilities created as a result of those unpaid obligations;
- possible inability to control the amount of cash it will receive from the joint venture;
- it may incur liabilities as a result of an action taken by its joint venture partners;
- it may be required to devote significant management time to the requirements of and matters relating to the joint ventures;
- its insurance policies may not fully cover loss or damage incurred by both them and its joint venture partners in certain circumstances;
- its joint venture partners may be in a position to take actions contrary to its instructions or requests or contrary to its policies or objectives; and
- disputes between them and its joint venture partners may result in delays, litigation or operational impasses.

The risks described above or the failure to continue joint ventures or to resolve disagreements with joint venture partners could adversely affect Enable's ability to transact the business that is the subject of such joint venture, which would in turn adversely affect its financial position and results of operations ability to make cash distributions to unitholders, including us. The agreements under which certain joint ventures were formed may subject them to various risks, limit the actions it may take with respect to the assets subject to the joint venture and require them to grant rights to its joint venture partners that could limit its ability to benefit fully from future positive developments. Some joint ventures require Enable to make significant capital expenditures. If it does not timely meet its financial commitments or otherwise do not comply with its joint venture agreements, its rights to participate, exercise operator rights or otherwise influence or benefit from the joint venture may be adversely affected. Certain of its joint venture partners may have substantially greater financial resources than Enable has and it may not be able to secure the funding necessary to participate in operations its joint venture partners propose, thereby reducing its ability to benefit from the joint venture.

Under certain circumstances, Enbridge Inc. could have the right to purchase an ownership interest in SESH at fair market value.

Enable owns a 50 percent ownership interest in SESH. The remaining 50 percent ownership interests are held by Enbridge Inc. As of December 31, 2018, CenterPoint owns a 54.0 percent of Enable's common units, 100.0 percent of its Series A Preferred Units and a 40 percent economic interest in Enable GP, LLC. Pursuant to the terms of the limited liability company agreement of SESH, as amended (the SESH LLC Agreement), if, at any time, CenterPoint has a right to receive less than 50 percent of Enable's distributions through its interests in Enable and in the general partner, or does not have the ability to exercise certain control rights, Enbridge Inc. could have the right to purchase Enable's interest in SESH at fair market value, subject to certain exceptions.

An impairment of long-lived assets, including intangible assets, equity method investments or goodwill could reduce Enable's earnings.

Long-lived assets, including intangible assets with finite useful lives and property, plant and equipment, are evaluated for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment of long-lived assets is recognized if the carrying amount is not recoverable and exceeds fair value.

Equity method investments are evaluated for impairment when events or circumstances indicate that the carrying value of the investment might not be recoverable. An impairment of an equity method investment is recognized if the

fair value of the investment as a whole, and not the underlying assets, has declined and the decline is other than temporary. An example of an investment that Enable accounts for under the equity method is its investment in SESH. If Enable enters into additional joint ventures, it could have additional equity method investments.

Goodwill is evaluated for impairment on an annual basis as well as when events or circumstances change that would more likely than not reduce the fair value of a reporting unit to below its carrying amount. An impairment of goodwill is recognized if the carrying value of a reporting unit exceeds its fair value and the carrying amount of that reporting unit's goodwill exceeds the implied value of that goodwill. As of December 31, 2018, Enable has goodwill of \$98 million as a result of the acquisitions of Velocity Holdings, LLC in the fourth quarter of 2018 and Align Midstream, LLC in the fourth quarter of 2017.

Enable could experience future events or circumstances that result in an impairment of long-lived assets, including intangible assets, equity method investments, or goodwill. If Enable recognizes an impairment, it would take an immediate non-

cash charge to earnings with a correlative effect on equity and balance sheet leverage as measured by debt to total capitalization. As a result, an impairment could have an adverse effect on Enable's results of operations and its ability to satisfy the financial ratios or other covenants under its existing or future debt agreements.

Enable's business involves many hazards and operational risks, some of which may not be fully covered by insurance. Insufficient insurance coverage and increased insurance costs could adversely affect its financial position, results of operations or ability to make cash distributions to us.

Enable's operations are subject to all of the risks and hazards inherent in the gathering, processing, transportation and storage of natural gas and crude oil, including:

- damage to pipelines and plants, related equipment and surrounding properties caused by hurricanes, tornadoes, floods, fires, earthquakes and other natural disasters, acts of terrorism and actions by third parties;
- inadvertent damage from construction, vehicles and farm and utility equipment;
- leaks of natural gas, NGLs, crude oil and other hydrocarbons or losses of natural gas, NGLs and crude oil as a result of the malfunction of equipment or facilities;
- ruptures, fires and explosions; and
- other hazards that could also result in personal injury and loss of life, pollution and suspension of operations.

These risks could result in substantial losses due to personal injury or loss of life, severe damage to and destruction of property, plant and equipment and pollution or other environmental damage. These risks may also result in curtailment or suspension of its operations. A natural disaster or other hazard affecting the areas in which it operates could adversely affect Enable's results of operations. Enable is not fully insured against all risks inherent in its business. Enable currently has general liability and property insurance in place to cover certain of its facilities in amounts that it considers appropriate. Such policies are subject to certain limits and deductibles. Enable has business interruption insurance coverage for some but not all of its operations. Insurance coverage may not be available in the future at current costs or on commercially reasonable terms, and the insurance proceeds received for any loss of, or any damage to, any of Enable's facilities may not be sufficient to restore the loss or damage without adversely affecting its financial position, results of operations and ability to make cash distributions to its unitholders, including us.

The use of derivative contracts by Enable and its subsidiaries in the normal course of business could result in financial losses that could adversely affect its financial position, results of operations and its ability to make cash distributions to unitholders, including us.

Enable and its subsidiaries periodically use derivative instruments, such as swaps, options, futures and forwards, to manage its commodity and financial market risks. Enable and its subsidiaries could recognize financial losses as a result of volatility in the market values of these contracts, or should a counterparty fail to perform. In the absence of actively quoted market prices and pricing information from external sources, the valuation of these financial instruments can involve management's judgment or use of estimates. As a result, changes in the underlying assumptions or use of alternative valuation methods could affect the reported fair value of these contracts.

Failure to attract and retain an appropriately qualified workforce could adversely impact Enable's results of operations.

Enable's business is dependent on its ability to recruit, retain and motivate employees. Certain circumstances, such as an aging workforce without appropriate replacements, a mismatch of existing skill sets to future needs, competition for skilled labor or the unavailability of contract resources may lead to operating challenges such as a lack of resources, loss of knowledge or a lengthy time period associated with skill development. Enable's costs, including costs for contractors to replace employees, productivity costs and safety costs, may rise. Failure to hire and adequately train replacement employees, including the transfer of significant internal historical knowledge and expertise to the

new employees, or the future availability and cost of contract labor may adversely affect Enable's ability to manage and operate its business. If Enable is unable to successfully attract and retain an appropriately qualified workforce, its results of operations could be negatively affected.

As of December 31, 2018, Enable has 90 employees who are participants under OGE Energy Corp.'s defined benefit and retiree medical plans, who are seconded to the Partnership, subject to certain termination rights of the Partnership and OGE Energy Corp. If seconding is terminated, employees of OGE Energy Corp. that Enable determines to hire are under no obligation to accept Enable's offer of employment on the terms Enable provides, or at all.

Enable's ability to grow is dependent in part on its ability to access external financing sources on acceptable terms.

Enable expects its operating subsidiaries will distribute all of their available cash to Enable and that it will distribute all of its available cash to its unitholders. As a result, Enable expects that it and its operating subsidiaries will rely significantly upon external financing sources, including commercial bank borrowings and the issuance of debt and equity securities, to fund acquisitions and expansion capital expenditures. To the extent Enable or its operating subsidiaries are unable to finance growth externally or through internally generated cash flows, Enable's and its operating subsidiaries' cash distribution policy may significantly impair Enable's and its operating subsidiaries' ability to grow. In addition, because Enable and its operating subsidiaries distribute all available cash, Enable's and its operating subsidiaries' growth may not be as fast as businesses that reinvest their available cash to expand ongoing operations.

To the extent Enable issues additional units in connection with any acquisitions or expansion capital expenditures, the payment of distributions on those additional units may increase the risk it will be unable to maintain or increase its per unit distribution level, which in turn may impact the available cash that Enable has to distribute on each unit. There are no limitations in the partnership agreement on its ability to issue additional units, including units ranking senior to the common units. The incurrence of additional commercial borrowings or other debt by Enable or its operating subsidiaries to finance its growth strategy would result in increased interest expense, which in turn may negatively impact the available cash that its operating subsidiaries have to distribute to it, and thus that it has to distribute to its unitholders, including us.

Enable depends in part on access to the capital markets and other external financing sources to fund its expansion capital expenditures, although Enable has also increasingly relied on cash flow generated from its operations to fund its expansion capital expenditures. Historically, unit prices of midstream master limited partnerships have experienced periods of volatility. In addition, because Enable's common units are yield-based securities, rising market interest rates could impact the relative attractiveness of its common units to investors. As a result of capital market volatility, Enable may be unable to issue equity or debt on satisfactory terms, or at all, which may limit its ability to expand its operations or make future acquisitions.

In the first quarter of 2016, CenterPoint announced that it was evaluating strategic alternatives for its investment in Enable. In the first quarter of 2018, CenterPoint disclosed that it had decided not to pursue a sale or spin-off qualifying under Section 355 of the Code at that time and that, while a transaction for all of its interests in Enable was not viable at that time, it may pursue such a transaction if it becomes viable in the future. CenterPoint also disclosed that it may reduce its investment in Enable through a sale of all or a portion of Enable's common units it owns in the public equity markets or otherwise, subject to certain limitations. CenterPoint's disclosure, as well as any sales by CenterPoint of the common units it holds in the public equity markets, could have an adverse impact on the market for Enable common units, including Enable's ability to issue equity on favorable terms to fund Enable's capital needs or at all.

Enable's merger and acquisition activities may not be successful or may result in completed acquisitions that do not perform as anticipated, which could adversely affect its financial position, results of operations or future growth.

From time to time, Enable has made, and it intends to continue to make, acquisitions of businesses and assets. Such acquisitions involve substantial risks, including the following:

- acquired businesses or assets may not produce revenues, earnings or cash flow at anticipated levels;
- acquired businesses or assets could have environmental, permitting or other problems for which contractual protections prove inadequate;
- it may assume liabilities that were not disclosed to it, that exceed its estimates, or for which its rights to indemnification from the seller are limited;

it may be unable to integrate acquired businesses successfully and realize anticipated economic, operational and other benefits in a timely manner, which could result in substantial costs and delays or other operational, technical or financial problems; and acquisitions, or the pursuit of acquisitions, could disrupt its ongoing businesses, distract management, divert resources and make it difficult to maintain its current business standards, controls and procedures.

In addition, Enable's growth strategy includes, in part, the ability to make acquisitions on economically acceptable terms. If Enable is unable to make acquisitions or if its acquisitions do not perform as anticipated, Enable's future growth may be adversely affected.

Enable and its operating subsidiaries' debt levels may limit their flexibility in obtaining additional financing and in pursuing other business opportunities.

As of December 31, 2018, Enable had approximately \$2.9 billion of long-term debt outstanding, excluding the premiums, discounts and unamortized debt expense on senior notes. In addition, as of December 31, 2018, Enable had \$649.0 million outstanding under its commercial paper program and \$500.0 million outstanding under its 2019 notes, excluding unamortized debt expense. Enable also has a \$1.75 billion revolving credit facility for working capital, capital expenditures and other partnership purposes, including acquisitions, with approximately \$250.0 million in borrowings outstanding and \$848.0 million remaining available as of February 1, 2019. Enable has the ability to incur additional debt, subject to limitations in its credit facilities. The levels of debt could have important consequences, including the following:

- the ability to obtain additional financing, if necessary, for working capital, capital expenditures, acquisitions or other purposes may be impaired or the financing may not be available on favorable terms, if at all;
- a portion of cash flows will be required to make interest payments on the debt, reducing the funds that would otherwise be available for operations, future business opportunities and distributions;
- the debt level will make Enable more vulnerable to competitive pressures or a downturn in the business or the economy generally; and
- the debt level may limit flexibility in responding to changing business and economic conditions.

Enable's and its operating subsidiaries' ability to service their debt will depend upon, among other things, its future financial and operating performance, which will be affected by prevailing economic conditions, commodity prices and financial, business, regulatory and other factors, some of which are beyond its control. If operating results are not sufficient to service Enable's and its operating subsidiaries' current or future indebtedness, Enable and its subsidiaries may be forced to take actions such as reducing distributions, reducing or delaying business activities, acquisitions, investments or capital expenditures, selling assets, restructuring or refinancing debt, or seeking additional equity capital. These actions may not be effected on satisfactory terms, or at all.

Enable's credit facilities contain operating and financial restrictions, including covenants and restrictions that may be affected by events beyond its control, which could adversely affect its financial condition, results of operations and ability to make cash distributions to its unitholders, including us.

Enable's credit facilities contain customary covenants that, among other things, limit the ability to:

- permit its subsidiaries to incur or guarantee additional debt;
- incur or permit to exist certain liens on assets;
- dispose of assets;
- merge or consolidate with another company or engage in a change of control;
- enter into transactions with affiliates on non-arm's length terms; and
- change the nature of its business.

Enable's credit facilities also require it to maintain certain financial ratios. Its ability to meet those financial ratios can be affected by events beyond its control, and assurance it will meet those ratios cannot be guaranteed. In addition, its credit facilities contain events of default customary for agreements of this nature.

Enable's ability to comply with the covenants and restrictions contained in its credit facilities may be affected by events beyond its control, including prevailing economic, financial and industry conditions. If market or other economic conditions deteriorate, its ability to comply with these covenants may be impaired. If any of the restrictions, covenants, ratios or tests in its credit facilities is violated, a significant portion of its indebtedness may become immediately due and payable. In addition, its lenders' commitments to make further loans to Enable under the

revolving credit facility may be suspended or terminated. Enable might not have, or be able to obtain, sufficient funds to make these accelerated payments.

Affiliates of Enable's general partner, including CenterPoint and the Company, may compete with Enable, and neither the general partner nor its affiliates have any obligation to present business opportunities to Enable.

Under Enable's omnibus agreement, both CenterPoint and the Company are prohibited from, directly or indirectly, owning, operating, acquiring or investing in any business engaged in midstream operations located within the U.S., other than through Enable. This requirement applies to both CenterPoint and the Company for so long as either CenterPoint or the Company holds any interest in Enable's general partner or at least 20 percent of its common units. However, if CenterPoint or the Company acquires any business with midstream operations assets that have a value in excess of \$50.0 million (or \$100.0 million in the aggregate

with such party's other acquired midstream operations assets that have not been offered to Enable), the acquiring party will be required to offer to Enable such assets for such value. If Enable does not purchase such assets, the acquiring party will be free to retain and operate such midstream assets, so long as the value of the assets does not reach certain thresholds.

As a result, under the circumstances described above, CenterPoint and the Company have the ability to construct or acquire assets that directly compete with Enable's assets. Pursuant to the terms of Enable's partnership agreement, the doctrine of corporate opportunity, or any analogous doctrine, does not apply to Enable's general partner or any of its affiliates, including its executive officers and directors and CenterPoint and the Company. Any such person or entity that becomes aware of a potential transaction, agreement, arrangement or other matter that may be an opportunity for Enable will not have any duty to communicate or offer such opportunity to Enable. Any such person or entity will not be liable to Enable or to any limited partner for breach of any fiduciary duty or other duty by reason of the fact that such person or entity pursues or acquires such opportunity for itself, directs such opportunity to another person or entity or does not communicate such opportunity or information to Enable. This may create actual and potential conflicts of interest between Enable and affiliates of its general partner and result in less than favorable treatment of Enable and its common unitholders.

If Enable fails to maintain an effective system of internal controls, then it may not be able to accurately report financial results or prevent fraud. As a result, current and potential unitholders could lose confidence in its financial reporting, which would harm Enable's business and the trading price of its common units.

Effective internal controls are necessary for Enable to provide reliable financial reports, prevent fraud and operate successfully as a public company. If its efforts to maintain an effective system of internal controls are not successful, it is unable to maintain adequate controls over its financial processes and reporting in the future or it is unable to comply with its obligations under Section 404 of the Sarbanes-Oxley Act of 2002, its operating results could be harmed or fail to meet its reporting obligations. Ineffective internal controls also could cause investors to lose confidence in its reported financial information, which would likely have a negative effect on the trading price of Enable's common units.

Cybersecurity attacks or other disruptions of Enable's systems, networks and technology could adversely impact Enable's financial position, results of operations and ability to make cash distributions to unitholders, including us.

Enable has become increasingly dependent on the systems, networks and technology that it uses to conduct almost all aspects of its business, including the operation of its gathering, processing, transportation and storage assets, the recording of commercial transactions and the reporting of financial information. Enable depends on both its own systems, networks and technology as well as the systems, networks and technology of its vendors, customers and other business partners. Any disruption of these systems, networks and technology could disrupt the operation of Enable's business. Disruptions can result from a variety of causes, including natural disasters, the failure of software or equipment and manmade events, such as cybersecurity attacks or information security breaches. Cybersecurity attacks and information security breaches could result in the unauthorized use of confidential, proprietary or other information and in the disruption of Enable's critical business functions and operations, adversely affecting its reputation and subjecting it to possible legal claims and liability. In addition, Enable is not fully insured against all cybersecurity risks.

As cybersecurity attacks continue to evolve, Enable may be required to expend significant additional resources to continue to modify or enhance its protective measures or to investigate and remediate any vulnerabilities to cybersecurity attacks. In particular, Enable's implementation of various procedures and controls to monitor and mitigate security threats and to increase security for its personnel, information, facilities and infrastructure may result in increased capital and operating costs. To date Enable has not experienced any material losses relating to cybersecurity attacks; however, there can be no assurance that it will not suffer such losses in the future.

Consequently, it is possible that any of these occurrences, or a combination of them, could adversely affect Enable's financial position, results of operations and ability to make cash distributions to unitholders, including us.

Terrorist attacks or other physical security threats could adversely affect Enable's business.

Enable's gathering, processing, transportation and storage assets may be targets of terrorist activities or other physical security threats that could disrupt its ability to conduct its business. It is possible that any of these occurrences, or a combination of them, could adversely affect Enable's financial position, results of operations and ability to make cash distributions to unitholders, including us. In addition, any physical damage to Enable's assets resulting from acts of terrorism may not be fully covered by Enable's insurance.

Enable may be unable to obtain or renew permits necessary for its operations, which could inhibit its ability to do business.

Performance of its operations require it obtain and maintain a number of federal and state permits, licenses and approvals with terms and conditions containing a significant number of prescriptive limits and performance standards in order to operate. All of these permits, licenses, approval limits and standards require a significant amount of monitoring, record keeping and reporting in order to demonstrate compliance with the underlying permit, license, approval limit or standard. Noncompliance or incomplete documentation of Enable's compliance status may result in the imposition of fines, penalties and injunctive relief. A decision by a government agency to deny or delay the issuance of a new or existing material permit or other approval, or to revoke or substantially modify an existing permit or other approval, could adversely affect its ability to initiate or continue operations at the affected location or facility and on its financial condition, results of operations and ability to make cash distributions to unitholders, including us.

Additionally, in order to obtain permits and renewals of permits and other approvals in the future, Enable may be required to prepare and present data to governmental authorities pertaining to the potential adverse impact that any proposed pipeline or processing-related activities may have on the environment, individually or in the aggregate, including on public and American Indian tribal lands. Certain approval procedures may require preparation of archaeological surveys, wetland delineations, endangered species surveys and other studies to assess the environmental impact of new sites or the expansion of existing sites. Compliance with these regulatory requirements may be expensive and may significantly lengthen the time required to prepare applications and to receive authorizations and consequently could disrupt Enable's project construction schedules.

Costs of compliance with existing environmental laws and regulations are significant, and the cost of compliance with future environmental laws and regulations may adversely affect Enable's financial position, results of operations and its ability to make cash distributions to unitholders, including us.

Enable is subject to extensive federal, state and local environmental statutes, rules and regulations relating to air quality, water quality, waste management, wildlife conservation, natural resources and health and safety that could, among other things, delay or increase costs of construction, restrict or limit the output of certain facilities and/or require additional pollution control equipment and otherwise increase costs. For instance, in May 2016, the EPA issued final standards governing methane emissions imposing more stringent controls on methane and volatile organic compounds emissions at new and modified oil and natural gas production, processing, storage and transmission facilities. These rules have required changes to Enable's operations, including the installation of new equipment to control emissions. Following the change in presidential administrations, there have been attempts to modify these regulations, and litigation concerning the regulations is ongoing. As a result, Enable cannot predict the scope of any final methane regulatory requirements or the cost to comply with such requirements. However, several states are pursuing similar measures to regulate emissions of methane from new and existing sources. There are significant capital, operating and other costs associated with compliance with these environmental statutes, rules and regulations. Future federal and state regulations relating to Enable's gathering and processing, transmission and storage operations remain a possibility and could result in increased compliance costs on Enable's operations. Furthermore, if new or more stringent federal, state or local legal restrictions are adopted in areas where Enable's oil and natural gas exploration and production customers operate, they could incur potentially significant added costs to comply with such requirements, experience delays or curtailment in the pursuit of exploration, development, or production activities, and perhaps even be precluded from drilling wells, some or all of which could adversely affect demand for Enable's services to those customers.

There is inherent risk of the incurrence of environmental costs and liabilities in Enable's operations due to the handling of natural gas, NGLs, crude oil and produced water as well as air emissions related to its operations and historical industry operations and waste disposal practices. These matters are subject to stringent and complex federal, state and local laws and regulations governing environmental protection, including the discharge of materials into the

environment and the protection of plants, wildlife, and natural and cultural resources. These laws and regulations can restrict or impact business activities in many ways, such as restricting the handling or disposing of wastes or requiring remedial action to mitigate pollution conditions that may be caused by its operations or that are attributable to former operators. Joint and several strict liability may be incurred, without regard to fault, under certain of these environmental laws and regulations in connection with discharges or releases of wastes on, under or from its properties and facilities, many of which have been used for midstream activities for a number of years, oftentimes by third parties not under its control. Private parties, including the owners of the properties through which its gathering and transportation systems pass and facilities where its wastes are taken for reclamation or disposal, may also have the right to pursue legal actions to enforce compliance, as well as to seek damages for non-compliance, with environmental laws and regulations or for personal injury or property damage. For example, an accidental release from one of its pipelines could subject them to substantial liabilities arising from environmental cleanup and restoration costs, claims made by neighboring landowners and other third parties for personal injury and property damage and fines or penalties for related violations of environmental laws or regulations. Enable may be unable to recover these costs from insurance. Moreover, the possibility exists that stricter laws, regulations or enforcement policies could significantly increase compliance costs and the cost of any remediation that may become necessary. Further, stricter

requirements could negatively impact its customers' production and operations, resulting in less demand for its services.

Increased regulation of hydraulic fracturing and waste water injection wells could result in reductions or delays in natural gas production by Enable's customers, which could adversely affect its financial position, results of operations and ability to make cash distributions to its unitholders, including us.

Hydraulic fracturing is a common practice that is used by many of Enable's customers to stimulate production of natural gas and crude oil from dense subsurface rock formations. The hydraulic fracturing process involves the injection of water, sand, and chemicals under pressure into targeted subsurface formations to fracture the surrounding rock and stimulate production. Hydraulic fracturing typically is regulated by state oil and natural gas commissions. In addition, certain federal agencies have proposed additional laws and regulations to more closely regulate the hydraulic fracturing process. In past sessions, Congress has considered, but not passed, legislation to provide for federal regulation of hydraulic fracturing under the Safe Drinking Water Act and to require disclosure of the chemicals used in the hydraulic fracturing process. The EPA has issued regulations and guidance for hydraulic fracturing operations under several statutes.

Some states have adopted, and other states have considered adopting, legal requirements that could impose more stringent permitting, public disclosure or well construction requirements on hydraulic fracturing activities. Local government also may seek to adopt ordinances within their jurisdictions regulating the time, place and manner of drilling activities in general or hydraulic fracturing activities in particular, in some cases banning hydraulic fracturing entirely. If new or more stringent federal, state or local legal restrictions relating to the hydraulic fracturing process are adopted in areas where Enable's oil and natural gas exploration and production customers operate, they could incur potentially significant added costs to comply with such requirements, experience delays or curtailment in the pursuit of exploration, development, or production activities, and perhaps even be precluded from drilling wells, some or all of which activities could adversely affect demand for Enable's services to those customers.

State and federal regulatory agencies have also focused on a possible connection between the operation of injection wells used for oil and gas waste disposal and seismic activity. Similar concerns have been raised that hydraulic fracturing may also contribute to seismic activity. When caused by human activity, such events are called induced seismicity. In March 2016, the U.S. Geological Survey identified six states with the most significant hazards from induced seismicity, including Oklahoma, Kansas, Texas, Colorado, New Mexico and Arkansas. In March 2017, the U.S. Geological Survey produced an updated seismic hazard survey that forecasted lower earthquake rates in regions of induced activity but still showed significantly elevated hazards in the central and eastern U.S. In light of these concerns, some state regulatory agencies have modified their regulations or issued orders to address induced seismicity. For example, the OCC has implemented volume reduction plans, and at times required shut-ins, for disposal wells injecting wastewater from oil and gas operations into the Arbuckle formation. In February 2018, the OCC revised well completion seismicity guidelines for operators in the South Central Oklahoma Oil Province and the Sooner Trend Anadarko Basin Canadian and Kingfisher Counties to reduce the threshold of seismic readings required to suspend hydraulic fracturing operations in some circumstances. Certain environmental and other groups have also suggested that additional federal, state and local laws and regulations may be needed to more closely regulate the hydraulic fracturing process. Enable cannot predict whether additional federal, state or local laws or regulations applicable to hydraulic fracturing will be enacted in the future and, if so, what actions any such laws or regulations would require or prohibit. Increased regulation and attention given to induced seismicity could lead to greater opposition to, and litigation concerning, oil and gas activities utilizing hydraulic fracturing or injection wells for waste disposal. Additional legislation or regulation could also lead to operational delays or increased operating costs for Enable's customers, which in turn could reduce the demand for Enable's services.

Other governmental agencies, including the U.S. Department of Energy, have evaluated or are evaluating various other aspects of hydraulic fracturing. These ongoing or proposed studies, depending on their degree of pursuit and any

meaningful results obtained, could spur initiatives to further regulate hydraulic fracturing under the Safe Drinking Water Act or other regulatory mechanisms.

Enable may incur substantial liabilities to comply with climate change legislation and regulatory initiatives.

Because Enable's operations emit various types of greenhouse gases, legislation and regulations governing greenhouse gas emissions could increase its costs related to operating and maintaining its facilities, and could delay future permitting. At the federal level, the EPA has adopted regulations under existing provisions of the federal Clean Air Act that, among other things, require the monitoring and reporting of greenhouse gas emissions from specified onshore and offshore oil and natural gas production sources in the U.S. on an annual basis, which include certain of Enable's operations. Additional rules, such as the updates to the oil and gas new source performance standard requirements finalized by the EPA in May 2016, could affect Enable's ability to obtain air permits for new or modified facilities or require its operations to incur additional expenses to control air emissions by installing emissions control technologies and adhering to a variety of work practice and other requirements. Following the change in presidential administrations, there have been attempts to modify these regulations, and litigation concerning the regulations is

ongoing. As a result, Enable cannot predict the scope of any final methane regulatory requirements or the cost to comply with such requirements. If upheld, these requirements could increase the costs of development and production, reducing the profits available to Enable and potentially impair its operator's ability to economically develop its properties.

In addition, the U.S. Congress has in the past and may in the future consider legislation to reduce emissions of greenhouse gases, and there has been a wide-ranging policy debate, both nationally and internationally, regarding the impact of these gases and possible means for their regulation. Efforts have been made and continue to be made in the international community toward the adoption of international treaties or protocols that would address global climate change issues. From time to time, the U.S. Congress has considered adopting legislation to limit greenhouse gas emissions. A number of state and regional efforts have also emerged that are aimed at tracking and/or reducing greenhouse gas emissions by means of cap and trade programs. These programs typically require major sources of greenhouse gas emissions to acquire and surrender emission allowances in return for emitting those greenhouse gas emissions. Any such future laws and regulations imposing reporting obligations on, or limiting emissions of greenhouse gases could require Enable to incur costs to reduce emissions of greenhouse gases. Substantial limitations on greenhouse gas emissions could also adversely affect demand for oil and natural gas. Depending on the particular program, Enable could in the future be required to purchase and surrender emission allowances or otherwise undertake measures to reduce greenhouse gas emissions. Any additional costs or operating restrictions associated with new legislation or regulations regarding greenhouse gas emissions could adversely affect the demand for Enable's services and its financial position, results of operations and ability to make cash distributions to unitholders, including us.

Increased regulatory-imposed costs may also increase the cost of consuming, and thereby reduce demand for, the products that Enable gathers, treats and transports. Notwithstanding potential risks related to climate change, the International Energy Agency estimates that oil and gas will continue to represent a major share of global energy use through 2040, and other private sector studies project continued growth in demand for the next two decades.

Finally, some scientists have concluded that increasing concentrations of greenhouse gases in the earth's atmosphere may produce climate changes that have significant physical effects, such as increased frequency and severity of storms, floods and other climatic events. If any such effects were to occur, they could adversely affect Enable's results of operations.

Enable's operations are subject to extensive regulation by federal regulatory authorities. Changes or additional regulatory measures adopted by such authorities could adversely affect its financial position, results of operations and ability to make cash distributions to its unitholders, including us.

The rates charged by several of Enable's pipeline systems, including interstate gas transportation service provided by its intrastate pipelines, are regulated by the FERC. The FERC and state regulatory agencies also regulate other terms and conditions of the services it may offer. If one of these regulatory agencies, on its own initiative or due to challenges by third parties, were to lower its tariff rates or deny any rate increase or other material changes to the types or terms and conditions of service it might propose or offer, the profitability of its pipeline businesses could suffer. If it were permitted to raise its tariff rates for a particular pipeline, there might be significant delay between the time the tariff rate increase is approved and the time that the rate increase actually goes into effect, which could also limit profitability. Furthermore, competition from other pipeline systems may prevent them from raising its tariff rates even if permitted by regulatory agencies. The regulatory agencies that regulate its systems periodically implement new rules, regulations and terms and conditions of services subject to its jurisdiction. New initiatives or orders may adversely affect the rates charged for services or otherwise adversely affect its financial position, results of operations and ability to make cash distributions to its unitholders, including us.

Enable's natural gas interstate pipelines are regulated by the FERC under the Natural Gas Act of 1938, the Natural Gas Policy Act of 1978 and the Energy Policy Act of 2005. Generally, the FERC's authority over interstate natural gas

transportation extends to:

- rates, operating terms, conditions of service and service contracts;
- certification and construction of new facilities;
- extension or abandonment of services and facilities or expansion of existing facilities;
- maintenance of accounts and records;
- acquisition and disposition of facilities;
- initiation and discontinuation of services;
- depreciation and amortization policies;
- conduct and relationship with certain affiliates;
- market manipulation in connection with interstate sales, purchases or natural gas transportation; and
- various other matters.

Should Enable fail to comply with all applicable FERC-administered statutes, rules, regulations and orders, it could be subject to substantial penalties and fines. Under the Energy Policy Act of 2005, the FERC has civil penalty authority under the Natural Gas Act of 1938 and the Natural Gas Policy Act of 1978 to impose penalties for current violations of up to approximately \$1.3 million per day for each violation and possible criminal penalties of up to approximately \$1.3 million per violation.

The FERC's jurisdiction extends to the certification and construction of interstate transportation and storage facilities, including, but not limited to expansions, lateral and other facilities and abandonment of facilities and services. Prior to commencing construction of significant new interstate transportation and storage facilities, an interstate pipeline must obtain a certificate authorizing the construction, or an order amending its existing certificate, from the FERC. Certain minor expansions are authorized by blanket certificates that the FERC has issued by rule. Typically, a significant expansion project requires review by a number of governmental agencies, including state and local agencies, whose cooperation is important in completing the regulatory process on schedule. Any failure by an agency to issue sufficient authorizations or permits in a timely manner for one or more of these projects may mean that Enable will not be able to pursue these projects or that they will be constructed in a manner or with capital requirements that Enable did not anticipate. Enable's inability to obtain sufficient permits and authorizations in a timely manner could materially and negatively impact the additional revenues expected from these projects.

The FERC conducts audits to verify compliance with the FERC's regulations and the terms of its orders, including whether the websites of interstate pipelines accurately provide information on the operations and availability of services. The FERC's regulations require uniform terms and conditions for service, as set forth in agreements for transportation and storage services executed between interstate pipelines and their customers. These service agreements are required to conform, in all material respects, with the standard form of service agreements set forth in the pipeline's FERC-approved tariff. Non-conforming agreements must be filed with, and accepted by, the FERC. In the event that the FERC finds that an agreement, in whole or part, is materially non-conforming, it could reject the agreement or require Enable to seek modification, or alternatively require Enable to modify its tariff so that the non-conforming provisions are generally available to all customers.

The rates, terms and conditions for transporting natural gas in interstate commerce on certain of Enable's intrastate pipelines and for services offered at certain of Enable's storage facilities are subject to the jurisdiction of the FERC under Section 311 of the Natural Gas Policy Act. Rates to provide such interstate transportation service must be "fair and equitable" under the Natural Gas Policy Act and are subject to review, refund with interest if found not to be fair and equitable, and approval by the FERC at least once every five years.

Enable's crude oil gathering systems in the Williston Basin are subject to common carrier regulation by the FERC under the Interstate Commerce Act. The Interstate Commerce Act requires that Enable maintain tariffs on file with the FERC setting forth the rates Enable charges for providing transportation services, as well as the rules and regulations governing such services. The Interstate Commerce Act also requires, among other things, that Enable's rates must be "just and reasonable" and that Enable provide service in a manner that is nondiscriminatory. Shippers on Enable's FERC-regulated crude oil gathering systems may protest its tariff filings, file complaints against its existing rates, or the FERC can investigate Enable's rates on its own initiative. If FERC finds that Enable's existing or proposed rates are unjust and unreasonable, it could deny requested rate increases or could order Enable to reduce its rates and could require the payment of reparations to complaining shippers for up to two years prior to the complaint.

On December 22, 2017, the 2017 Tax Act was enacted, which reduced the highest marginal U.S. federal corporate income tax rate from 35 percent to 21 percent for tax years beginning after December 31, 2017. In a series of related issuances in 2018, the FERC revised its policy so that it will no longer permit pipelines organized as master limited partnerships to recover an income tax allowance in their cost-of-service rates and proposed rules for implementing this revised policy and the corporate income tax rate reduction pursuant to the 2017 Tax Act with respect to natural gas pipeline rates. In July 2018, the FERC denied requests for rehearing of the policy statement relating to recovery of an

income tax allowance (although it indicated that a master limited partnership will not be precluded in a future proceeding from arguing and providing evidentiary support that it is entitled to an income tax allowance and demonstrating that its recovery of an income tax allowance does not result in a double-recovery of investors' income tax costs). Also in July 2018, the FERC adopted proposed rules that require all FERC-regulated natural gas pipelines that have cost-based rates for service to make a one-time Form No. 501-G filing providing certain financial information that will allow the FERC and other stakeholders to evaluate the impacts of the revised policy and the corporate income tax rate reduction on each individual pipeline's rates, and to select one of four options: file a limited Natural Gas Act of 1938 Section 4 filing reducing its rates only as required related to the revised policy and the 2017 Tax Act, commit to filing a general Natural Gas Act of 1938 Section 4 rate case in the near future, file a statement explaining why an adjustment to rates is not needed, or take no other action. EGT filed its Form No. 501-G on October 11, 2018 and explained why a reduction to rates is not warranted. On November 8, 2018, SESH filed its Form No. 501-G and indicated it contemporaneously filed a limited Section 4 rate reduction filing as required by the rules described above. As MRT had already filed a rate proceeding under Natural Gas Act of 1938 Section

4 pursuant to a schedule agreed upon in the settlement of MRT's last rate case, MRT was not required to make any filing on the FERC's Form No. 501-G.

The FERC's revised policy statement requires the reduced maximum corporate tax rate to be reflected in initial oil cost-of-service rates and cost-of-service rate changes going forward and in future filings of Page 700 of FERC Form No. 6. The FERC will consider the information provided by pipelines in Page 700 of FERC Form No. 6 in its 2020 five-year review of the oil pipeline index level.

Although Enable cannot predict the ultimate impact of the policy statement and final rules, the cost-of-service rates Enable is permitted to charge their customers for transportation and storage services could be impacted when MRT or if EGT files a limited or general Natural Gas Act of 1938 Section 4 rate filing or if the FERC or customers challenge the cost-of-service rates that EGT is authorized to charge. Enable also cannot predict the outcome of the 2020 oil pipeline index five-year review, but the rates Enable is permitted to charge its customers for cost-of-service based crude oil transportation services could be impacted. If the FERC requires Enable to establish new tariff rates for either Enable's natural gas or crude oil pipelines that reflect a lower federal corporate income tax rate and the revised policy statement, it is possible the rates would be reduced, which could adversely affect Enable's financial position, results of operations and ability to make cash distributions to Enable's unitholders, including us.

Enable's operations may also be subject to regulation by state and local regulatory authorities. Changes or additional regulatory measures adopted by such authorities could adversely affect its financial position, results of operations and ability to make cash distributions to unitholders, including us.

The pipeline operations of Enable that are not regulated by the FERC may be subject to state and local regulation applicable to intrastate natural gas and transportation services. State and local regulations generally focus on safety, environmental and, in some circumstances, prohibition of undue discrimination among shippers. Additional rules and legislation pertaining to these matters are considered and, in some instances, adopted from time to time. The effect, if any, such changes might have on operations cannot be predicted, but Enable could be required to incur additional capital expenditures and increased costs depending on future legislative and regulatory changes. Other state and local regulations also may affect the business. Any such state or local regulation could have an adverse effect on the business and the financial position, results of operations and ability to make cash distributions to unitholders, including us.

A change in the jurisdictional characterization of some of Enable's assets by federal, state or local regulatory agencies or a change in policy by those agencies may result in increased regulation of its assets, which may cause its revenues to decline and operating expenses to increase.

Enable's natural gas gathering and intrastate transportation systems are generally exempt from the jurisdiction of the FERC under the Natural Gas Act, and its crude oil gathering system in the Anadarko Basin is generally exempt from the jurisdiction of FERC under the Interstate Commerce Act. Nevertheless, FERC regulation may indirectly impact these businesses and the markets for products derived from these businesses. The FERC's policies and practices across the range of its oil and natural gas regulatory activities, including, for example, its policies on interstate open access transportation, ratemaking, capacity release, and market center promotion may indirectly affect intrastate markets. In recent years, the FERC has pursued pro-competitive policies in its regulation of interstate oil and natural gas pipelines. However, it cannot be assured that the FERC will continue to pursue this approach as it considers matters such as pipeline rates and rules and policies that may indirectly affect the intrastate natural gas transportation business. Although the FERC has not made a formal determination with respect to all of Enable's facilities it considers to be engaged in natural gas gathering or a formal determination with respect to its facilities that it considers to be engaged in intrastate crude oil gathering, Enable believes that its natural gas gathering facilities meet the traditional tests that the FERC has used to determine that a pipeline is a natural gas gathering pipeline and Enable's intrastate crude oil gathering facilities meet the traditional tests that the FERC has used to determine that a pipeline is not engaged in

interstate crude oil transportation. The distinction between FERC-regulated facilities, however, has been the subject of substantial litigation, and the FERC determines whether facilities are subject to regulation under the Natural Gas Act or the Interstate Commerce Act on a case-by-case basis, so the classification and regulation of its facilities is subject to change based on future determinations by the FERC, the courts or Congress. If the FERC were to consider the status of an individual facility and determine that the facility and/or services provided by it are not exempt from FERC regulation, the rates for, and terms and conditions of, services provided by such facility would be subject to regulation by the FERC. Such regulation could decrease revenue, increase operating costs and, depending upon the facility in question, could adversely affect Enable's financial condition, results of operations and ability to make cash distributions to its unitholders, including us. In addition, if any of Enable's facilities were found to have provided services or otherwise operated in violation of the Natural Gas Act, Natural Gas Policy Act or Interstate Commerce Act regulations, this could result in the imposition of substantial civil penalties, as well as a requirement to disgorge revenues collected for such services in excess of the maximum rates established by the FERC.

Natural gas gathering and intrastate crude oil gathering may receive greater regulatory scrutiny at the state level; therefore, these operations could be adversely affected should it become subject to the application of state regulation of rates and services. Enable's gathering operations could also be subject to safety and operational regulations relating to the design, construction, testing, operation, replacement and maintenance of gathering facilities. The effect, if any, such changes might have on its operations cannot be predicted, but additional capital expenditures could be required and increased costs could be incurred depending on future legislative and regulatory changes.

Enable may incur significant costs and liabilities resulting from compliance with pipeline safety laws and regulations, pipeline integrity and other similar programs and related repairs.

Certain of Enable's pipeline operations are subject to pipeline safety laws and regulations. The U.S. Department of Transportation's Pipeline and Hazardous Materials Safety Administration regulates safety requirements for the design, construction, maintenance and operation of its jurisdictional natural gas and hazardous liquids pipeline facilities. All of Enable's interstate and intrastate natural gas transportation pipeline facilities are Pipeline and Hazardous Materials Safety Administration jurisdictional and certain of Enable's natural gas gathering, NGLs and crude oil pipeline facilities are Pipeline and Hazardous Materials Safety Administration jurisdictional. Among other things, these laws and regulations require pipeline operators to develop integrity management programs, including more frequent inspections and other measures, for pipelines located in "high consequence areas." The regulations require operators, including Enable, to, among other things:

- perform ongoing assessments of pipeline integrity;
- develop a baseline plan to prioritize the assessment of a covered pipeline segment;
- identify and characterize applicable threats that could impact a high consequence area;
- improve data collection, integration, and analysis;
- repair and remediate pipelines as necessary; and
- implement preventive and mitigating action.

Failure to comply with the Pipeline and Hazardous Materials Safety Administration or comparable state pipeline safety regulations could result in a number of consequences which may have an adverse effect on Enable's operations. Enable incurs significant costs associated with its compliance with existing Pipeline and Hazardous Materials Safety Administration and comparable state pipeline regulations. Enable incurred maintenance capital expenditures and operation and maintenance expenses of \$54.0 million in 2018 and currently estimates that it will incur maintenance capital expenditures and operation and maintenance expenses of up to \$65.0 million in 2019 under its pipeline safety program, including costs related to integrity assessments and repairs, threat and risk analyses, implementing preventative and mitigative measures, and conducting activities to support the maximum allowable operating pressure for gas pipelines or the maximum operating pressure for hazardous liquid pipelines. Enable may incur significant cost associated with repair, remediation, preventive and mitigation measures associated with its integrity management programs for pipelines that are not currently subject to regulation by the Pipeline and Hazardous Materials Safety Administration.

Changes to pipeline safety regulations occur frequently. For example, the Pipeline and Hazardous Materials Safety Administration is expected to publish finalized regulations in 2019, for both gas and hazardous liquids pipelines, that will significantly extend and expand the reach of certain Pipeline and Hazardous Materials Safety Administration integrity management requirements (i.e., period assessments, leak detection and repairs) regardless of proximity to a high consequence area. The final rules will also impose new requirements for certain unregulated pipelines, including gathering lines. The adoption of new regulations requiring more comprehensive or stringent safety standards could require Enable to install new or modified safety controls, pursue new capital projects or conduct maintenance programs on an accelerated basis, all of which could require Enable to incur increased and potentially significant operational costs.

Financial reform regulations under the Dodd-Frank Act could adversely affect Enable's ability to use derivative instruments to hedge risks associated with its business.

At times, Enable may hedge all or a portion of its commodity risk and its interest rate risk. The federal government regulates the derivatives markets and entities, including businesses like Enable, that participate in those market through the Dodd-Frank Wall Street Reform and Consumer Protection Act, or the Dodd-Frank Act, which requires the Commodity Futures Trading Commission and the Securities and Exchange Commission to promulgate rules and regulations implementing the legislation. Under the Commodity Futures Trading Commission's regulations, Enable is subject to reporting and recordkeeping obligations for transactions involving non-financial swap transactions the Commodity Futures Trading Commissions initially adopted regulations to set position limits for certain futures and option contracts in the major energy markets and for swaps that are their economic equivalents, but these rules were successfully challenged in federal district court by the Securities Industry Financial Markets Association and the International Swaps and Derivatives Association and largely vacated by the court. In December 2013, the Commodity Futures Trading Commission published a notice of proposed rulemaking designed to implement new position limits regulation and in December 2016, the Commodity Futures Trading Commission's re-proposed regulations for position limits. The ultimate form and timing of the implementation of the regulatory regime affecting commodity derivatives remains uncertain.

The Commodity Futures Trading Commission has imposed mandatory clearing requirements on certain categories of swaps, including certain interest rate swaps, but has exempted derivatives intended to hedge or mitigate commercial risk from the mandatory swap clearing requirement, where a counterparty such as Enable has required identification number, is not a financial entity as defined by the regulations, and meets a minimum asset test. Enable's management believes its hedging transactions qualify for this "commercial end-user" exception. The Dodd-Frank Act may also require Enable to comply with margin requirements in connection with its hedging activities, although the application of those provisions to Enable is uncertain at this time. The Dodd-Frank Act may also require the counterparties to its derivative instruments to spin off some of their hedging activities to a separate entity, which may not be as creditworthy as the current counterparty.

The Dodd-Frank Act and related regulations could significantly increase the cost of derivatives contracts for Enable's industry (including requirements to post collateral which could adversely affect Enable's available liquidity), materially alter the terms of derivatives contracts, reduce the availability of derivatives to protect against risks Enable encounters, reduce its ability to monetize or restructure its existing derivatives contracts, and increase its exposure to less creditworthy counterparties, particularly if Enable is unable to utilize the commercial end user exception with respect to certain of its hedging transactions. If Enable reduces its use of hedging as a result of the legislation and regulations, its results of operations may become more volatile and its cash flows may be less predictable, which could adversely affect its ability to plan for and fund capital expenditures and fund unitholder distributions. Finally, the legislation was intended, in part, to reduce the volatility of crude oil and natural gas prices, which some legislators attributed to speculative trading in derivatives and commodity instruments related to crude oil and natural gas. Enable's revenues could therefore be adversely affected if a consequence of the legislation and regulations is to lower commodity prices. Any of these consequences could adversely affect its financial position, results of operations and its ability to make cash distributions to unitholders, including us.

Any reductions in Enable's credit ratings could increase its financing costs and the cost of maintaining certain contractual relationships.

Enable cannot provide assurance that its credit ratings will remain in effect for any given period of time or that a rating will not be lowered or withdrawn entirely by a rating agency if, in its judgment, circumstances warrant. If any of Enable's credit ratings are below investment grade, it may have higher future borrowing costs and it or its subsidiaries may be required to post cash collateral or letters of credit under certain contractual agreements. If cash collateral requirements were to occur at a time when Enable was experiencing significant working capital

requirements or otherwise lacked liquidity, its financial position, results of operations and ability to make cash distributions to unitholders, including us, could be adversely affected.

Enable's Series A Preferred Units have rights, preferences and privileges that are not held by, and are preferential to the rights of, holders of its common units.

Enable's 10 percent Series A Fixed-to-Floating Non-Cumulative Redeemable Perpetual Preferred Units representing limited partner interests in Enable, issued in February 2016, rank senior to all of its other classes or series of equity securities with respect to distribution rights and rights upon liquidation. Enable cannot declare or pay a distribution to its common unitholders for any quarter unless full distributions have been or contemporaneously are being paid on all outstanding Series A Preferred Units for such quarter. These preferences could adversely affect the cash distributions we receive from Enable or could make it more difficult for Enable to sell its common units in the future.

Holders of the Series A Preferred Units will receive, on a non-cumulative basis and if and when declared by Enable's general partner, a quarterly cash distribution, subject to certain adjustments, equal to an annual rate of 10 percent on the stated liquidation preference from the date of original issue to, but not including, the five year anniversary of the original issue date, and an annual rate of the London Interbank Offered Rate plus a spread of 850 basis points on the stated liquidation preference thereafter. In connection with certain transfers of the Series A Preferred Units, the Series A Preferred Units will automatically convert into one or more new series of preferred units (the "other preferred units") on the later of the date of transfer or the second anniversary of the date of issue. The other preferred units will have the same terms as Enable's Series A Preferred Units except that unpaid distributions on the other preferred units will accrue from the date of their issuance on a cumulative basis until paid. Enable's Series A Preferred Units are convertible into common units by the holders of such units in certain circumstances. Payment of distributions on Enable's Series A Preferred Units, or on the common units issued following the conversion of such Series A Preferred Units, could impact its liquidity and reduce the amount of cash flow available for working capital, capital expenditures, growth opportunities, acquisitions, and other general partnership purposes. Enable's obligations to the holders of Series A Preferred Units could also limit its ability to obtain additional financing or increase its borrowing costs, which could have an adverse effect on its financial condition.

Enable's Series A Preferred Units contain covenants that may limit its business flexibility.

Enable's Series A Preferred Units contain covenants preventing it from taking certain actions without the approval of the holders of 66 2/3 percent of the Series A Preferred Units. The need to obtain the approval of holders of the Series A Preferred Units before taking these actions could impede Enable's ability to take certain actions that its management or its board of directors may consider to be in the best interests of its unitholders. The affirmative vote of 66 2/3 percent of the outstanding Series A Preferred Units, voting as a single class, is necessary to amend Enable's Partnership Agreement in any manner that would or could reasonably be expected to have a material adverse effect on the rights, preferences, obligations or privileges of the Series A Preferred Units. The affirmative vote of 66 2/3 percent of the outstanding Series A Preferred Units and any outstanding series of other preferred units, voting as a single class, is necessary to (A) create or issue certain party securities with proceeds in an aggregate amount in excess of \$700.0 million or create or issue any senior securities or (B) subject to Enable's right to redeem the Series A Preferred Units, approve certain fundamental transactions.

Enable's Series A Preferred Units are required to be redeemed in certain circumstances if they are not eligible for trading on the New York Stock Exchange, and Enable may not have sufficient funds to redeem its Series A Preferred Units if it is required to do so.

The holders of Enable's Series A Preferred Units may request that Enable list those units for trading on the New York Stock Exchange. If Enable is unable to list the Series A Preferred Units in certain circumstances, it will be required to redeem the Series A Preferred Units. There can be no assurance that Enable would have sufficient financial resources available to satisfy its obligation to redeem the Series A Preferred Units. In addition, mandatory redemption of Enable's Series A Preferred Units could adversely affect its financial position, results of operations and ability to make quarterly cash distributions to its unitholders, including us.

Enable may issue additional units without the approval of its unitholders, which would dilute unitholders' existing ownership interests.

Enable's partnership agreement does not limit the number of additional limited partner interests, including limited partner interests that rank senior to the common units, that it may issue at any time without the approval of its unitholders. The issuance by Enable of additional common units or other equity securities of equal or senior rank will have the following effects:

Enable's existing unitholders' proportionate ownership interest in Enable will decrease;

- the amount of distributable cash flow on each unit may decrease;
- because the amount payable to holders of incentive distribution rights is based on a percentage of the total distributable cash flow, the distributions to holders of incentive distribution rights will increase even if the per unit distribution on common units remains the same;
- the ratio of taxable income to distributions may increase;
- the relative voting strength of each previously outstanding unit may be diminished; and
- the market price of the common units may decline.

In addition, upon a change of control or certain fundamental transactions, Enable's Series A Preferred Units are convertible into common units at the option of the holders of such units. If a substantial portion of the Series A Preferred Units were converted into common units, common unitholders could experience significant dilution. In addition, if holders of such converted Series A Preferred Units were to dispose of a substantial portion of these common units in the public market, whether in a single transaction

or series of transactions, it could adversely affect the market price for Enable's common units. In addition, these sales, or the possibility that these sales may occur, could make it more difficult for Enable to sell its common units in the future.

Affiliates of Enable's general partner may sell common units in the public or private markets, which could have an adverse impact on the trading price of the common units and may sell their interest in its general partner, which may impact its strategic direction.

As of February 1, 2019, CenterPoint held 233,856,623 of Enable's common units and 14,520,000 Series A Preferred Units, and the Company held 110,982,805 of Enable's common units. Enable's Series A Preferred Units are convertible into common units upon a change of control or certain fundamental transactions at the option of the holders of such units. Both Enable's common units held by CenterPoint and the Company, as well as Enable's Series A Preferred Units held by CenterPoint, are subject to certain registration rights. In addition, in the first quarter of 2016, CenterPoint announced that it was evaluating strategic alternatives for its investment in Enable. In the first quarter of 2018, CenterPoint disclosed that it had decided not to pursue a sale or spin-off qualifying under Section 355 of the Code at that time and that, while a transaction for all of its interests in Enable was not viable at that time, it may pursue such a transaction if it becomes viable in the future. CenterPoint also disclosed that it may reduce its investment in Enable through a sale of all or a portion of Enable's common units it owns in the public equity markets or otherwise, subject to certain limitations. While there can be no assurances that these evaluations will result in any specific action, CenterPoint's disclosure, as well as any sales by CenterPoint of the common units it holds in the public or equity markets, could have an adverse impact on the market for Enable's common units, including its ability to issue equity on favorable terms to fund its capital needs or at all. Any sale of Enable's general partner by CenterPoint or the Company may impact Enable's strategic direction, business or results of operations.

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties.

OG&E owns and operates an interconnected electric generation, transmission and distribution system, located in Oklahoma and western Arkansas, which included 11 generating stations with an aggregate capability of 6,616 MWs at December 31, 2018. The following tables set forth information with respect to OG&E's electric generating facilities, all of which are located in Oklahoma.

Station & Unit	Year Installed	Unit Design Type	Fuel Capability	2018 Capacity Factor (A)	Unit Capacity (MW)	Station Capacity (MW)
Seminole	1 1971	Steam-Turbine	Gas	9.9 %	426	
	2 1973	Steam-Turbine	Gas	4.9 %	425	
	3 1975	Steam-Turbine	Gas/Oil	15.9 %	464	1,315
Muskogee	4 1977	Steam-Turbine	Coal	16.5 %	479	
	5 1978	Steam-Turbine	Coal	29.2 %	501	
	6 1984	Steam-Turbine	Coal	38.0 %	503	1,483
Sooner	1 1979	Steam-Turbine	Coal	51.2 %	520	
	2 1980	Steam-Turbine	Coal	44.5 %	521	1,041
Horseshoe Lake	6 1958	Steam-Turbine	Gas/Oil	13.2 %	163	
	7 1963	Combined Cycle	Gas/Oil	12.4 %	211	
	8 1969	Steam-Turbine	Gas	5.3 %	403	
	9 2000	Combustion-Turbine	Gas	17.6 %	43	
	10 2000	Combustion-Turbine	Gas	16.2 %	42	862
Redbud (B)	1 2003	Combined Cycle	Gas	51.2 %	154	
	2 2003	Combined Cycle	Gas	51.9 %	154	
	3 2003	Combined Cycle	Gas	47.9 %	153	
	4 2003	Combined Cycle	Gas	49.7 %	153	614
Mustang	5A 1971	Combustion-Turbine	Gas/Jet Fuel	0.8 %	33	
	5B 1971	Combustion-Turbine	Gas/Jet Fuel	0.8 %	31	
	6 2018	Combustion-Turbine	Gas	23.0 %	57	
	7 2018	Combustion-Turbine	Gas	25.1 %	57	
	8 2017	Combustion-Turbine	Gas	24.8 %	58	
	9 2018	Combustion-Turbine	Gas	27.3 %	58	
	10 2018	Combustion-Turbine	Gas	26.8 %	57	
	11 2018	Combustion-Turbine	Gas	27.0 %	57	
12 2018	Combustion-Turbine	Gas	23.4 %	57	465	
McClain (C)	1 2001	Combined Cycle	Gas	76.3 %	375	375
Total Generating Capability (all stations, excluding renewable)						6,155

Station	Year Installed	Location	Number of Units	Fuel Capability	2018 Capacity Factor (A)	Unit Capacity (MW)	Station Capacity (MW)
Crossroads	2011	Canton, OK	98	Wind	36.9 %	2.3	228
Centennial	2007	Laverne, OK	80	Wind	27.9 %	1.5	120
OU Spirit	2009	Woodward, OK	44	Wind	33.8 %	2.3	101
Mustang	2015	Oklahoma City, OK	90	Solar	20.1 %	—	2
Covington	2018	Covington, OK	4	Solar	25.3 %	2.4	10
Total Generating Capability (renewable)							461

(A) 2018 Capacity Factor = 2018 Net Actual Generation / (2018 Net Maximum Capacity (Nameplate Rating in MWs) x Period Hours (8,760 Hours))

(B) Represents OG&E's 51 percent ownership interest in the Redbud Plant.

(C) Represents OG&E's 77 percent ownership interest in the McClain Plant.

At December 31, 2018, OG&E's transmission system included: (i) 52 substations with a total capacity of 13.2 million kV-amps and 5,100 structure miles of lines in Oklahoma and (ii) seven substations with a total capacity of 2.9 million kV-amps and 277 structure miles of lines in Arkansas. OG&E's distribution system included: (i) 345 substations with a total capacity of 10.2 million kV-amps, 29,345 structure miles of overhead lines, 2,940 miles of underground conduit and 10,932 miles of

underground conductors in Oklahoma and (ii) 30 substations with a total capacity of 1.0 million kV-amps, 2,786 structure miles of overhead lines, 297 miles of underground conduit and 685 miles of underground conductors in Arkansas.

OG&E owns 140,133 square feet of office space at its executive offices at 321 North Harvey, Oklahoma City, Oklahoma 73102. In addition to its executive offices, OG&E owns numerous facilities throughout its service territory that support its operations. These facilities include, but are not limited to, service centers, fleet and equipment service facilities, operation support and other properties.

During the three years ended December 31, 2018, the Company's gross property, plant and equipment (excluding construction work in progress) additions were \$2.0 billion, and gross retirements were \$311.2 million. These additions were provided by cash generated from operations, short-term borrowings (through a combination of bank borrowings and commercial paper), long-term borrowings and permanent financings. The additions during this three-year period amounted to 16.6 percent of gross property, plant and equipment (excluding construction work in progress) at December 31, 2018.

Item 3. Legal Proceedings.

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

Item 4. Mine Safety Disclosures.

Not Applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

The Company's common stock is listed for trading on the New York Stock Exchange under the ticker symbol "OGE." At December 31, 2018, there were 14,192 holders of record of the Company's common stock.

Issuer Purchases of Equity Securities

None.

Item 6. Selected Financial Data.

HISTORICAL DATA

Year Ended December 31	2018	2017	2016	2015	2014	
SELECTED FINANCIAL DATA						
(In millions, except per share data)						
Results of Operations Data						
Operating revenues	\$2,270.3	\$2,261.1	\$2,259.2	\$2,196.9	\$2,453.1	
Cost of sales	892.5	897.6	880.1	865.0	1,106.6	
Operating expenses	888.2	831.6	848.3	825.0	788.9	
Operating income	489.6	531.9	530.8	506.9	557.6	
Equity in earnings of unconsolidated affiliates	152.8	131.2	101.8	15.5	172.6	
Allowance for equity funds used during construction	23.8	39.7	14.2	8.3	4.2	
Other net periodic benefit expense	10.8	21.6	27.5	25.7	20.8	
Other income	21.7	46.4	26.0	27.0	17.8	
Other expense	23.4	14.1	16.9	14.3	14.4	
Interest expense	156.0	143.8	142.1	149.0	148.4	
Income tax expense (benefit)	72.2	(49.3)	148.1	97.4	172.8	
Net income	\$425.5	\$619.0	\$338.2	\$271.3	\$395.8	
Basic earnings per average common share	\$2.13	\$3.10	\$1.69	\$1.36	\$1.99	
Diluted earnings per average common share	\$2.12	\$3.10	\$1.69	\$1.36	\$1.98	
Dividends declared per common share	\$1.39500	\$1.27000	\$1.15500	\$1.05000	\$0.95000	
Balance Sheet Data (at period end)						
Property, plant and equipment, net	\$8,643.8	\$8,339.9	\$7,696.2	\$7,322.4	\$6,979.9	
Total assets	\$10,748.6	\$10,412.7	\$9,939.6	\$9,580.6	\$9,509.9	
Long-term debt (including Long-term debt due within one year)	\$3,146.9	\$2,999.4	\$2,630.5	\$2,738.8	\$2,737.4	
Total stockholders' equity	\$4,005.1	\$3,851.1	\$3,443.8	\$3,326.0	\$3,244.4	
Capitalization Ratios (A)						
Stockholders' equity	56.0	%56.2	%56.7	%54.7	%54.1	%
Long-term debt	44.0	%43.8	%43.3	%45.3	%45.9	%

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

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Introduction

The Company is a holding company with investments in energy and energy services providers 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 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 was formed in 2013, and its general partner 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 accounts for its interest in Enable using the equity method of accounting. Enable is primarily engaged in the business of gathering, processing, transporting and storing natural gas. Enable's natural gas gathering and processing assets are strategically located in four states and serve natural gas production from shale developments in the Anadarko, Arkoma and Ark-La-Tex Basins. Enable also owns a crude oil gathering business in the Anadarko and Williston Basins. Enable has intrastate natural gas transportation and storage assets that are located in Oklahoma as well as interstate assets that extend from western Oklahoma and the Texas Panhandle to Louisiana, from Louisiana to Illinois and from Louisiana to Alabama. At December 31, 2018, the Company owned 111.0 million common units, or 25.6 percent, of Enable's outstanding units. For additional information on the Company's equity investment in Enable and related party transactions, see Note 4 in "Item 8. Financial Statements and Supplementary Data."

Enable's business is impacted by commodity prices which have declined and otherwise experienced significant volatility in recent years. Commodity prices impact the drilling and production of natural gas and crude oil in the areas served by Enable's systems, and the volumes on Enable's systems are negatively impacted if producers decrease drilling and production in those areas served. Both Enable's gathering and processing segment and Enable's transportation and storage segment can be impacted by drilling and production. Enable's gathering and processing segment primarily serve producers, and many producers utilize the services provided by Enable's transportation and storage segment. A decrease in volumes will decrease the cash flows from Enable's systems. A portion of our earnings and operating cash flows depend on the performance of, and distributions from, Enable. As disclosed in this Form 10-K, Enable is subject to a number of risks, including contract renewal risk, the reliance on the drilling and production decisions of others and the volatility of natural gas, NGLs and crude oil prices. If any of those risks were to occur, the Company's business, financial condition, results of operations or cash flows could be materially adversely affected.

On February 8, 2019, Enable announced a quarterly dividend distribution of \$0.31800 per unit on its outstanding common units, which is unchanged from the previous quarter. If cash distributions to Enable's unitholders exceed \$0.330625 per unit in any quarter, the general partner will receive increasing percentages, up to 50 percent, of the cash Enable distributes in excess of that amount. The Company is entitled to 60 percent of those "incentive distributions."

OG&E participates in the SPP Integrated Marketplace. As part of the Integrated Marketplace, the SPP has balancing authority responsibilities for its market participants. The SPP Integrated Marketplace functions as a centralized dispatch, where market participants, including OG&E, submit offers to sell power to the SPP from their resources and bid to purchase power from the SPP for their customers. The SPP Integrated Marketplace is intended to allow the SPP to optimize supply offers and demand bids based upon reliability and economic considerations and to determine which generating units will run at any given time for maximum cost-effectiveness within the SPP area. As a result, OG&E's generating units produce output that is different from OG&E's customer load requirements. Net fuel and purchased power costs are recovered through fuel adjustment clauses.

Overview

Company Strategy

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

OG&E is focused on:

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

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

Summary of Operating Results

2018 compared to 2017. Net income was \$425.5 million, or \$2.12 per diluted share, in 2018 as compared to \$619.0 million, or \$3.10 per diluted share, in 2017. The decrease in net income of \$193.5 million, or 31.3 percent, or \$0.98 per diluted share, in 2018 as compared to 2017 is further discussed below.

A decrease in net income at OGE Holdings of \$216.4 million, or \$1.08 per diluted share of the Company's common stock, was primarily due to lower income tax benefit due to an adjustment in 2017 resulting from the 2017 Tax Act, partially offset by higher equity in earnings of Enable due to increased revenues from Enable's gathering and processing business driven by higher processed volumes and higher natural gas gathering fees and gathered volumes. An increase in net income at OG&E of \$22.5 million, or \$0.11 per diluted share of the Company's common stock, was primarily due to higher gross margin due to favorable weather (reduced by lower customer rates which were offset by lower income tax expense). This increase was partially offset by higher depreciation and amortization expense, primarily due to a reduction in depreciation expense recorded in March 2017 for the period from July 1, 2016 to December 31, 2016 resulting from the March 2017 OCC rate order, and higher interest expense driven by increased debt outstanding during 2018 and decreased allowance for borrowed funds used during construction as environmental

and large capital projects have been completed.

A decrease in net loss of other operations of \$0.4 million, or \$0.01 per diluted share of the Company's common stock, was primarily due to lower other operation and maintenance expense and higher income tax benefit.

2017 compared to 2016. Net income was \$619.0 million, or \$3.10 per diluted share, in 2017 as compared to \$338.2 million, or \$1.69 per diluted share, in 2016. The increase in net income of \$280.8 million, or 83.0 percent, or \$1.41 per diluted share, in 2017 as compared to 2016 is further discussed below.

The increase in net income at OGE Holdings of \$271.5 million, or \$1.36 per diluted share of the Company's common stock, was primarily due to an income tax benefit of \$245.2 million as a result of the 2017 Tax Act and an increase of equity in earnings of Enable due to increased revenues from Enable's gathering and processing business driven by higher average natural gas prices and higher gathering volumes as well as higher average NGLs prices and higher processed volumes.

The increase in net income at OG&E of \$21.4 million, or \$0.11 per diluted share of the Company's common stock, was primarily due to higher net other income driven by increased allowance for equity funds used during construction as environmental and large capital projects were in progress during the year and lower depreciation and amortization expense as a result of the March 2017 OCC rate order mandating a reduction in depreciation rates. These increases were partially offset by higher income tax expense, higher operation and maintenance expense as a result of increased spending on vegetation management and lower gross margin primarily due to milder weather.

- The increase in net loss of other operations of \$12.1 million, or \$0.06 per diluted share of the Company's common stock, was primarily due to income tax expense of \$10.5 million as a result of the 2017 Tax Act.

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

Recent Developments and Regulatory Matters

As a result of the 2017 Tax Act, in early January 2018: (i) the OCC ordered OG&E to record a reserve, including accrued interest, to reflect the reduced federal corporate tax rate, among other tax implications, on an interim basis, subject to refund until utility rates were adjusted to reflect the federal tax savings; (ii) the APSC ordered OG&E to book regulatory liabilities to record the current and deferred impacts of the 2017 Tax Act until the resulting benefits, including carrying charges, are returned to customers; and (iii) through a Section 206 filing with the FERC, modifications were requested to be made to OG&E's transmission formula rates to reflect the impacts of the 2017 Tax Act.

For Oklahoma jurisdictional revenues, OG&E reserved the excess income taxes collected in current rates, plus interest, from January 2018 through June 2018, and any amortization of excess accumulated deferred income taxes associated with the 2017 Tax Act, which was refunded to Oklahoma customers, as approved by the OCC, during the July 2018 billing cycle. For Arkansas jurisdictional revenues, OG&E reserved the excess income taxes collected in current rates, plus carrying charges, from January 2018 through September 2018, as the Tax Adjustment Rider became effective on October 1, 2018. For FERC jurisdictional revenues, based on an order received from the FERC, OG&E reserved the excess income taxes collected in current rates from January 2018 through June 2018, as the new tax rate was reflected in billings beginning with the July 2018 invoice. Further, for Arkansas and FERC jurisdictional revenues, OG&E is also reserving any amortization of excess accumulated deferred income taxes associated with the 2017 Tax Act.

In January 2018, OG&E filed a general rate review in Oklahoma, seeking recovery of the seven combustion turbines that were part of the Mustang Modernization Plan, requesting an increase in depreciation rates to levels similar with rates in existence prior to the March 2017 OCC rate order and crediting customers for the impacts of the 2017 Tax Act. In June 2018, the OCC approved a Joint Stipulation and Settlement Agreement. As a result of the settlement, new rates were implemented on July 1, 2018.

In December 2018, OG&E filed a general rate review with the OCC, requesting a rate increase to recover its investments in the Dry Scrubbers project and in the conversion of Muskogee Units 4 and 5 to natural gas to comply

with the Regional Haze Rule. The filing also seeks to align OG&E's return on equity more closely to the industry average and to align OG&E's depreciation rates to more realistically reflect its assets' lifespans.

In December 2018, OG&E filed an application for pre-approval from the OCC to acquire a coal- and natural gas-fired plant from AES and a natural gas-fired combined-cycle plant from Oklahoma Cogeneration LLC in 2019. The purchase of these assets is intended to replace capacity currently provided by power purchase contracts set to expire in 2019 and to help OG&E satisfy its customers' energy needs and load obligations to the SPP.

Further discussion can be found in Note 15 within "Item 8. Financial Statements and Supplementary Data."

2019 Outlook

Key assumptions for 2019 include:

OG&E

The Company projects OG&E to earn approximately \$311 million to \$325 million, or \$1.55 to \$1.62 per average diluted share, in 2019 and is based on the following assumptions:

- normal weather patterns are experienced for the remainder of the year;
- gross margin on revenues of approximately \$1.416 billion to \$1.421 billion based on sales growth of approximately one percent on a weather-adjusted basis;
- operating expenses of approximately \$941 million to \$949 million, with operation and maintenance expenses comprising approximately 50 percent of the total;
- interest expense of approximately \$143 million to \$145 million which assumes a \$1.4 million allowance for borrowed funds used during construction reduction to interest expense and assumes a debt issuance of \$300 million in the second half of 2019;
- other income of approximately \$3.5 million including approximately \$3.3 million of allowance for equity funds used during construction;
- an effective tax rate of approximately 4.4 percent;
- new rates take effect in Oklahoma by July 1, 2019; and
- every 25 basis point change in the allowed Oklahoma return on equity equates to a change of approximately \$9.4 million in revenue.

OG&E has significant seasonality in its earnings. OG&E typically shows the majority of its earnings in the second and third quarters due to the seasonal nature of air conditioning demand.

OGE Holdings

The Company projects the earnings contribution from its ownership interest in Enable for 2019 to be approximately \$104 million to \$117 million, or \$0.52 to \$0.58 per average diluted share, and receive approximately \$140 million in cash distributions.

Consolidated OGE

The Company's 2019 earnings guidance is between approximately \$412 million and \$442 million of net income, or \$2.05 to \$2.20 per average diluted share, and is based on the following assumptions:

- approximately 201 million average diluted shares outstanding;
- an effective tax rate of approximately 9.9 percent; and
- a \$0.00 to (\$0.02) or up to \$4 million loss at OGE Energy due to interest expense.

OG&E's Non-GAAP Financial Measures

Gross margin is defined by OG&E as operating revenues less cost of sales. Cost of sales, as reflected on the income statement, includes fuel, purchased power and certain transmission expenses. Gross margin is a non-GAAP financial measure because it excludes depreciation and amortization and other operation and maintenance expenses. Expenses for fuel and purchased power are recovered through fuel adjustment clauses, and as a result, changes in these expenses are offset in operating revenues with no impact on net income. OG&E believes gross margin provides a more meaningful basis for evaluating its operations across periods than operating revenues because gross margin excludes

the revenue effect of fluctuations in these expenses. Gross margin is used internally to measure performance against budget and in reports for management and the Board of Directors. OG&E's definition of gross margin may be different from similar terms used by other companies. Further, gross margin is not intended to replace operating revenues as determined in accordance with GAAP as an indicator of operating performance. For a reconciliation of gross margin to revenue, which is the most directly comparable financial measure calculated and presented in accordance with GAAP, for the years ended December 31, 2018, 2017 and 2016, see "OG&E (Electric Utility) Results of Operations" below.

Detailed below is a reconciliation of gross margin to revenue included in the 2019 Outlook.

(In millions) Twelve
Months
Ended
December
31, 2019
(A)

Operating revenues \$ 1,820

Cost of sales 402

Gross margin \$ 1,418

(A)Based on the midpoint of OG&E earnings guidance for 2019.

Enable's Non-GAAP Financial Measures

Gross margin is defined by Enable as total revenues minus costs of natural gas and NGLs, excluding depreciation and amortization. Total revenues consist of the fees that Enable charges its customers and the sales price of natural gas and NGLs that Enable sells. The cost of natural gas and NGLs consists of the purchase price of natural gas and NGLs that Enable purchases. Enable deducts the cost of natural gas and NGLs from total revenues to arrive at a measure of the core profitability of their mix of fee-based and commodity-based customer arrangements. Gross margin allows for meaningful comparison of the operating results between Enable's fee-based revenues and Enable's commodity-based contracts which involve the purchase or sale of natural gas, NGLs and/or crude oil. In addition, the Company believes gross margin allows for a meaningful comparison of the results of Enable's commodity-based activities across different commodity price environments because it measures the spread between the product sales price and cost of products sold. Enable's definition of gross margin may be different from similar terms used by other companies. Further, gross margin is not intended to replace operating revenues as determined in accordance with GAAP as an indicator of operating performance. For a reconciliation of gross margin to revenue, which is the most directly comparable financial measure calculated and presented with GAAP, for the years ending December 31, 2018, 2017 and 2016, see "OGE Holdings (Natural Gas Midstream Operations) Results of Operations" below.

Results of Operations

The following discussion and analysis presents factors that affected the Company's consolidated results of operations for the years ended December 31, 2018, 2017 and 2016 and the Company's consolidated financial position at December 31, 2018 and 2017. The following information should be read in conjunction with the Consolidated Financial Statements and Notes thereto. Known trends and contingencies of a material nature are discussed to the extent considered relevant.

(In millions except per share data)	Year Ended December 31,		
	2018	2017	2016
Net income	\$425.5	\$619.0	\$338.2
Basic average common shares outstanding	199.7	199.7	199.7
Diluted average common shares outstanding	200.5	200.0	199.9
Basic earnings per average common share	\$2.13	\$3.10	\$1.69
Diluted earnings per average common share	\$2.12	\$3.10	\$1.69
Dividends declared per common share	\$1.39500	\$1.27000	\$1.15500

Results by Business Segment

(In millions)	Year Ended December 31,		
	2018	2017	2016
Net income (loss):			

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OG&E (Electric Utility)	\$328.0	\$305.5	\$284.1
OGE Holdings (Natural Gas Midstream Operations) (A)	108.8	325.2	53.7
Other operations (B)	(11.3)	(11.7)	0.4
Consolidated net income	\$425.5	\$619.0	\$338.2

The Company recorded an income tax benefit of \$245.2 million during the fourth quarter of 2017 due to the (A) Company remeasuring deferred taxes at OGE Holdings, as a result of the 2017 Tax Act. See Note 8 in "Item 8.

Financial Statements and Supplementary Data" for further discussion of the effects of the 2017 Tax Act.

(B) Other operations primarily includes the operations of OGE Energy and consolidating eliminations.

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

OG&E (Electric Utility)

Year Ended December 31 (Dollars in millions)	2018	2017	2016
Operating revenues	\$2,270.3	\$2,261.1	\$2,259.2
Cost of sales	892.5	897.6	880.1
Other operation and maintenance	473.8	469.8	451.2
Depreciation and amortization	321.6	280.9	316.4
Taxes other than income	88.2	84.8	84.0
Operating income	494.2	528.0	527.5
Allowance for equity funds used during construction	23.8	39.7	14.2
Other net periodic benefit expense	8.9	16.3	18.6
Other income	14.1	36.6	16.4
Other expense	3.4	2.3	2.9
Interest expense	151.8	138.4	138.1
Income tax expense	40.0	141.8	114.4
Net income	\$328.0	\$305.5	\$284.1
Operating revenues by classification:			
Residential	\$901.0	\$884.1	\$951.9
Commercial	598.0	588.3	573.7
Industrial	196.7	200.6	194.6
Oilfield	153.2	159.5	156.9
Public authorities and street light	204.0	208.0	204.3
Sales for resale	0.2	0.2	0.3
System sales revenues	2,053.1	2,040.7	2,081.7
Provision for rate refund	(6.0))26.8	(33.6)
Integrated market	48.7	23.5	49.3
Transmission	147.4	151.2	143.0
Other	27.1	18.9	18.8
Total operating revenues	\$2,270.3	\$2,261.1	\$2,259.2
Reconciliation of gross margin to revenue:			
Operating revenues	\$2,270.3	\$2,261.1	\$2,259.2
Cost of sales	892.5	897.6	880.1
Gross margin	\$1,377.8	\$1,363.5	\$1,379.1
MWh sales by classification (In millions)			
Residential	9.7	8.8	9.3
Commercial	8.1	7.6	7.6
Industrial	3.8	3.6	3.6
Oilfield	3.4	3.2	3.2
Public authorities and street light	3.1	3.1	3.2
System sales	28.1	26.3	26.9
Integrated market	1.4	1.8	3.0
Total sales	29.5	28.1	29.9
Number of customers	849,372	841,830	833,582
Weighted-average cost of energy per kilowatt-hour (In cents)			
Natural gas	2.517	2.821	2.488
Coal	2.025	2.069	2.213
Total fuel	2.122	2.211	2.199

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Total fuel and purchased power	2.900	3.049	2.842
Degree days (A)			
Heating - Actual	3,776	2,877	2,800
Heating - Normal	3,349	3,349	3,349
Cooling - Actual	2,123	1,944	2,247
Cooling - Normal	2,092	2,092	2,092

Degree days are calculated as follows: The high and low degrees of a particular day are added together and then (A) averaged. If the calculated average is above 65 degrees, then the difference between the calculated average and 65 is expressed as cooling degree days, with each

degree of difference equaling one cooling degree day. If the calculated average is below 65 degrees, then the difference between the calculated average and 65 is expressed as heating degree days, with each degree of difference equaling one heating degree day. The daily calculations are then totaled for the particular reporting period.

2018 compared to 2017. OG&E's net income increased \$22.5 million, or 7.4 percent, in 2018 as compared to 2017, primarily due to higher gross margin (reduced by lower customer rates which were offset by lower income tax expense), partially offset by higher depreciation and amortization expense, primarily due to a reduction in depreciation expense recorded in March 2017 for the period from July 1, 2016 to December 31, 2016 resulting from the March 2017 OCC rate order, lower other income and higher interest expense.

Gross margin increased \$14.3 million, or 1.0 percent, in 2018 as compared to 2017. The below factors contributed to the change in gross margin.

(In millions)	\$ Change
Weather (price and quantity) (A)	\$ 43.0
New customer growth	7.8
Non-residential demand and related revenue	6.9
Industrial and oilfield sales	5.7
Price variance (B)	(36.4)
Reserve for tax refund (C)	(15.4)
Wholesale transmission revenue (D)	(7.1)
Other	9.8
Change in gross margin	\$ 14.3

(A) Cooling and heating degree days increased nine percent and 31 percent, respectively, during the year ended December 31, 2018, as compared to the same periods in 2017.

Decreased during the year ended December 31, 2018 primarily due to new Oklahoma rates being implemented on July 1, 2018 and new rates being implemented for Arkansas customers in October 2018, both of which reflected (B) the lower corporate federal tax rate as a result of the 2017 Tax Act, as well as the Oklahoma and Arkansas tax refunds to customers during the July 2018 and October 2018 billing cycles, respectively, for amounts reserved in previous months during 2018 prior to the implementation of new rates.

(C) Further discussion of OG&E's reserve for tax refund in response to OCC, APSC and FERC proceedings can be found in Notes 8 and 15 in "Item 8. Financial Statements and Supplementary Data."

(D) Beginning with the July 2018 invoice, billings reflected the lower corporate federal tax rate enacted by the 2017 Tax Act, as discussed in Note 15 in "Item 8. Financial Statements and Supplementary Data."

Cost of sales for OG&E consists of fuel used in electric generation, purchased power and transmission-related charges. The actual cost of fuel used in electric generation and certain purchased power costs are passed through to OG&E's customers through fuel adjustment clauses. The fuel adjustment clauses are subject to periodic review by the OCC and the APSC. OG&E's cost of sales decreased \$5.1 million, or 0.6 percent, in 2018 as compared to 2017. The below factors contributed to the change in cost of sales.

(In millions)	\$	%
	Change	Change
Fuel expense (A)	\$(22.3)	(5.5)%
Purchased power costs:		
Purchases from SPP (B)	23.8	10.3%
Wind	(3.6)	(5.7)%
Cogeneration	(2.8)	(2.4)%
Transmission expense (C)	(0.9)	(1.3)%
Curtailed expense	0.7	9.3%
Change in cost of sales	\$(5.1)	

(A) Decrease in fuel expense during the year ended 2018 was primarily due to lower fuel prices and decreased utilization of company-owned generation.

(B) Increase in the cost of purchases from the SPP for the year ended 2018 was due to a 21.1 percent increase in MWhs purchased, partially offset by a 9.0 percent decrease in cost per MWhs purchased due to a decrease in fuel prices.

(C) Decrease in transmission-related charges was primarily due to lower SPP charges driven by lower rates charged to OG&E for transmission service as a result of lower tax rates due to the 2017 Tax Act.

Other operation and maintenance expense increased \$4.0 million, or 0.9 percent, in 2018 as compared to 2017. The below factors contributed to the change in other operation and maintenance expense.

(In millions)	\$	%
	Change	Change
Payroll and benefits (A)	\$ 13.6	5.8%
Contract technical and construction services and materials and supplies (B)	(5.9)	(8.2)%
Other	(3.7)	(2.3)%
Change in other operation and maintenance expense	\$ 4.0	

(A) Increased primarily due to annual salary increases and an increase in incentive compensation.

(B) Changes are primarily due to the timing of normal plant maintenance.

Depreciation and amortization expense increased \$40.7 million, or 14.5 percent, primarily due to a reduction in depreciation expense of approximately \$20.0 million recorded in March 2017 for the period from July 1, 2016 to December 31, 2016 resulting from the March 2017 OCC rate order, and additional assets being placed into service.

Allowance for equity funds used during construction decreased \$15.9 million, or 40.1 percent, primarily due to lower construction work in progress balances resulting from certain environmental projects being completed and placed into service.

Other net periodic benefit expense decreased \$7.4 million, or 45.4 percent, primarily due to amortization of unrecognized prior service cost.

Other income decreased \$22.5 million, or 61.5 percent, primarily due to a decrease in the tax gross-up related to lower allowance for funds used during construction and a change in the presentation of guaranteed flat bill margins, which are now included in gross margin due to the adoption of the new revenue recognition standard (ASC 606).

Allowance for borrowed funds used during construction decreased \$6.3 million, or 35.0 percent, primarily due to lower construction work in progress balances resulting from certain environmental projects being completed and placed into service.

Income tax expense decreased \$101.8 million, or 71.8 percent, primarily due to a reduction in the corporate federal tax rate, an increase in the amortization of net unfunded deferred taxes, an increase in state tax credit generation and lower pre-tax income.

2017 compared to 2016. OG&E's net income increased \$21.4 million, or 7.5 percent, in 2017 as compared to 2016, primarily due to lower depreciation and amortization expense as a result of the March 2017 OCC rate order mandating a reduction

in depreciation rates, higher allowance for equity funds used during construction, higher other income and higher allowance for borrowed funds used during construction, partially offset by higher income tax expense, higher operation and maintenance expense, lower gross margin and higher interest on long-term debt.

Gross margin decreased \$15.6 million, or 1.1 percent, in 2017 as compared to 2016. The below factors contributed to the change in gross margin.

(In millions)	\$
	Change
Weather (price and quantity) (A)	\$(15.1)
Price variance (B)	(13.9)
Wholesale transmission revenue	(8.1)
New customer growth	14.2
Non-residential demand and related revenues	5.0
Industrial and oilfield sales	2.2
Other	0.1
Change in gross margin	\$(15.6)

(A)Cooling degree days decreased approximately 13 percent in 2017.

(B) Decreased primarily due to additional reserves for rate refunds in both Oklahoma and Arkansas, as well as riders moving to base rates in the March 2017 OCC rate order.

OG&E's cost of sales increased \$17.5 million, or 2.0 percent, in 2017 as compared to 2016. The below factors contributed to the change in cost of sales.

(In millions)	\$	%
	Change	Change
Fuel expense (A)	\$(61.5)	(13.1)%
Purchased power costs:		
Purchases from SPP (B)	74.4	47.2 %
Wind	0.2	0.4 %
Cogeneration	(9.5)	(7.6)%
Transmission expense (C)	13.9	23.5 %
Change in cost of sales	\$ 17.5	

(A)Decrease in fuel expense was primarily due to decreased utilization of company-owned generation.

Increase in the cost of purchases from the SPP was due to an increase of 26.8 percent in MWh purchased and an (B)increase of 16.2 percent in cost per MWhs purchased. The increase in cost per MWh purchased was due to an increase in fuel prices and higher grid congestion costs during 2017.

(C) Increase in transmission-related charges was primarily due to higher SPP charges for the base plan projects of other utilities.

Other operation and maintenance expense increased \$18.6 million, or 4.1 percent, in 2017 as compared to 2016. The below factors contributed to the change in other operation and maintenance expense.

(In millions)	\$	%
	Change	Change
Vegetation management	\$ 14.5	68.7 %
Other	11.5	2.2 %
Capitalized labor (A)	(7.4)	(7.9)%
Change in other operation and maintenance expense	\$ 18.6	

Increased during 2017 primarily due to more storm costs exceeding the \$2.7 million OCC-allowed threshold, (A)which were moved to a regulatory asset, as well as mutual assistance, which was provided in the aftermath of Hurricanes Harvey and Irma.

Depreciation and amortization expense decreased \$35.5 million, or 11.2 percent, primarily due to lower depreciation expense related to the reduction in depreciation rates approved in the March 2017 OCC rate order, partially offset by additional assets being placed into service.

Allowance for equity funds used during construction increased \$25.5 million, primarily due to higher construction work in progress balances resulting from increased spending for environmental projects.

Other income increased \$20.2 million, primarily due to an increase in the tax gross-up related to higher allowance for funds used during construction and an increase in gains on guaranteed flat bill margins.

Allowance for borrowed funds used during construction increased \$10.5 million, primarily due to higher construction work in progress balances resulting from increased spending for environmental projects.

Income tax expense increased \$27.4 million, or 24.0 percent, primarily due to higher pre-tax operating income and lower tax credits generated.

OGE Holdings (Natural Gas Midstream Operations)

(In millions)	Year Ended December		
	2018	2017	2016
Operating revenues	\$—	\$—	\$—
Cost of sales	—	—	—
Other operation and maintenance	1.4	(0.8)	(0.1)
Depreciation and amortization	—	—	—
Taxes other than income	0.6	1.0	—
Operating income (loss)	(2.0)	(0.2)	0.1
Equity in earnings of unconsolidated affiliates	152.8	131.2	101.8
Other expense	(4.9)	(1.0)	(7.7)
Income before taxes	145.9	130.0	94.2
Income tax expense (benefit) (A)	37.1	(195.2)	40.5
Net income attributable to OGE Holdings	\$108.8	\$325.2	\$53.7

(A) Includes an income tax benefit of \$245.2 million in 2017 due to the remeasurement of deferred taxes, as a result of the 2017 Tax Act.

Reconciliation of Equity in Earnings of Unconsolidated Affiliates