

BNH INC
Form 10-Q
November 12, 2008

**U. S. SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 10-Q

(Mark One)

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

For the Fiscal quarter ended **September 30, 2008**

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: 333-150266

BNH INC.

(Name of small business issuer as specified in its charter)

Nevada
(State or other jurisdiction of
incorporation or organization)

92-0189305
(I.R.S. Employer
Identification No.)

BNH INC.
c/o Nehemya Hesin
29 Rashbi St. Apt # 19
Modiin Illit, Israel, 71919

(Address of principal executive offices, including zip code)

Indicate by check whether the registrant (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act of 1934 during the past 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 is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

(Check one): Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

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

YES NO

The issuer had 7,000,000 shares of its common stock issued and outstanding as of November 6, 2008.

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**Cautionary Statement Concerning
Forward-Looking Statements**

USE OF NAMES

In this quarterly report, the terms “BNH,” “Company,” “we,” or “our,” unless the context otherwise requires, mean BNH Inc.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q and other reports that we file with the SEC contain statements that are considered forward-looking statements. Forward-looking statements give the Company’s current expectations, plans, objectives, assumptions, or forecasts of future events. All statements other than statements of current or historical fact contained in this annual report, including statements regarding the Company’s future financial position, business strategy, budgets, projected costs and plans and objectives of management for future operations, are forward-looking statements. In some cases, you can identify forward-looking statements by terminology such as “anticipate,” “estimate,” “plans,” “potential,” “projects,” “ongoing,” “expects,” “management believes,” “we believe,” “we intend,” and similar expressions. These statements are based on the Company’s current plans and are subject to risks and uncertainties, and as such the Company’s actual future activities and results of operations may be materially different from those set forth in the forward looking statements. Any or all of the forward-looking statements in this annual report may turn out to be inaccurate and as such, you should not place undue reliance on these forward-looking statements. The Company has based these forward-looking statements largely on its current expectations and projections about future events and financial trends that it believes may affect its financial condition, results of operations, business strategy and financial needs. The forward-looking statements can be affected by inaccurate assumptions or by known or unknown risks, uncertainties, and assumptions due to a number of factors, including:

- dependence on key personnel;
- competitive factors;
- degree of success of research and development programs
- the operation of our business; and
- general economic conditions in the United States and Israel.

These forward-looking statements speak only as of the date on which they are made, and except to the extent required by federal securities laws, we undertake no obligation to update any forward-looking statements to reflect events or circumstances after the date on which the statement is made or to reflect the occurrence of unanticipated events. In addition, we cannot assess the impact of each factor on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. All subsequent written and oral forward-looking statements attributable to the Company or persons acting on its behalf are expressly qualified in their entirety by the cautionary statements contained in this Quarterly Report.

PART I

Item 1. Financial Statements.

BNH INC.
(A DEVELOPMENT STAGE COMPANY)
BALANCE SHEETS (NOTE 2)
AS OF SEPTEMBER 30, 2008 AND DECEMBER 31, 2007
(Unaudited)

	September 30, 2008 (Unaudited)	December 31, 2007 (Audited)
<u>ASSETS</u>		
Current Assets:		
Cash in bank	\$ 17,325	\$ 26,440
Prepaid expenses	626	-
Total current assets	17,951	26,440
Total Assets	\$ 17,951	\$ 26,440
<u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>		
Current Liabilities:		
Accounts payable	\$ 7,314	\$ 488
Accrued liabilities	3,750	20,500
Due to shareholder	250	250
Total current liabilities	11,314	21,238
Total liabilities	11,314	21,238
Commitments and Contingencies	-	-
Stockholders' Equity:		
Preferred stock, par value \$0.001 per share, 5,000,000 shares authorized; no shares issued and outstanding	-	-
Common stock, par value \$0.001 per share, 100,000,000 shares authorized; 7,000,000 and 6,000,000 shares issued and outstanding respectively	7,000	6,000
Additional paid-in capital	48,000	24,000
Paid stock subscription	-	1,000
(Deficit) accumulated during development stage	(48,363)	(25,798)
Total stockholders' equity	6,637	5,202
Total Liabilities and Stockholders' Equity	\$ 17,951	\$ 26,440

The accompanying notes to financial statements are an integral part of these statements.

BNH INC.
(A DEVELOPMENT STAGE COMPANY)
STATEMENTS OF OPERATIONS (NOTE 2)
FOR THE THREE MONTHS AND NINE MONTHS ENDED SEPTEMBER 30, 2008 AND
CUMULATIVE FROM INCEPTION (SEPTEMBER 4, 2007)
THROUGH SEPTEMBER 30, 2008
(Unaudited)

	Three Months Ended September 30, 2008	Nine Months Ended September 30, 2008	Cumulative From Inception
Revenues	\$ -	\$ -	\$ -
Expenses:			
General and administrative-			
Professional fees	7,577	19,577	40,077
Filing fees	344	2,373	2,373
Officers' compensation paid by issued shares	-	-	4,750
Organization costs	-	-	488
Bank charges	41	615	675
Total general and administrative expenses	7,961	22,565	48,363
(Loss) from Operations	(7,961)	(22,565)	(48,363)
Other Income (Expense)	-	-	-
Provision for income taxes	-	-	-
Net (Loss)	\$ (7,961)	\$ (22,565)	\$ (48,363)
(Loss) Per Common Share:			
(Loss) per common share - Basic and Diluted	\$ (0.00)	\$ (0.00)	
Weighted Average Number of Common Shares			
Outstanding - Basic and Diluted	7,000,000	6,919,708	

The accompanying notes to financial statements are
an integral part of these statements.

BNH INC.
(A DEVELOPMENT STAGE COMPANY)
STATEMENTS OF CASH FLOWS (NOTE 2)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2008 AND
CUMULATIVE FROM INCEPTION (SEPTEMBER 4, 2007)
THROUGH SEPTEMBER 30, 2008
(Unaudited)

	Nine Months Ended September 30, 2008	Cumulative From Inception
Operating Activities:		
Net (loss)	\$ (22,565)	\$ (48,363)
Adjustments to reconcile net (loss) to net cash provided by operating activities:		
Common stock issued for officers' compensation	-	4,750
Changes in net assets and liabilities-		
Prepaid expenses	(626)	(626)
Accounts payable	6,825	7,313
Accrued liabilities	(16,750)	3,750
Net Cash Used in Operating Activities	(33,116)	(33,176)
Investing Activities:		
Cash provided by investing activities	-	-
Net Cash Provided by Investing Activities	-	-
Financing Activities:		
Loan from shareholder	-	250
Issuance of common stock for cash	24,000	50,250
Net Cash Provided by Financing Activities	24,000	50,500
Net (Decrease) Increase in Cash	(9,116)	17,325
Cash - Beginning of Period	26,440	-
Cash - End of Period	\$ 17,325	\$ 17,325
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the period for:		
Interest	\$ -	\$ -
Income taxes	\$ -	\$ -

On October 18, 2007, the Company issued 1,500,000 shares of common stock, valued at \$1,500 to an officer of the Company for services rendered.

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On October 25, 2007, the Company issued 250,000 shares of common stock, valued at \$250 to an officer of the Company for services rendered.

On November 12, 2007, the Company issued 3,000,000 shares of common stock, valued at \$3,000 to an officer of the Company for services rendered.

The accompanying notes to financial statements are an integral part of these statements.

BNH INC.
(A DEVELOPMENT STAGE COMPANY)
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008 AND DECEMBER 31, 2007
(Unaudited)

1. Summary of Significant Accounting Policies

Basis of Presentation and Organization

BNH Inc. (the "Company") is a Nevada corporation in the development stage, and has commenced limited operations. The Company was incorporated under the laws of the State of Nevada on September 4, 2007. The proposed business plan of the Company is to establish the Company as a distributor of bio-degradable plastic utensils. The accompanying financial statements of the Company were prepared from the accounts of the Company under the accrual basis of accounting.

On September 4, 2007, pursuant to the terms of a subscription agreement, the Company sold 250,000 shares of common stock to Mrs. Goldy Klein, Secretary, for cash payment of \$250 (par value). The Company believes this issuance was deemed to be exempt under Regulation S of the Securities Act.

On October 18, 2007, the Company issued 1,500,000 shares of common stock, valued at \$1,500 to an officer of the Company for services rendered.

On October 25, 2007, the Company issued 250,000 shares of common stock, valued at \$250 to an officer of the Company for services rendered.

On November 12, 2007, the Company issued 3,000,000 shares of common stock, valued at \$3,000 to an officer of the Company for services rendered.

In addition, on November 30, 2007, the Company began a capital formation activity through a PPO, exempt from registration under the Securities Act of 1933, to raise up to \$50,000 through the issuance of 2,000,000 shares of its common stock, par value \$0.001 per share, at an offering price of \$0.025 per share. As of December 27, 2007, the Company had received \$26,000 in proceeds from the PPO. As of January 23, 2008, the Company had fully subscribed the PPO and raised \$50,000 in proceeds with the issuance of 2,000,000 shares of its common stock.

The Company also commenced an activity to submit a Registration Statement on Form S-1 to the Securities and Exchange Commission ("SEC") to register 2,000,000 of its outstanding shares of common stock on behalf of selling stockholders. The Company will not receive any of the proceeds of this registration activity once the shares of common stock are sold. The Registration Statement on Form S-1 was filed with the SEC on April 16, 2008, and declared effective on April 30, 2008.

Unaudited Interim Financial Statements

The interim financial statements of the Company as of September 30, 2008, and for the nine months ended September 30, 2008 and cumulative from inception, are unaudited. However, in the opinion of management, the interim financial statements include all adjustments, consisting only of normal recurring adjustments, necessary to present fairly the Company's financial position as of September 30, 2008, and the results of its operations and its cash flows for the nine months ended September 30, 2008, and cumulative from inception. These results are not necessarily indicative of the results expected for the calendar year ending December 31, 2008. The accompanying financial statements and notes thereto do not reflect all disclosures required under accounting principles generally accepted in the United States.

Refer to the audited financial statements of the Company as of March 31, 2008, in its Registration Statement on Form S-1 filed with the SEC for additional information, including significant accounting policies.

BNH INC.
(A DEVELOPMENT STAGE COMPANY)
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008 AND DECEMBER 31, 2007
(Unaudited)

Cash and Cash Equivalents

For purposes of reporting within the statement of cash flows, the Company considers all cash on hand, cash accounts not subject to withdrawal restrictions or penalties, and all highly liquid debt instruments purchased with a maturity of three months or less to be cash and cash equivalents.

Revenue Recognition

The Company is in the development stage and has yet to realize revenues from operations. Once the Company has commenced full operations, it will recognize revenues when delivery of goods or completion of services has occurred, provided there is persuasive evidence of an agreement, acceptance has been approved by its customers, the fee is fixed or determinable based on the completion of stated terms and conditions, and collection of any related receivable is probable.

Loss per Common Share

Basic loss per share is computed by dividing the net loss attributable to the common stockholders by the weighted average number of shares of common stock outstanding during the period. Fully diluted loss per share is computed similar to basic loss per share except that the denominator is increased to include the number of additional common shares that would have been outstanding if the potential common shares had been issued and if the additional common shares were dilutive. There were no dilutive financial instruments issued or outstanding for the period ended September 30, 2008.

Income Taxes

The Company accounts for income taxes pursuant to SFAS No. 109, "Accounting for Income Taxes" ("SFAS 109"). Under SFAS 109, deferred tax assets and liabilities are determined based on temporary differences between the bases of certain assets and liabilities for income tax and financial reporting purposes. The deferred tax assets and liabilities are classified according to the financial statement classification of the assets and liabilities generating the differences.

The Company maintains a valuation allowance with respect to deferred tax assets. The Company establishes a valuation allowance based upon the potential likelihood of realizing the deferred tax asset and taking into consideration the Company's financial position and results of operations for the current period. Future realization of the deferred tax benefit depends on the existence of sufficient taxable income within the carry-forward period under the federal tax laws.

Changes in circumstances, such as the Company generating taxable income, could cause a change in judgment about the realizability of the related deferred tax asset. Any change in the valuation allowance will be included in income in the year of the change in estimate.

Fair Value of Financial Instruments

The Company estimates the fair value of financial instruments using the available market information and valuation methods. Considerable judgment is required in estimating fair value. Accordingly, the estimates of fair value may not

be indicative of the amounts the Company could realize in a current market exchange. As of September 30, 2008 and December 31, 2007, the carrying value of accounts payable-trade and accrued liabilities approximated fair value due to the short-term nature and maturity of these instruments.

Deferred Offering Costs

The Company defers as other assets the direct incremental costs of raising capital until such time as the offering is completed. At the time of the completion of the offering, the costs are charged against the capital raised. Should the offering be terminated, deferred offering costs are charged to operations during the period in which the offering is terminated.

BNH INC.
(A DEVELOPMENT STAGE COMPANY)
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008 AND DECEMBER 31, 2007
(Unaudited)

Concentration of Risk

As of September 30, 2008 and December 31, 2007, the Company maintained its cash account at one commercial bank. The balance in the account was subject to FDIC coverage.

Common Stock Registration Expenses

The Company considers incremental costs and expenses related to the registration of equity securities with the SEC, whether by contractual arrangement as of a certain date or by demand, to be unrelated to original issuance transactions. As such, subsequent registration costs and expenses are reflected in the accompanying financial statements as general and administrative expenses, and are expensed as incurred.

Lease Obligations

All noncancellable leases with an initial term greater than one year are categorized as either capital leases or operating leases. Assets recorded under capital leases are amortized according to the methods employed for property and equipment or over the term of the related lease, if shorter.

Estimates

The financial statements are prepared on the basis of accounting principles generally accepted in the United States. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as of September 30, 2008 and December 31, 2007, and expenses for the period ended September 30, 2008 and December 31, 2007, and cumulative from inception. Actual results could differ from those estimates made by management.

Fiscal Year End

The Company has adopted a fiscal year end of December 31.

2. Development Stage Activities and Going Concern

The Company is currently in the development stage, and has commenced limited operations. The business plan of the Company is to establish the Company as a distributor of bio-plastic utensils.

During the period ended December 31, 2007, the Company began a capital formation activity through a PPO, exempt from registration under the Securities Act of 1933, to raise up to \$50,000 through the issuance of 2,000,000 shares of its common stock, par value \$0.001 per share, at an offering price of \$0.025 per share. As of January 23, 2008, the Company had fully subscribed the PPO and raised \$50,000 in proceeds with the issuance of 2,000,000 shares of its common stock.

The Company also commenced an activity to submit a Registration Statement on Form S-1 to the Securities and Exchange Commission ("SEC") to register 2,000,000 of its outstanding shares of common stock on behalf of selling stockholders. The Company will not receive any of the proceeds of this registration activity once the shares of

common stock are sold. The Registration Statement on Form S-1 was filed with the SEC on April 16, 2008, and declared effective on April 30, 2008.

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States, which contemplate continuation of the Company as a going concern. The Company has not established any source of revenues to cover its operating costs, and as such, has incurred an operating loss since inception. Further, as of September 30, 2008 and December 31, 2007, the cash resources of the Company were insufficient to meet its current business plan. These and other factors raise substantial doubt about the Company's ability to continue as a going concern. The accompanying financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classification of liabilities that may result from the possible inability of the Company to continue as a going concern.

BNH INC.
(A DEVELOPMENT STAGE COMPANY)
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008 AND DECEMBER 31, 2007
(Unaudited)

3. Loan from Stockholder

As of September 30, 2008 and December 31, 2007, a loan from an individual who is a stockholder of the Company amounted to \$250. The loan was provided for working capital purposes, and is unsecured, non-interest bearing, and has no terms for repayment.

4. Common Stock

On September 4, 2007, pursuant to the terms of a subscription agreement, the Company sold 250,000 shares of common stock to Mrs. Goldy Klein, Secretary, for cash payment of \$250 (par value). The Company believes this issuance was deemed to be exempt under Regulation S of the Securities Act.

On October 18, 2007, the Company issued 1,500,000 shares of common stock, valued at \$1,500 to an officer of the Company for services rendered.

On October 25, 2007, the Company issued 250,000 shares of common stock, valued at \$250 to an officer of the Company for services rendered.

On November 12, 2007, the Company issued 3,000,000 shares of common stock, valued at \$3,000 to an officer of the Company for services rendered.

In addition, on November 30, 2007, the Company began a capital formation activity through a PPO, exempt from registration under the Securities Act of 1933, to raise up to \$50,000 through the issuance of 2,000,000 shares of its common stock, par value \$0.001 per share, at an offering price of \$0.025 per share. As of December 27, 2007, the Company had received \$26,000 in proceeds from the PPO. As of January 23, 2008, the Company had fully subscribed the PPO and raised \$50,000 in proceeds with the issuance of 2,000,000 shares of its common stock.

The Company also commenced an activity to submit a Registration Statement on Form S-1 to the Securities and Exchange Commission ("SEC") to register 2,000,000 of its outstanding shares of common stock on behalf of selling stockholders. The Company will not receive any of the proceeds of this registration activity once the shares of common stock are sold. The Registration Statement on Form S-1 was filed with the SEC on April 16, 2008, and declared effective on April 30, 2008.

5. Income Taxes

The provision (benefit) for income taxes for the period ended September 30, 2008 and December 31, 2007, was as follows (assuming a 23% effective tax rate):

	2008	2007
Current Tax Provision:		
Federal-		
Taxable income	\$	—\$
Total current tax provision	\$	—\$

Deferred Tax Provision:

Federal-

Loss carryforwards	\$	5,190	\$	5,934
Change in valuation allowance		(5,190)		(5,934)
Total deferred tax provision	\$	—		—

BNH INC.
(A DEVELOPMENT STAGE COMPANY)
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008 AND DECEMBER 31, 2007
(Unaudited)

The Company had deferred income tax assets as of September 30, 2008 and December 31, 2007, as follows:

	2008	2007
Loss carryforwards	\$ 11,123	\$ 5,934
Less - Valuation allowance	(11,123)	(5,934)
Total net deferred tax assets	\$ —	—

The Company provided a valuation allowance equal to the deferred income tax assets for the periods ended September 30, 2008 and December 31, 2007 because it is not presently known whether future taxable income will be sufficient to utilize the loss carry-forwards.

As of September 30, 2008, the Company had approximately \$48,363 in tax loss carry-forwards that can be utilized in future periods to reduce taxable income, and expire in the year 2028.

6. Related Party Transactions

On September 4, 2007, pursuant to the terms of a subscription agreement, the Company sold 250,000 shares of common stock to Mrs. Goldy Klein, Secretary, for cash payment of \$250 (par value). The Company believes this issuance was deemed to be exempt under Regulation S of the Securities Act.

On October 18, 2007, the Company issued 1,500,000 shares of common stock, valued at \$1,500 to an officer of the Company for services rendered.

On October 25, 2007, the Company issued 250,000 shares of common stock, valued at \$250 to an officer of the Company for services rendered.

On November 12, 2007, the Company issued 3,000,000 shares of common stock, valued at \$3,000 to an officer of the Company for services rendered.

As described in Note 3, as of December 31, 2007, the Company owed \$250 to an individual who is a stockholder of the Company.

7. Recent Accounting Pronouncements

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements." This statement defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosure about fair value measurements. This statement applies under other accounting pronouncements that require or permit fair value measurement, the FASB having previously concluded in those accounting pronouncements that fair value is the relevant measurement attribute. This statement does not require any new fair value measurements. However, for some entities, the application of the statement will change current practice. This statement is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. The Company does not expect the adoption of this pronouncement to have a material impact on its financial statements.

In September 2006, the FASB issued SFAS No. 158, *“Employers’ Accounting for Defined Benefit Pension and Other Postretirement Plans - an amendment of FASB Statements No. 87, 88, 106 and 132(R).”* This statement improves financial reporting by requiring an employer to recognize the overfunded or underfunded status of a defined benefit postretirement plan (other than a multi-employer plan) as an asset or liability in its statement of financial position and to recognize changes in that funded status in the year in which the changes occur through comprehensive income of a business entity or changes in unrestricted net assets of a not-for-profit organization. This statement also improves financial reporting by requiring an employer to measure the funded status of a plan as of the date of its year-end statement of financial position, with limited exceptions. The Company does not expect the adoption of this pronouncement to have a material impact on its financial statements.

BNH INC.
(A DEVELOPMENT STAGE COMPANY)
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008 AND DECEMBER 31, 2007
(Unaudited)

In February 2007, the FASB issued SFAS No. 159, "*The Fair Value Option for Financial Assets and Financial Liabilities - Including an amendment of FASB Statement No. 115,*" which permits entities to choose to measure many financial instruments and certain other items at fair value that are not currently required to be measured at fair value. An entity would report unrealized gains and losses on items for which the fair value option has been elected in earnings at each subsequent reporting date. The objective is to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. The decision about whether to elect the fair value option is applied instrument by instrument, with a few exceptions; the decision is irrevocable; and it is applied only to entire instruments and not to portions of instruments. SFAS No. 159 requires disclosures that facilitate comparisons (a) between entities that choose different measurement attributes for similar assets and liabilities and (b) between assets and liabilities in the financial statements of an entity that selects different measurement attributes for similar assets and liabilities. SFAS No. 159 is effective for financial statements issued for fiscal years beginning after November 15, 2007. Early adoption is permitted as of the beginning of a fiscal year provided the entity also elects to apply the provisions of SFAS No. 157. Upon implementation, an entity shall report the effect of the first re-measurement to fair value as a cumulative-effect adjustment to the opening balance of retained earnings. Since the provisions of SFAS No. 159 are applied prospectively, any potential impact will depend on the instruments selected for fair value measurement at the time of implementation. The Company does not expect the adoption of this pronouncement to have a material impact on its financial statements.

In December 2007, the FASB issued SFAS 141R, "*Business Combinations - Revised 2007,*" which replaces FASB Statement No. 141, "*Business Combinations.*" SFAS 141R establishes principles and requirements intending to improve the relevance, representational faithfulness, and comparability of information that a reporting entity provides in its financial reports about a business combination and its effects. This is accomplished through requiring the acquirer to recognize assets acquired and liabilities assumed arising from contractual contingencies as of the acquisition date, measured at their acquisition-date fair values. This includes contractual contingencies only if it is more likely than not that they meet the definition of an asset or a liability in FASB Concepts Statement No. 6, "*Elements of Financial Statements - a replacement of FASB Concepts Statement No. 3.*" This statement also requires the acquirer to recognize goodwill as of the acquisition date, measured as a residual. However, this statement improves the way in which an acquirer's obligations to make payments conditioned on the outcome of future events are recognized and measured, which in turn improves the measure of goodwill. This statement also defines a bargain purchase as a business combination in which the total acquisition-date fair value of the consideration transferred plus any noncontrolling interest in the acquiree, and it requires the acquirer to recognize that excess in earnings as a gain attributable to the acquirer. This therefore improves the representational faithfulness and completeness of the information provided about both the acquirer's earnings during the period in which it makes a bargain purchase and the measures of the assets acquired in the bargain purchase. The Company does not expect the adoption of this pronouncement to have a material impact on its financial statements.

In December 2007, the FASB issued SFAS No. 160, "*Noncontrolling Interests in Consolidated Financial Statements - an amendment of ARB No. 51,*" which establishes accounting and reporting standards to improve the relevance, comparability, and transparency of financial information in its consolidated financial statements. This is accomplished by requiring all entities that prepare consolidated financial statements, except not-for-profit organizations, to: (a) clearly identify, label, and present ownership interests in subsidiaries held by parties other than the parent in the consolidated statement of financial position within equity, but separate from the parent's equity; (b) clearly identify and present both the parent's and the noncontrolling interest's attributable consolidated net income on the face of the

consolidated statement of income; (c) consistently account for changes in parent's ownership interest while the parent retains its controlling financial interest in its subsidiary and for all transactions that are economically similar to be accounted for similarly; (d) measure any gain, loss or retained noncontrolling equity at fair value after a subsidiary is deconsolidated; and (e) provide sufficient disclosures that clearly identify and distinguish between the interests of the parent and the interests of the noncontrolling owners. This Statement also clarifies that a noncontrolling interest in a subsidiary is an ownership interest in the consolidated entity that should be reported as equity in the consolidated financial statements. SFAS No. 160 is effective for fiscal years, and interim periods on or after December 15, 2008. The management of the Company does not expect the adoption of this pronouncement to have a material impact on its financial statements.

BNH INC.
(A DEVELOPMENT STAGE COMPANY)
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008 AND DECEMBER 31, 2007
(Unaudited)

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operation.

Overview

We have not generated any revenue since our inception. We are a development stage company with limited operations. Our auditors have issued a going concern opinion. This means that our auditors believe there is substantial doubt that we can continue as an ongoing business for the next twelve months.

Plan of Operation

We have not had any revenues since our inception on September 4, 2007. Over the next twelve months we intend to create a customer base in environmentally conscious retail locations and among foodservice operators.

Our objective is to purchase bioplastic utensils from Far-East manufacturers and import these bioplastic utensils initially to Israel for distribution to both retail and foodservice industry customers. We intend to purchase and distribute both a private label line and our own branded products. The Company plans to store the utensils and ultimately sell and ship them to Israel. Ultimately, the Company's goal is to become an industry leader in the marketing and reselling of bioplastic utensils first in Israel, and eventually in the United States.

We plan to sign purchasing agreements with manufacturers which will take into account a reduced price based on order quantities. We plan on negotiating volume-based contracts with suppliers. Thus, as sales increase, we hope that our purchase price per unit will decrease. We intend to purchase only from suppliers that commit to adhere to our packaging requirements; suppliers must have the ability to source their own materials for the printing of the packages. It is our intent to order from manufacturers that can provide us with all of our product/service needs. Such facilities will be responsible for sourcing, printing, and packaging materials, and for shipping the finished products to our customers.

In the event that due to stock outages only products with generic packaging are available to purchase, we intend to receive a discount for non-branded products. In such a scenario, we may ship the bioplastic products to third party vendors for re-branding or have the supplier re-brand the products via a special project kitting process. Costs may increase slightly for these scenarios.

Results of Operations

Revenues

We had no revenues for the period from September 4, 2007 (date of inception) through September 30, 2008.

Expenses

Our expenses for the three month period ended September 30, 2008 were \$7,961. Our expenses for the nine month period ended September 30, 2008 were \$22,565 and since our inception were \$48,363. These expenses were comprised primarily of professional fees and general and administrative expenses.

Net Income (Loss)

Our net loss for the three month period ended September 30, 2008 was \$7,961. Our net loss for the nine month period ended September 30, 2008 was \$22,565. During the period from September 4, 2007 (date of inception) through September 30, 2008, we incurred a net loss of \$48,363. This loss consisted primarily of professional fees and administrative expenses. Since inception, we have sold 7,000,000 shares of common stock.

BNH INC.
(A DEVELOPMENT STAGE COMPANY)
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008 AND DECEMBER 31, 2007
(Unaudited)

Liquidity and Capital Resources

Our balance sheet as of September 30, 2008, reflects assets of \$17,951. Cash and cash equivalents from inception to date have been insufficient to provide the working capital necessary to operate to date.

We anticipate generating losses and, therefore, may be unable to continue operations in the future. If we require additional capital, we would have to issue debt or equity or enter into a strategic arrangement with a third party. There can be no assurance that additional capital will be available to us. We currently have no agreements, arrangements or understandings with any person to obtain funds through bank loans, lines of credit or any other sources.

Going Concern Consideration

The financial statements contained herein for the fiscal quarter ended September 30, 2008, have been prepared on a “going concern” basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. For the reasons discussed herein and in the footnotes to our financial statements included herein, there is a significant risk that we will be unable to continue as a going concern. Our audited financial statements included in our Registration Statement on Form S-1 for the period ended December 31, 2007, contain additional note disclosures describing the circumstances that lead to this disclosure by our registered independent auditors.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements.

Item 3. Quantitative and Qualitative Disclosures about Market Risk.

None

Item 4. Controls and Procedures.

Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we have evaluated the effectiveness of our disclosure controls and procedures, as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended, as of the end of the period covered by this quarterly report. Based on that evaluation, these officers concluded that our disclosure controls and procedures were effective as of September 30, 2008.

Internal Control over Financial Reporting

There has been no change in our internal control over financial reporting, as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934, as amended, during the quarter ended September 30, 2008 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

In the ordinary course of business, our internal control over financial reporting changes as we modify and enhance our processes and information technology systems to meet changing needs and increase our efficiency. Any significant changes in internal controls are evaluated prior to implementation to help maintain the continued effectiveness of our internal control. While changes have occurred in our internal controls during the quarter ended September 30, 2008, there were no changes that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II

Item 1. Legal Proceedings.

None.

Item 1A. Risk Factors.

There have been no material changes from the risk factors disclosed in our Registration Statement on Form S-1 filed on April 16, 2008.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

None.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Submission of Matters to a Vote of Security Holders.

None.

Item 5. Other Information.

None.

Item 6. Exhibits.

Exhibit

Number

Exhibit Description

3.1 - Certificate of Incorporation.*

3.2 - Bylaws.*

31 - Rule 13a-14(a)/15d-14(a) Certification of Principal Executive and Financial Officer

32 - Section 1350 Certification of Principal Executive and Financial Officer

* incorporated by reference from Registrant's Registration Statement on Form S-1 filed on April 16, 2008 Registration No. 333-150266.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

BNH INC.

By: /s/ Nehemya Hesin

Nehemya Hesin

Title: President, Treasurer and Director

(Principal Executive Officer, Principal Financing Officer and Principal Accounting Officer)

Dated: November 12, 2008

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nt-size:10pt;">
Organization

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

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

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

Enable was formed effective May 1, 2013 by the Company, the ArcLight group and CenterPoint to own and operate the midstream businesses of the Company and CenterPoint. In the formation transaction, the Company and the ArcLight group contributed Enogex LLC to Enable and the Company deconsolidated its previously held investment in Enogex Holdings and acquired an equity interest in Enable. The Company determined that its contribution of Enogex LLC to Enable met the requirements of being in substance real estate and was recorded at historical cost. The general partner of Enable is equally controlled by CenterPoint and the Company, who each have 50 percent management

ownership. Based on the 50/50 management ownership, with neither company having control, the Company began accounting for its interest in Enable using the equity method of accounting.

Basis of Presentation

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

In the opinion of management, all adjustments necessary to fairly present the consolidated financial position of the Company at September 30, 2016 and December 31, 2015, the results of its operations for the three and nine months ended September 30, 2016 and 2015 and its cash flows for the nine months ended September 30, 2016 and 2015, have been included and are of a normal recurring nature except as otherwise disclosed.

Due to seasonal fluctuations and other factors, the Company's operating results for the three and nine months ended September 30, 2016 are not necessarily indicative of the results that may be expected for the year ending December 31, 2016 or for any future period. The Condensed Consolidated Financial Statements and Notes thereto should be read in conjunction with the audited Consolidated Financial Statements and Notes thereto included in the Company's 2015 Form 10-K.

Accounting Records

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

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

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

	September	December
(In millions)	30,	31,
	2016	2015
Regulatory Assets		
Current		
Oklahoma demand program rider under recovery (A)	\$ 48.9	\$ 36.6
SPP cost tracker rider under recovery (A)	2.4	4.5
Fuel clause under recoveries	0.5	—
Other (A)	7.6	5.4
Total Current Regulatory Assets	\$ 59.4	\$ 46.5
Non-Current		
Benefit obligations regulatory asset	\$ 235.0	\$ 242.2
Income taxes recoverable from customers, net	60.0	56.7
Smart Grid	43.4	43.6
Deferred storm expenses	35.9	27.6
Unamortized loss on reacquired debt	13.7	14.8
Other	16.8	17.3
Total Non-Current Regulatory Assets	\$ 404.8	\$ 402.2
Regulatory Liabilities		
Current		
Fuel clause over recoveries	\$ 1.4	\$ 61.3
Other (B)	3.8	7.5
Total Current Regulatory Liabilities	\$ 5.2	\$ 68.8
Non-Current		
Accrued removal obligations, net	\$ 260.1	\$ 254.9
Pension tracker	30.9	17.7
Other (C)	1.0	1.0
Total Non-Current Regulatory Liabilities	\$ 292.0	\$ 273.6

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

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

(C) Prior year amount of \$1.0 million reclassified from Deferred Other Liabilities to Non-Current Regulatory Liabilities.

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

Investment in Unconsolidated Affiliate

The Company's investment in Enable is considered to be a variable interest entity because the owners of the equity at risk in this entity have disproportionate voting rights in relation to their obligations to absorb the entity's expected losses or to receive its expected residual returns. However, the Company is not considered the primary beneficiary of Enable since it does not have the power to direct the activities of Enable that are considered most significant to the economic performance of Enable. The Company accounts for its investment in Enable using the equity method of accounting. Under the equity method, the investment will be adjusted each period for contributions made, distributions received and the Company's share of the investee's comprehensive income as adjusted for basis differences. The Company's maximum exposure to loss related to Enable is limited to the Company's equity investment in Enable as presented on the Company's Condensed Consolidated Balance Sheet at September 30, 2016. The Company evaluates its equity method investments for impairment when events or changes in circumstances indicate there is a loss in value of the investment that is other than a temporary decline.

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

Asset Retirement Obligations

The following table summarizes changes to the Company's asset retirement obligations during the nine months ended September 30, 2016 and 2015.

	Nine Months Ended September 30,	
	2016	2015
(In millions)		
Balance at January 1	\$63.3	\$58.6
Accretion expense	2.1	1.9
Liabilities settled	(0.2)	(0.4)
Revisions in estimated cash flows	—	1.6
Balance at September 30	\$65.2	\$61.7

Accumulated Other Comprehensive Income (Loss)

The following table summarizes changes in the components of accumulated other comprehensive income (loss) attributable to the Company during the nine months ended September 30, 2016 and 2015. All amounts below are presented net of tax.

	Pension Plan and Restoration of Retirement Income Plan		Postretirement Benefit Plans		Total
	Prior Net loss cost	service income	Prior service cost		
(In millions)					
Balance at December 31, 2015	\$(39.2)	\$ 0.1	\$ 2.5	\$ 1.5	\$(35.1)
Amounts reclassified from accumulated other comprehensive income (loss)	2.3	—	—	(1.2)	1.1
Settlement cost	5.0	—	—	—	5.0

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Net current period other comprehensive income (loss)	7.3	—	—	(1.2) 6.1
Balance at September 30, 2016	\$(31.9)	\$ 0.1	\$ 2.5	\$ 0.3	\$(29.0)

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(In millions)	Pension Plan and Restoration of Retirement Income Plan		Postretirement Benefit Plans		Total
	Prior Net loss	service cost	Prior Net loss	service cost	
Balance at December 31, 2014	\$(36.8)	\$ 0.1	\$(8.0)	\$ 3.3	\$(41.4)
Amounts reclassified from accumulated other comprehensive income (loss)	1.9	—	0.9	(1.3)	1.5
Settlement cost	3.8	—	—	—	3.8
Net current period other comprehensive income (loss)	5.7	—	0.9	(1.3)	5.3
Balance at September 30, 2015	\$(31.1)	\$ 0.1	\$(7.1)	\$ 2.0	\$(36.1)

The following table summarizes significant amounts reclassified out of accumulated other comprehensive income (loss) by the respective line items in net income during the three and nine months ended September 30, 2016 and 2015.

Details about Accumulated Other Comprehensive Income (Loss) Components	Amount Reclassified from Accumulated Other Comprehensive Income (Loss)				Affected Line Item in the Statement Where Net Income is Presented
	Three Months Ended		Nine Months Ended		
(In millions)	September 30, 2016	2015	September 30, 2016	2015	
Amortization of defined benefit pension and restoration of retirement income plan items					
Actuarial losses	\$(1.2)	\$(1.0)	\$(3.5)	\$(3.6)	(A)
Settlement	—	(6.2)	(8.2)	(6.2)	(A)
	(1.2)	(7.2)	(11.7)	(9.8)	Total before tax
	(0.4)	(2.7)	(4.4)	(4.1)	Tax benefit
	\$(0.8)	\$(4.5)	\$(7.3)	\$(5.7)	Net of tax
Amortization of postretirement benefit plan items					
Actuarial losses	\$—	\$(0.5)	\$—	\$(1.5)	(A)
Prior service credit	0.6	0.7	1.9	2.1	(A)
	0.6	0.2	1.9	0.6	Total before tax
	0.2	0.1	0.7	0.2	Tax expense
	\$0.4	\$0.1	\$1.2	\$0.4	Net of tax
Total reclassifications for the period	\$(0.4)	\$(4.4)	\$(6.1)	\$(5.3)	Net of tax

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

Reclassifications

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

The December 31, 2015 Condensed Consolidated Balance Sheet has been adjusted for the reclassification of \$16.8 million of debt issuance costs from Total Deferred Charges and Other Assets to Long-Term Debt to be consistent with the 2016 presentation due to the adoption of ASU 2015-03, "Simplifying the Presentation of Debt Issuance Costs," in 2016.

2. Accounting Pronouncements

Revenue from Contracts with Customers. In May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers (Topic 606)". The new guidance was intended to be effective for fiscal years beginning after December 15, 2016. On July 9, 2015, the FASB decided to delay the effective date of the new revenue standard by one year. Reporting entities may choose to adopt the standard as of the original effective date. The deferral results in the new revenue standard being effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017. The standard permits the use of either the retrospective or cumulative effect transition method. The Company has yet to select a transition method or determine the impact on its Condensed Consolidated Financial Statements, however, the impact is not expected to be material.

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

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

Investments. In March 2016, the FASB issued ASU 2016-07, "Investments-Equity Method and Joint Ventures; Simplifying the Transition to the Equity Method of Accounting (Topic 323)." The amendments in ASU 2016-07 eliminate the requirement to retroactively adopt the equity method of accounting for a qualifying equity method investment. ASU 2016-07 requires equity method investors to add the cost of acquiring the additional interest in the investee to the current basis of the investor's previously held interest and adopt the equity method of accounting as of the date the investment becomes qualified for equity method accounting. The amendments in this ASU are effective for the fiscal years and interim periods within those fiscal years, beginning after December 15, 2016. The Company does not believe this ASU will have any effect on its Condensed Consolidated Financial Statements.

Employee Share Based Payment Accounting. In March 2016, the FASB issued ASU 2016-09, "Improvements to Employee Share Based Payment Accounting," which amends ASC Topic 718, Compensation - Stock Compensation. ASU 2016-09 includes provisions intended to simplify various aspects related to how share based payments are accounted for and presented in the financial statements. The new guidance among other requirements will require all of the tax effects related to share based payments at settlement (or expiration) to be recorded through the income statement. Currently, tax benefits in excess of compensation cost ("windfalls") are recorded in equity, and tax deficiencies ("shortfalls") are recorded in equity to the extent of previous windfalls, and then to the income statement.

This change is required to be applied prospectively to all excess tax benefits and tax deficiencies resulting from settlements after the date of adoption of the ASU 2016-09. Under the new guidance, the windfall tax benefit will be recorded when it arises, subject to normal valuation allowance considerations. This change is required to be applied on a modified retrospective basis, with a cumulative effect adjustment to opening retained earnings. All tax related cash flows resulting from share based payments are to be reported as operating activities on the statement of cash flows, a change from the current requirement to present windfall tax benefits as an inflow from financing activities and an outflow from operating activities. Either prospective or retrospective transition of this provision is permitted. ASU 2016-09 is effective for annual reporting periods beginning after December 15, 2016, and interim periods within that reporting period. Early adoption will be permitted in any interim or annual period, with any adjustments reflected as of the beginning of the fiscal year of adoption. The Company has not determined the impact on its Condensed Consolidated Financial Statements, however, the impact is not expected to be material.

Financial Instruments-Credit Losses. In June 2016, the FASB issued ASU No. 2016-13, "Financial Instruments-Credit Losses: Measurement of Credit Losses on Financial Instruments." The amendment in this update requires entities to measure all expected credit losses of financial assets held at a reporting date based on historical experience, current conditions, and reasonable and supportable forecasts in order to record credit losses in a more timely matter. ASU 2016-13 also amends the accounting for credit losses on available-for-sale debt securities and purchased financial assets with credit deterioration. The standard is effective for interim and annual reporting periods beginning after December 15, 2019, although early adoption is permitted for interim and annual periods beginning after December 15, 2018. The Company does not believe this ASU will have any effect on its Condensed Consolidated Financial Statements.

3. Investment in Unconsolidated Affiliate and Related Party Transactions

On March 14, 2013, the Company entered into a Master Formation Agreement with the ArcLight group and CenterPoint pursuant to which the Company, the ArcLight group and CenterPoint agreed to form Enable to own and operate the midstream businesses of the Company and CenterPoint that was initially structured as a private limited partnership. This transaction closed on May 1, 2013.

Pursuant to the Master Formation Agreement, the Company and the ArcLight group indirectly contributed 100 percent of the equity interests in Enogex LLC to Enable. The Company determined that its contribution of Enogex LLC to Enable met the requirements of being in substance real estate and was recorded at historical cost.

In April 2014, Enable completed an initial public offering of 25.0 million common units resulting in Enable becoming a publicly traded Master Limited Partnership. At September 30, 2016, the Company owned 111.0 million common units, or 26.3 percent of which 68.2 million units were subordinated.

The Company and CenterPoint also own a 60 percent and 40 percent interest, respectively, in the incentive distribution rights held by the general partner of Enable.

Distributions received from Enable were \$35.3 million and \$35.1 million during the three months ended September 30, 2016 and 2015, respectively, and \$105.9 million and \$104.0 million for the nine months ended September 30, 2016 and 2015, respectively. On November 1, 2016, Enable announced a quarterly dividend distribution of \$0.31800 per unit on its outstanding common and subordinated units, representing the same dividend distribution as the previous quarter.

CenterPoint had previously announced that it was evaluating strategic alternatives for its investment in Enable. On July 18, 2016, CenterPoint and its wholly owned subsidiary, CenterPoint Energy Resources Corp., provided notice to the Company of CenterPoint's solicitation of offers from unrelated third parties to acquire all or any portion of the common units and subordinated units of Enable owned by CenterPoint Energy Resources Corp. and all of the membership interests of the general partner of Enable owned by CenterPoint Energy Resources Corp. This notice also constituted a notice pursuant to the right of first offer held by the Company under the Partnership Agreement and the Third Amended and Restated Limited Liability Company Agreement of the general partner. Under the terms of the right of first offer, the Company had 30 days from receipt of the notice from CenterPoint to make an offer to buy all of CenterPoint's membership interests in the general partner and all or any portion of CenterPoint Energy Resources Corp. common units and subordinated units. The Company submitted to CenterPoint a proposal to acquire, in conjunction with a third party, all of CenterPoint's membership interests in Enable GP and all of the common units and subordinated units of Enable owned by CenterPoint. The Company did not receive a reply from CenterPoint within the required timeframe.

Related Party Transactions

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

On May 1, 2013, the Company and Enable entered into a Services Agreement, an Employee Transition Agreement, and other agreements whereby the Company agreed to provide certain support services to Enable such as accounting, legal, risk management and treasury functions for an initial term ending on April 30, 2016. As of December 31, 2015, Enable terminated all support services except certain information technology, payroll and benefits administration. The remaining services automatically extended for another year on May 1, 2016. Under these agreements, the Company charged operating costs to Enable of \$1.0 million and \$2.6 million for the three months ended September 30, 2016 and 2015, respectively, and \$3.6 million and \$7.9 million for the nine months ended September 30, 2016 and 2015, respectively. The Company charges operating costs to OG&E and Enable based on several factors. Operating costs directly related to OG&E and/or Enable are assigned as

such. Operating costs incurred for the benefit of OG&E are allocated either as overhead based primarily on labor costs or using the "Distrigas" method.

Additionally, the Company agreed to provide seconded employees to Enable to support its operations for an initial term ending on December 31, 2014. In October 2014, the Company, CenterPoint and Enable agreed to continue the secondment to Enable of 192 employees that participate in the Company's defined benefit and retirement plans beyond December 31, 2014. The Company billed Enable for reimbursement of \$6.6 million and \$7.0 million during the three months ended September 30, 2016 and 2015, respectively, and \$20.7 million and \$25.1 million during the nine months ended September 30, 2016 and 2015, respectively, under the Transitional Seconding Agreement for employment costs.

The Company had accounts receivable from Enable for amounts billed for transitional services, including the cost of seconded employees, of \$3.7 million and \$3.4 million as of September 30, 2016 and December 31, 2015, respectively.

Related Party Transactions with Enable

OG&E entered into a contract with Enable to provide gas transportation services effective May 1, 2014. This transportation agreement grants Enable the responsibility of delivering natural gas to OG&E's generating facilities and performing an imbalance service. With this imbalance service, in accordance with the cash-out provision of the contract, OG&E purchases gas from Enable when Enable's deliveries exceed OG&E's pipeline receipts. Enable purchases gas from OG&E when OG&E's pipeline receipts exceed Enable's deliveries. The following table summarizes related party transactions between OG&E and Enable during the three and nine months ended September 30, 2016 and 2015.

	Three Months Ended September 30, 2016		Nine Months Ended September 30, 2015	
(In millions)	2016	2015	2016	2015
Operating Revenues:				
Electricity to power electric compression assets	\$ 3.7	\$ 4.4	\$ 9.0	\$ 11.1
Cost of Sales:				
Natural gas transportation services	\$ 8.8	\$ 8.8	\$ 26.3	\$ 26.3
Natural gas purchases/(sales)	4.4	2.5	11.3	7.1

Summarized Financial Information of Enable

Summarized unaudited financial information for 100 percent of Enable is presented below at September 30, 2016 and December 31, 2015 and for the three and nine months ended September 30, 2016 and 2015.

	September 30, 2016		December 31, 2015	
Balance Sheet	2016	2015	2016	2015
(In millions)				
Current assets	\$ 408	\$ 381		
Non-current assets	10,833	10,845		
Current liabilities	338	615		
Non-current liabilities	3,174	3,080		

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	Three Months Ended September 30, 2016	2015	Nine Months Ended September 30, 2016	2015
Income Statement (In millions)				
Operating revenues	\$620	\$646	\$1,658	\$1,852
Cost of natural gas and natural gas liquids	268	287	717	856
Operating income	139	(975)	299	(778)
Net income	110	(985)	231	(817)

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

The Company recorded equity in earnings of unconsolidated affiliates of \$34.5 million and \$79.5 million for the three and nine months ended September 30, 2016, respectively, and a loss in equity in earnings of \$71.9 million and \$12.0 million for the three and nine months ended September 30, 2015, respectively. Equity in earnings of unconsolidated affiliates includes the Company's share of Enable's earnings adjusted for the amortization of the basis difference of the Company's original investment in Enogex and its underlying equity in the net assets of Enable. The basis difference is the result of the initial contribution of Enogex to Enable in May 2013, and subsequent issuances of equity by Enable, including the initial public offering in April 2014 and the issuance of common units for the acquisition of CenterPoint's 24.95 percent interest in SESH. The basis difference is being amortized over approximately 30 years, the average life of the assets to which the basis difference is attributed. Equity in earnings of unconsolidated affiliates is also adjusted for the elimination of the Enogex Holdings fair value adjustments, as described below.

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

The following table reconciles the Company's equity in earnings (loss) of its unconsolidated affiliates for the three and nine months ended September 30, 2016 and 2015.

	Three Months Ended September 30, 2016		Nine Months Ended September 30, 2015	
Reconciliation of Equity in Earnings (Loss) of Unconsolidated Affiliates (In millions)				
Enable net income (loss)	\$110.1	\$(985.1)	\$230.8	\$(817.3)
Distributions senior to limited partners	(9.1)	—	(9.1)	—
Differences due to timing of OGE Energy and Enable accounting close and permanent items	3.0	4.2	(3.6)	9.9
Enable net income (loss) used to calculate OGE Energy's equity in earnings	\$104.0	\$(980.9)	\$218.1	\$(807.4)
OGE Energy's percent ownership	26.3	%26.3	%26.3	%26.3
OGE Energy's portion of Enable net income (loss)	\$27.3	\$(257.2)	\$57.5	\$(212.0)

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Impairments recognized by Enable associated with OGE Energy's basis differences	—	177.7	0.6	177.7
OGE Energy's share of Enable net income (loss)	\$27.3	\$(79.5)	\$58.1	\$(34.3)
Amortization of basis difference	2.9	3.5	8.8	10.6
Elimination of Enable fair value step up	4.3	4.1	12.6	11.7
Equity in earnings (loss) of unconsolidated affiliates	\$34.5	\$(71.9)	\$79.5	\$(12.0)

The difference between the Company's investment in Enable and its underlying equity in the net assets of Enable was \$761.5 million as of September 30, 2016. The following table reconciles the basis difference in Enable from December 31, 2015 to September 30, 2016.

(In millions)

Basis difference as of December 31, 2015	\$783.5
Impairments recognized by Enable associated with OGE Energy's basis difference	(0.6)
Amortization of basis difference	(8.8)
Elimination of Enable fair value step up and other adjustments	(12.6)
Basis difference as of September 30, 2016	\$761.5

4. Fair Value Measurements

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

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

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

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

The Company had no financial instruments measured at fair value on a recurring basis at September 30, 2016 and December 31, 2015.

The following table summarizes the fair value and carrying amount of the Company's financial instruments at September 30, 2016 and December 31, 2015.

(In millions)	September 30, 2016		December 31, 2015	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Long-Term Debt				
Senior Notes	\$2,385.0	\$2,818.2	\$2,493.9	\$2,754.6
OG&E Industrial Authority Bonds	135.4	135.4	135.4	135.4
Tinker Debt	9.9	10.0	10.0	9.2
OGE Energy Senior Notes	99.8	99.9	99.5	99.9

The fair value of the Company's long-term debt is based on quoted market prices and estimates of current rates available for similar issues with similar maturities and is classified as Level 2 in the fair value hierarchy with the exception of the Tinker Debt which fair value is based on calculating the net present value of the monthly payments discounted by the Company's current borrowing rate and is classified as Level 3 in the fair value hierarchy.

5. Stock-Based Compensation

The following table summarizes the Company's pre-tax compensation expense and related income tax benefit during the three and nine months ended September 30, 2016 and 2015 related to the Company's performance units and restricted stock.

	Three		Nine	
	Months	Months	Months	Months
	Ended	Ended	Ended	Ended
	September	September	September	September
	30,	30,	30,	30,
(In millions)	2016	2015	2016	2015
Performance units				
Total shareholder return	\$1.2	\$1.9	\$3.4	\$5.7
Earnings per share	(1.3)	(0.8)	(0.3)	0.3
Total performance units	(0.1)	1.1	3.1	6.0
Restricted stock	—	—	0.1	0.1
Total compensation expense	(0.1)	1.1	3.2	6.1
Less: Amount paid by unconsolidated affiliates	—	(0.2)	—	0.3
Net compensation expense	\$(0.1)	\$1.3	\$3.2	\$5.8
Income tax benefit	\$—	\$0.5	\$1.3	\$2.3

During the three and nine months ended September 30, 2016, the Company issued an immaterial number of shares to satisfy restricted stock grants.

6. Income Taxes

The Company files consolidated income tax returns in the U.S. Federal jurisdiction and various state jurisdictions.

With few exceptions, the Company is no longer subject to U.S. Federal tax examinations by tax authorities for years prior to 2013 or state and local tax examinations by tax authorities for years prior to 2012. Income taxes are generally allocated to each company in the affiliated group based on its stand-alone taxable income or loss. Federal investment tax credits previously claimed on electric utility property have been deferred and are being amortized to income over the life of the related property. OG&E earns both Federal and Oklahoma state tax credits associated with production from its wind farms and earns Oklahoma state tax credits associated with its investments in electric generating facilities which further reduce the Company's effective tax rate.

7. Common Equity

Automatic Dividend Reinvestment and Stock Purchase Plan

The Company issued no shares of common stock under its Automatic Dividend Reinvestment and Stock Purchase Plan during the three and nine months ended September 30, 2016.

Earnings Per Share

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

	Three Months		Nine Months	
	Ended	Ended	Ended	Ended
(In millions except per share data)	September 30,	September 30,	September 30,	September 30,
	2016	2015	2016	2015
Net income	\$183.6	\$111.2	\$280.3	\$241.9
Average Common Shares Outstanding				
Basic average common shares outstanding	199.7	199.7	199.7	199.6
Effect of dilutive securities:				
Contingently issuable shares (performance and restricted stock units)	0.2	—	0.1	—
Diluted average common shares outstanding	199.9	199.7	199.8	199.6
Basic Earnings Per Average Common Share	\$0.92	\$0.55	\$1.40	\$1.21
Diluted Earnings Per Average Common Share	\$0.92	\$0.55	\$1.40	\$1.21
Anti-dilutive shares excluded from earnings per share calculation	—	—	—	—

8. Long-Term Debt

At September 30, 2016, the Company was in compliance with all of its debt agreements.

OG&E Industrial Authority Bonds

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

SERIES	DATE DUE	AMOUNT
		(In millions)
0.05%-0.84% Garfield Industrial Authority, January 1, 2025		\$ 47.0
0.07%-0.80% Muskogee Industrial Authority, January 1, 2025		32.4
0.05%-0.82% Muskogee Industrial Authority, June 1, 2027		56.0
Total (redeemable during next 12 months)		\$ 135.4

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

refinancing, the bonds are classified as long-term debt in the Company's Condensed Consolidated Financial Statements. OG&E believes that it has sufficient liquidity to meet these obligations.

9. Short-Term Debt and Credit Facilities

The Company borrows on a short-term basis, as necessary, by the issuance of commercial paper and by borrowings under its revolving credit agreement. As of September 30, 2016, the Company had \$213.2 million of short-term debt as compared to no balance at December 31, 2015. The following table provides information regarding the Company's revolving credit agreements at September 30, 2016.

Entity (In millions)	Aggregate Commitments	Amount Outstanding (A)	Weighted-Average Interest Rate	Maturity
OGE Energy (B)	\$750.0	\$ 213.2	0.74 %	(D)December 13, 2018 (E)
OG&E (C)	400.0	1.7	0.95 %	(D)December 13, 2018 (E)
Total	\$1,150.0	\$ 214.9	0.74 %	

(A) Includes direct borrowings under the revolving credit agreements, commercial paper borrowings and letters of credit at September 30, 2016.

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

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

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

(E) As of September 30, 2016, commitments of \$16.3 million and \$8.7 million of the OGE Energy's and OG&E's credit facilities, respectively, were not extended and unless the non-extending lender is replaced in accordance with the terms of the credit facility, such commitments will expire December 13, 2017.

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

OG&E must obtain regulatory approval from the FERC in order to borrow on a short-term basis. OG&E has the necessary regulatory approvals to incur up to \$800.0 million in short-term borrowings at any one time for a two-year period beginning January 1, 2015 and ending December 31, 2016. OG&E has requested renewal of this authority for an additional two-year period and expects to receive approval prior to the expiration of its current authority.

10. Retirement Plans and Postretirement Benefit Plans

In accordance with ASC Topic 715, "Compensation - Retirement Benefits," a one-time settlement charge is required to be recorded by an organization when lump sum payments or other settlements that relieve the organization from the responsibility for the pension benefit obligation during a plan year exceed the service cost and interest cost components of the organization's net periodic pension cost. During the quarter ended June 30, 2016, the Company experienced a settlement of its Supplemental Executive Retirement Plan and its non-qualified Restoration of Retirement Income Plan. As a result, the Company recorded pension settlement charges of \$8.7 million during the nine months ended September 30, 2016. During the first nine months of 2015, the Company experienced an increase in both the number of employees electing to retire and the amount of lump sum payments paid to such employees upon retirement. As a result, the Company recorded pension settlement charges of \$16.2 million in the third quarter of 2015. The pension settlement charge did not increase the Company's total pension expense over time, as the charges

were an acceleration of costs that otherwise would be recognized as pension expense in future periods.

The details of net periodic benefit cost, before consideration of capitalized amounts, of the Company's Pension Plan, the Restoration of Retirement Income Plan and the postretirement benefit plans included in the Condensed Consolidated Financial Statements are as follows:

Net Periodic Benefit Cost

	Pension Plan				Restoration of Retirement Income Plan			
	Three Months Ended		Nine Months Ended		Three Months Ended		Nine Months Ended	
	September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015
(In millions)	(B)	(B)	(C)	(C)	(B)	(B)	(C)	(C)
Service cost	\$4.0	\$4.2	\$11.9	\$12.1	\$—	\$0.4	\$0.2	\$1.0
Interest cost	6.4	6.6	19.1	19.6	0.1	0.2	0.3	0.5
Expected return on plan assets	(10.4)	(11.0)	(31.1)	(34.5)	—	—	—	—
Amortization of net loss	4.1	3.8	12.3	13.5	0.2	0.2	0.5	0.5
Amortization of unrecognized prior service cost (A)	(0.1)	0.1	(0.1)	0.3	0.1	—	0.1	0.1
Settlement	—	16.2	—	16.2	—	—	8.7	—
Total net periodic benefit cost	4.0	19.9	12.1	27.2	0.4	0.8	9.8	2.1
Less: Amount paid by unconsolidated affiliates	1.3	1.0	3.8	3.1	0.1	—	0.3	0.1
Net periodic benefit cost (net of unconsolidated affiliates)	\$2.7	\$18.9	\$8.3	\$24.1	\$0.3	\$0.8	\$9.5	\$2.0

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

(B) In addition to the \$3.0 million and \$19.7 million of net periodic benefit cost recognized during the three months ended September 30, 2016 and 2015, respectively, OG&E recognized the following:

an increase in pension expense during the three months ended September 30, 2016 of \$2.4 million and a deferral of \$4.7 million for the three months ended September 30, 2015, to maintain the allowable amount to be recovered for pension expense in the Oklahoma jurisdiction which are included in the Pension tracker regulatory liability (see Note 1); and

during the three months ended September 30, 2016 there were no costs relating to the deferral of pension expense compared to \$1.4 million for the three months ended September 30, 2015 related to the Arkansas jurisdictional portion of the pension settlement charge of \$16.2 million during the three months ended September 30, 2015.

(C) In addition to the \$17.8 million and \$26.1 million of net periodic benefit cost recognized during the nine months ended September 30, 2016 and 2015, respectively, OG&E recognized the following:

an increase in pension expense during the nine months ended September 30, 2016 and 2015 of \$6.7 million and \$0.6 million, respectively, to maintain the allowable amount to be recovered for pension expense in the Oklahoma jurisdiction which are included in the Pension tracker regulatory liability (see Note 1); and costs relating to the deferral of pension expense during the nine months ended September 30, 2016 and 2015 of \$0.1 million and \$1.4 million, respectively, related to the Arkansas jurisdictional portion of the pension settlement charge of \$8.7 million and \$16.2 million, respectively.

	Postretirement Benefit Plans			
	Three Months Ended September 30,		Nine Months Ended September 30,	
(In millions)	2016	2015	2016	2015
	(B)	(B)	(C)	(C)
Service cost	\$0.2	\$0.4	\$0.6	\$1.2
Interest cost	2.4	2.6	7.1	7.7
Expected return on plan assets	(0.6)	(0.6)	(1.7)	(1.8)
Amortization of net loss	0.6	3.5	1.9	10.4
Amortization of unrecognized prior service cost (A)	(2.1)	(4.1)	(6.5)	(12.4)
Total net periodic benefit cost	0.5	1.8	1.4	5.1
Less: Amount paid by unconsolidated affiliates	—	0.4	0.1	1.0
Net periodic benefit cost (net of unconsolidated affiliates)	\$0.5	\$1.4	\$1.3	\$4.1

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

In addition to the \$0.5 million and \$1.4 million of net periodic benefit cost recognized during the three months ended September 30, 2016 and 2015, respectively, OG&E recognized an increase in postretirement medical (B) expense during the three months ended September 30, 2016 and 2015 of \$1.9 million and \$1.4 million, respectively, to maintain the allowable amount to be recovered for postretirement medical expense in the Oklahoma jurisdiction which are included in the Pension tracker regulatory liability (see Note 1).

In addition to the \$1.3 million and \$4.1 million of net periodic benefit cost recognized during the nine months ended September 30, 2016 and 2015, respectively, OG&E recognized an increase in postretirement medical (C) expense during the nine months ended September 30, 2016 and 2015 of \$5.9 million and \$4.3 million, respectively, to maintain the allowable amount to be recovered for postretirement medical expense in the Oklahoma jurisdiction which are included in the Pension tracker regulatory liability (see Note 1).

	Three Months Ended September 30,			
	2016		2015	
(In millions)	2016	2015	2016	2015
Capitalized portion of net periodic pension benefit cost	\$ 1.0	\$ 2.6	\$ 3.0	\$ 4.6
Capitalized portion of net periodic postretirement benefit cost	0.2	0.5	0.6	1.4

Pension Plan Funding

In July 2016, the Company contributed \$20.0 million to its Pension Plan. No additional contributions are expected in 2016.

11. Report of Business Segments

The Company reports its operations in two business segments: (i) the electric utility segment, which is engaged in the generation, transmission, distribution and sale of electric energy, and (ii) the natural gas midstream operations segment.

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

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The following tables summarize the results of the Company's business segments during the three and nine months ended September 30, 2016 and 2015.

Three Months Ended September 30, 2016	Natural			Eliminations	Total
	Electric Utility	Gas Midstream Operations	Other Operations		
(In millions)					
Operating revenues	\$743.9	\$—	\$—	\$—	\$743.9
Cost of sales	269.8	—	—	—	269.8
Other operation and maintenance	115.2	(0.1)	(2.0)	—	113.1
Depreciation and amortization	80.8	—	1.4	—	82.2
Taxes other than income	20.9	—	0.6	—	21.5
Operating income	257.2	0.1	—	—	257.3
Equity in earnings of unconsolidated affiliates	—	34.5	—	—	34.5
Other income	6.0	—	0.3	—	6.3
Interest expense	34.3	—	1.1	—	35.4
Income tax expense (benefit)	69.0	12.1	(2.0)	—	79.1
Net income	\$159.9	\$22.5	\$1.2	\$—	\$183.6
Investment in unconsolidated affiliates	\$—	\$1,168.0	\$—	\$—	\$1,168.0
Total assets	\$8,511.5	\$1,503.1	\$93.3	\$(323.9)	\$9,784.0
Three Months Ended September 30, 2015	Natural			Eliminations	Total
	Electric Utility	Gas Midstream Operations	Other Operations		
(In millions)					
Operating revenues	\$719.8	\$—	\$—	\$—	\$719.8
Cost of sales	259.8	—	—	—	259.8
Other operation and maintenance	107.4	4.9	(2.9)	—	109.4
Depreciation and amortization	75.9	—	2.0	—	77.9
Taxes other than income	21.0	—	0.9	—	21.9
Operating income	255.7	(4.9)	—	—	250.8
Equity in earnings of unconsolidated affiliates (A)	—	(71.9)	—	—	(71.9)
Other income	6.6	—	(0.7)	(0.1)	5.8
Interest expense	36.4	—	0.7	(0.1)	37.0
Income tax expense (benefit)	63.0	(26.8)	0.3	—	36.5
Net income	\$162.9	\$(50.0)	\$(1.7)	\$—	\$111.2
Investment in unconsolidated affiliates	\$—	\$1,202.2	\$—	\$—	\$1,202.2
Total assets	\$8,554.1	\$1,541.5	\$133.5	\$(628.4)	\$9,600.7

(A) The Company recorded a \$108.4 million pre-tax charge during the three months ended September 30, 2015 for its share of Enable's goodwill impairment, as adjusted for the basis differences.

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Nine Months Ended September 30, 2016	Natural			Eliminations	Total
	Electric Utility	Gas Midstream Operations	Other Operations		
(In millions)					
Operating revenues	\$1,728.4	\$—	\$—	\$—	\$1,728.4
Cost of sales	645.4	—	—	—	645.4
Other operation and maintenance	356.3	7.9	(9.6)	)—	354.6
Depreciation and amortization	235.9	—	4.9	—	240.8
Taxes other than income	63.6	—	2.9	—	66.5
Operating income	427.2	(7.9)	)1.8	—	421.1
Equity in earnings of unconsolidated affiliates	—	79.5	—	—	79.5
Other income	18.3	—	(0.8)	) (0.2)	) 17.3
Interest expense	104.8	—	3.1	(0.2)	) 107.7
Income tax expense (benefit)	102.4	31.5	(4.0)	)—	129.9
Net income	\$238.3	\$40.1	\$1.9	\$—	\$280.3
Investment in unconsolidated affiliates	\$—	\$1,168.0	\$—	\$—	\$1,168.0
Total assets	\$8,511.5	\$1,503.1	\$93.3	\$(323.9)	)\$9,784.0

Nine Months Ended September 30, 2015	Natural			Eliminations	Total
	Electric Utility	Gas Midstream Operations	Other Operations		
(In millions)					
Operating revenues	\$1,749.8	\$—	\$—	\$—	\$1,749.8
Cost of sales	682.3	—	—	—	682.3
Other operation and maintenance	337.3	5.9	(8.9)	)—	334.3
Depreciation and amortization	224.0	—	6.0	—	230.0
Taxes other than income	65.7	—	3.1	—	68.8
Operating income	440.5	(5.9)	) (0.2)	)—	434.4
Equity in earnings of unconsolidated affiliates (A)	—	(12.0)	)—	—	(12.0)
Other income	13.9	—	2.6	(0.2)	) 16.3
Interest expense	110.5	—	2.1	(0.2)	) 112.4
Income tax expense (benefit)	94.9	(8.7)	) (1.8)	)—	84.4
Net income	\$249.0	\$(9.2)	)\$2.1	\$—	\$241.9
Investment in unconsolidated affiliates	\$—	\$1,202.2	\$—	\$—	\$1,202.2
Total assets	\$8,554.1	\$1,541.5	\$133.5	\$(628.4)	)\$9,600.7

(A) The Company recorded a \$108.4 million pre-tax charge during the three months ended September 30, 2015 for its share of Enable's goodwill impairment, as adjusted for the basis differences.

12. Commitments and Contingencies

Except as set forth below, in Note 13 and under "Environmental Laws and Regulations" in Item 2 of Part I and in Item 1 of Part II of this Form 10-Q, the circumstances set forth in Notes 14 and 15 to the Company's Consolidated Financial Statements included in the Company's 2015 Form 10-K appropriately represent, in all material respects, the current status of the Company's material commitments and contingent liabilities.

Environmental Laws and Regulations

The activities of OG&E are subject to numerous stringent and complex Federal, state and local laws and regulations governing environmental protection. These laws and regulations can change, restrict or otherwise impact OG&E's business activities in many ways including the handling or disposal of waste material, future construction activities to

avoid or mitigate harm to threatened or endangered species and requiring the installation and operation of emissions pollution control equipment. Failure to comply with these laws and regulations could result in the assessment of administrative, civil and criminal penalties, the imposition of remedial requirements and the issuance of orders enjoining future operations. OG&E believes that its operations are in substantial compliance with current Federal, state and local environmental standards.

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

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

Federal Clean Air Act New Source Review Litigation

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

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

On August 12, 2013, the Sierra Club filed a separate complaint against OG&E in the United States District Court for the Eastern District of Oklahoma alleging that OG&E projects at Muskogee Unit 6 in 2008 were made without obtaining a prevention of significant deterioration permit and that the plant had exceeded emissions limits for opacity and particulate matter. The Sierra Club sought a permanent injunction preventing OG&E from operating the Muskogee generating plant. On March 4, 2014, the District Court dismissed the prevention of significant deterioration permit claim based on the statute of limitations, but allowed the opacity and particulate matter claims to proceed. To obtain the right to appeal this decision, the Sierra Club subsequently withdrew a Notice of Intent to Sue for additional Clean Air Act violations and asked the District Court to dismiss its remaining claims with prejudice. On August 27, 2014, the District Court granted the Sierra Club's request. The Sierra Club appealed the District Court's dismissal of its prevention of significant deterioration claim to the United States Court of Appeals for the Tenth Circuit. On March 8, 2016, the Tenth Circuit affirmed the trial court's decision dismissing the Sierra Club's case. On March 21, 2016, the Sierra Club filed a request for rehearing en banc with the Tenth Circuit. On April 13, 2016, the Tenth Circuit denied the request for rehearing. The Sierra Club did not seek review of the case by the United States Supreme Court. OG&E considers this case now closed.

Air Quality Control System

On September 10, 2014, OG&E executed a contract for the design, engineering and fabrication of two circulating dry scrubber systems to be installed at Sooner Units 1 and 2. OG&E entered into an agreement on February 9, 2015, to install the dry scrubber systems. The dry scrubbers are scheduled to be completed by 2019. More detail regarding the dry scrubber project can be found under "Pending Regulatory Matters" in Note 13.

Other

In the normal course of business, the Company is confronted with issues or events that may result in a contingent liability. These generally relate to lawsuits or claims made by third parties, including governmental agencies. When appropriate, management consults with legal counsel and other experts to assess the claim. If, in management's opinion, the Company has incurred a probable loss as set forth by GAAP, an estimate is made of the loss and the appropriate accounting entries are reflected in the Company's Condensed 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.

13. Rate Matters and Regulation

Except as set forth below, the circumstances set forth in Note 15 to the Company's Consolidated Financial Statements included in the Company's 2015 Form 10-K appropriately represent, in all material respects, the current status of the Company's regulatory matters.

Completed Regulatory Matters

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

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

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

The SPP has submitted compliance filings implementing Order No. 1000's requirements. In response, the FERC issued an order on the SPP filings that required the SPP to remove certain "right of first refusal" language from the SPP Tariff and the SPP Membership Agreement. On December 15, 2014, OG&E filed an appeal in the Court challenging the FERC's order requiring the removal of the "right of first refusal" language from the SPP Membership Agreement.

On July 1, 2016, the Court upheld the FERC's decision requiring removal of the rights of first refusal for incumbent transmission providers from the SPP Membership Agreement. The Court determined that the FERC had reasonably found the rights of first refusal in the SPP Membership Agreement to be anticompetitive.

The Company does not believe the Court's ruling will have any impact on existing transmission projects for which the Company has already received a notice to construct from the SPP. The Company intends to actively participate in the SPP planning process for competitive transmission projects that we believe apply to transmission voltage levels projects greater than 300kV.

Fuel Adjustment Clause Review for Calendar Year 2014

On July 28, 2015, the OCC staff filed an application to review OG&E's fuel adjustment clause for calendar year 2014, including the prudence of OG&E's electric generation, purchased power and fuel procurement costs. On May 26, 2016, the OCC issued a final order, finding that for the calendar year 2014 OG&E's electric generation, purchased power and fuel procurement processes and costs were prudent.

Oklahoma Demand Program Rider Review - SmartHours Program

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

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

In March 2014, the PUD Staff began their review of the Demand Program costs, including the lost revenues associated with the SmartHours program. In November 2014, OG&E believed that it had reached an agreement with the PUD Staff on the methodology to be used to calculate lost revenues associated with the SmartHours program and the amount of lost revenue for 2013, which totaled \$10.1 million. The agreement also included utilizing the same methodology for calculating lost revenues for 2014 and beyond. In January 2015, OG&E implemented rates that began recovering the 2013 lost revenues (approximately \$10.0 million annually).

In April 2015, the PUD Staff filed an application, seeking an order from the OCC, for determining the proper methodology for calculating lost revenues pursuant to OG&E's Demand Program Rider, primarily affecting the SmartHours program lost revenues. In the application, the PUD Staff recommended the OCC approve the PUD Staff's methodology for calculating lost revenues associated with the SmartHours program, which differed from the methodology that OG&E believes it agreed upon and which would result in recovery of significantly less lost revenue for 2013, 2014 and 2015 than OG&E had recorded.

On March 28, 2016, the ALJ issued her recommendation on the PUD Staff's application. She found, among other things, that OG&E and the PUD Staff had not reached an agreement on all aspects of the calculation of lost revenues, that OG&E's methodology for calculating lost revenues was not consistent with the provisions of OG&E's tariff, and that the PUD Staff's methodology for calculating lost revenues was proper. The ALJ recommended that the OCC order OG&E to adjust its calculation of SmartHours lost revenue for 2013 through 2015 consistent with the PUD Staff's methodology, but that such adjustment should only be applied on a prospective basis following the issuance of an order by the OCC.

On August 9, 2016, OG&E entered into a settlement agreement with the PUD Staff to resolve the recoverable amount of lost revenues associated with the SmartHours program. The settlement provides for recovery of \$10.1 million per year for 2013, 2014 and 2015, for a total of \$30.3 million. OG&E had recorded \$36.6 million of lost revenues for 2013, 2014 and 2015. On August 16, 2016, the OCC issued an order adopting the settlement agreement. Accordingly, OG&E reduced lost revenues and the Oklahoma Demand Program Rider regulatory asset by \$6.3 million.

Mustang Modernization Plan-Arkansas

On April 13, 2016, OG&E filed an application at the APSC seeking authority to construct combustion turbines at its existing Mustang generating facility. Arkansas law requires a public utility to seek approval from the APSC to construct a power-generating facility located outside the boundaries of the state of Arkansas. The application did not seek any cost recovery for the capital expenditures in the application, as cost recovery will be determined in future proceedings. In July 2016, OG&E filed a motion to dismiss the APSC Mustang proceeding and in August, the APSC approved the dismissal. OG&E intends to seek cost recovery of the Mustang combustion turbines at a later date after the Mustang facility is placed in service.

Pending Regulatory Matters

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

Environmental Compliance Plan

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

On June 8, 2015, the ALJ issued his report on OG&E's application. While the ALJ in his report agreed that the installation of dry scrubbers at Sooner Units 1 and 2 and the conversion of Muskogee Units 4 and 5 to natural gas pursuant to OG&E's ECP is the best approach, the ALJ's report included several recommendations. OG&E filed exceptions to the ALJ's report and on July

21, 2015, Commissioner Bob Anthony issued his deliberation statement that was consistent with many parts of the ALJ's report, including the ALJ's support of OG&E's ECP, the ALJ's recommendation to pre-approve certain estimated costs of the environmental recovery plan, and the ALJ's recommendation to defer all other cost recovery issues until the next general rate case.

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

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

On February 12, 2016, OG&E filed an application requesting the OCC to issue an order approving its decision to install dry scrubbers at the Sooner facility on or before May 2, 2016. OG&E's application did not seek approval of the costs of the dry scrubber project. Instead, the reasonableness of the costs would be considered after the project is completed and OG&E seeks recovery in its rates. On April 28, 2016, the OCC approved the dry scrubber project and OG&E is proceeding with the project. Two parties to the proceeding have appealed the OCC's decision to the Oklahoma Supreme Court. After the OCC provides a certified record to the Oklahoma Supreme Court, the parties will file briefs by the end of 2016 or the first quarter of 2017.

OG&E anticipates the total cost of dry scrubbers will be \$547.5 million. As of September 30, 2016, OG&E had invested \$138.6 million of construction work in progress on the dry scrubbers. OG&E anticipates the combustion turbines for the Mustang Modernization Plan will be \$424.9 million. As of September 30, 2016, OG&E has invested \$133.6 million on the Mustang Modernization Plan.

Integrated Resource Plans

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

Oklahoma Rate Case Filing

As previously reported in the Company's 2015 Form 10-K, on December 18, 2015, OG&E filed a general rate case with the OCC requesting a rate increase of \$92.5 million and a 10.25 percent return on equity based on a common equity percentage of 53 percent. The rate case was based on a June 30, 2015 test year and included recovery of \$1.6 billion of electric infrastructure additions since its last general rate case in Oklahoma, the impact of the expiration of OG&E's wholesale contracts, increased operating costs such as vegetation management and increased recovery of depreciation and plant dismantlement of approximately \$8.0 million. Each 0.25 percent change in the requested return on equity affects the requested rate increase by approximately \$9.0 million.

In late March 2016, the PUD Staff and other intervenors filed testimony in the case. The PUD Staff recommended a \$6.1 million annual rate increase based on a return on equity of 9.25 percent and a common equity percentage of 53.0

percent. Included in the PUD Staff's recommendation is a reduction of \$33.0 million to OG&E's requested increase for depreciation and plant dismantlement.

The staff of the Oklahoma Attorney General made a recommendation to reduce rates \$10.8 million based on a return on equity of 9.25 percent and a common equity percentage of 50 percent, as well as a recommendation to reduce rates \$13.7 million based on a return on equity of 8.90 percent and a common equity percentage of 53 percent. Included in the Attorney General's recommendation is a reduction of \$20.9 million to OG&E's requested increase for depreciation and plant dismantlement.

The Oklahoma Industrial Electric Consumers recommended a \$47.9 million annual rate decrease based on a return on equity of 9.00 percent and a common equity percentage of 53 percent. Included in the Oklahoma Industrial Electric Consumers' recommendation is a reduction of \$52.5 million to OG&E's requested increase for depreciation and plant dismantlement.

The hearings in this matter began on May 3, 2016. While there is no statutory deadline for the ALJ to make a recommendation or for the commission to issue a final order, OG&E is allowed to implement increased rates subject to refund 180 days after the filing of its application on December 18, 2015. On July 1, 2016, OG&E implemented an annual interim rate increase of \$69.5 million while simultaneously reducing fuel costs billed to customers. The interim rates are subject to refund of any amount recovered in excess of the rates ultimately approved by the OCC in the rate case.

As of September 30, 2016, the Company has recorded \$23.6 million of revenues from the interim rate increase and has reserved \$21.0 million of that revenue.

Arkansas Rate Case Filing

On August 25, 2016, OG&E filed a general rate case with the APSC. The rate filing requested a \$16.5 million rate increase based on a 10.25 percent return on equity. The rate increase was based on a June 30, 2016 test year and included a recovery of over \$3.0 billion of electric infrastructure additions since the last Arkansas general rate case in 2011. The increase also reflects increases in operation and maintenance expenses, including vegetation management, and increased recovery of depreciation and dismantlement costs. OG&E has a hearing scheduled for the rate case in the second quarter of 2017.

Fuel Adjustment Clause Review for Calendar Year 2015

On September 8, 2016, the OCC staff filed an application to review OG&E's fuel adjustment clause for calendar year 2015, including the prudence of OG&E's electric generation, purchased power and fuel procurement costs. OG&E has verbally agreed to a March 9, 2017 hearing date.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Introduction

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

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

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

North Dakota. Enable's natural gas transportation and storage assets extend from western Oklahoma and the Texas Panhandle to Alabama and from Louisiana to Illinois.

Over the course of 2015 and continuing into early 2016, natural gas and crude oil prices dropped to their lowest levels in over 10 years. During 2016, those prices increased, but have not rebounded to the pre-2015 levels. Based on these recent commodity prices, Enable has seen changes in producer activity that have negatively impacted Enable's operations and financial position and could see additional changes in producer activity that may negatively impact Enable's operations and affect its future distribution rates. If commodity prices decline further, Enable's future operating results and cash flows could be negatively impacted. A significant portion of our earnings and operating cash flows depend on the performance of, and distributions from, Enable. As disclosed in the Company's 2015 Form 10-K, Enable is subject to a number of risks. 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 November 1, 2016, Enable announced a quarterly dividend distribution of \$0.31800 per unit on its outstanding common and subordinated units, representing the same dividend distribution as the previous quarter.

Overview

Company Strategy

The Company's mission, through OG&E and its equity interest in Enable, is to fulfill its critical role in the nation's electric utility and natural gas midstream pipeline infrastructure and meet individual 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.

Additionally, the Company wants to achieve a premium valuation of its businesses relative to its peers, grow earnings per share with a stable earnings pattern, create a high performance culture and achieve desired outcomes with target stakeholders. The Company's financial objectives include a long-term annual earnings growth rate for OG&E of three to five percent on a weather-normalized basis, maintaining a strong credit rating as well as targeting dividend increases of approximately 10 percent annually through 2019. The targeted annual dividend increase has been determined after consideration of numerous factors, including the largely retail composition of the Company's shareholder base, the Company's financial position, the Company's growth targets and the composition of the Company's assets and investment opportunities. The Company also 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

Three Months Ended September 30, 2016 as Compared to Three Months Ended September 30, 2015

Net income attributable to the Company was \$183.6 million, or \$0.92 per diluted share, during the three months ended September 30, 2016 as compared to \$111.2 million, or \$0.55 per diluted share, during the same period in 2015. The increase in net income of \$72.4 million, or \$0.37 per diluted share, during the three months ended September 30, 2016 as compared to the same period in 2015 was primarily due to:

an increase in net income attributable to OGE Holdings of \$72.5 million, or \$0.37 per diluted share of the Company's common stock, primarily due to an increase in earnings of unconsolidated affiliates due to a goodwill impairment in 2015 partially offset by an increase in income taxes resulting from higher taxable income; and
an increase in net income at the Company of \$2.9 million, or \$0.02 per diluted share of the Company's common stock, primarily due to a decrease in income tax expense partially offset by an increase in losses associated with the deferred compensation plan.

These increases were partially offset by a decrease in net income at OG&E of \$3.0 million, or \$0.02 per diluted share of the Company's common stock, primarily due to an increase in other operation and maintenance expense, higher income tax expense, additional depreciation and amortization expense due to higher storm amortization and additional assets placed into service, and lower other income partially offset by an increase in gross margin and an increase in allowance for equity funds used during construction.

Nine Months Ended September 30, 2016 as Compared to Nine Months Ended September 30, 2015

Net income attributable to the Company was \$280.3 million, or \$1.40 per diluted share, during the nine months ended September 30, 2016 as compared to \$241.9 million, or \$1.21 per diluted share, during the same period in 2015. The increase in net income of \$38.4 million, or \$0.19 per diluted share, during the nine months ended September 30, 2016 as compared to the same period in 2015 was primarily due to:

an increase in net income attributable to OGE Holdings of \$49.3 million, or \$0.25 per diluted share of the Company's common stock, primarily due to an increase in earnings of unconsolidated affiliates due to a goodwill impairment in 2015, partially offset by an increase in operation and maintenance expense, due to the settlement of the Supplemental Executive Retirement Plan and the Restoration of Retirement Income Plan, as described

in Note 10, an increase in state income tax expense due to a change in Louisiana tax law and an increase in income taxes resulting from higher taxable income; partially offset by a decrease in net income at OG&E of \$10.7 million, or \$0.06 per diluted share of the Company's common stock, primarily due to an increase in other operation and maintenance expense, higher depreciation and amortization expense due to additional assets being placed into service and an increase in income tax expense. These decreases were partially offset by an increase in gross margin, lower interest expense, higher other income and lower taxes other than income.

2016 Outlook

The Company's 2016 earnings guidance is between \$344.0 million to \$366.0 million of net income, or \$1.72 to \$1.83 per average diluted share. The guidance assumes, among other things, approximately 200 million average diluted shares outstanding, normal weather for the remainder of the year and a final order before the end of 2016 from the OCC in OG&E's general rate case granting OG&E adequate rate relief. See the Company's 2015 Form 10-K for other key factors and assumptions underlying its 2016 earnings guidance.

Non-GAAP Financial Measures

Gross margin is defined by OG&E as operating revenues less fuel, purchased power and certain transmission expenses. Gross margin is a non-GAAP financial measure because it excludes depreciation and amortization, and other operation and maintenance expenses. Expenses for fuel and purchased power are recovered through fuel adjustment clauses and as a result changes in these expenses are offset in operating revenues with no impact on net income. OG&E believes gross margin provides a more meaningful basis for evaluating its operations across periods than operating revenues because gross margin excludes the revenue effect of fluctuations in these expenses. Gross margin is used internally to measure performance against budget and in reports for management and the Board of Directors. OG&E's definition of gross margin may be different from similar terms used by other companies.

Results of Operations

The following discussion and analysis presents factors that affected the Company's consolidated results of operations for the three and nine months ended September 30, 2016 as compared to the same period in 2015 and the Company's consolidated financial position at September 30, 2016. Due to seasonal fluctuations and other factors, the Company's operating results for the three and nine months ended September 30, 2016 are not necessarily indicative of the results that may be expected for the year ending December 31, 2016 or for any future period. The following information should be read in conjunction with the Condensed Consolidated Financial Statements and Notes thereto. Known trends and contingencies of a material nature are discussed to the extent considered relevant.

	Three Months Ended September 30,		Nine Months Ended September 30,	
(In millions except per share data)	2016	2015	2016	2015
Net income	\$183.6	\$111.2	\$280.3	\$241.9
Basic average common shares outstanding	199.7	199.7	199.7	199.6
Diluted average common shares outstanding	199.9	199.7	199.8	199.6
Basic earnings per average common share	\$0.92	\$0.55	\$1.40	\$1.21
Diluted earnings per average common share	\$0.92	\$0.55	\$1.40	\$1.21
Dividends declared per common share	\$0.30250	\$0.27500	\$0.85250	\$0.77500

Results by Business Segment

	Three Months		Nine Months	
	Ended		Ended	
(In millions)	September 30,		September 30,	
	2016	2015	2016	2015
Net income (loss) attributable to OGE Energy				
OG&E (Electric Utility)	\$159.9	\$162.9	\$238.3	\$249.0
OGE Holdings (Natural Gas Midstream Operations)	22.5	(50.0)	40.1	(9.2)
Other Operations (A)	1.2	(1.7)	1.9	2.1
Consolidated net income	\$183.6	\$111.2	\$280.3	\$241.9

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

The following discussion of results of operations by business segment includes intercompany transactions that are eliminated in the Condensed Consolidated Financial Statements.

OG&E (Electric Utility)

	Three Months Ended		Nine Months Ended	
(Dollars in millions)	September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015
Operating revenues	\$743.9	\$719.8	\$1,728.4	\$1,749.8
Cost of sales	269.8	259.8	645.4	682.3
Other operation and maintenance	115.2	107.4	356.3	337.3
Depreciation and amortization	80.8	75.9	235.9	224.0
Taxes other than income	20.9	21.0	63.6	65.7
Operating income	257.2	255.7	427.2	440.5
Allowance for equity funds used during construction	3.9	2.2	9.2	5.4
Other income	2.9	4.8	11.3	9.8
Other expense	0.8	0.4	2.2	1.3
Interest expense	34.3	36.4	104.8	110.5
Income tax expense	69.0	63.0	102.4	94.9
Net income	\$159.9	\$162.9	\$238.3	\$249.0
Operating revenues by classification				
Residential	\$351.9	\$318.1	\$750.0	\$726.7
Commercial	188.4	176.5	434.2	423.0
Industrial	60.4	59.2	147.4	150.2
Oilfield	47.3	49.1	118.4	128.2
Public authorities and street light	66.8	63.4	154.4	154.1
Sales for resale	—	0.9	0.2	21.7
System sales revenues	714.8	667.2	1,604.6	1,603.9
Provision for rate refund	(21.0)	—	(21.0)	—
Integrated market	13.2	13.5	33.0	34.8
Other	36.9	39.1	111.8	111.1
Total operating revenues	\$743.9	\$719.8	\$1,728.4	\$1,749.8
Reconciliation of gross margin to revenue:				
Operating revenues	\$743.9	\$719.8	\$1,728.4	\$1,749.8
Cost of sales	269.8	259.8	645.4	682.3
Gross margin	\$474.1	\$460.0	\$1,083.0	\$1,067.5
MWH sales by classification (In millions)				
Residential	3.2	3.1	7.3	7.4
Commercial	2.1	2.1	5.7	5.7
Industrial	1.0	1.0	2.8	2.8
Oilfield	0.8	0.8	2.4	2.5
Public authorities and street light	0.9	0.9	2.4	2.4
Sales for resale	—	—	—	0.5
System sales	8.0	7.9	20.6	21.3
Integrated market	0.7	0.4	1.5	1.1
Total sales	8.7	8.3	22.1	22.4
Number of customers	832,234	821,596	832,234	821,596
Weighted-average cost of energy per kilowatt-hour - cents				
Natural gas	2.688	2.668	2.366	2.666
Coal	2.222	2.209	2.251	2.170
Total fuel	2.337	2.300	2.175	2.245
Total fuel and purchased power	2.984	2.973	2.796	2.925

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Degree days (A)				
Heating - Actual	3	—	1,714	1,984
Heating - Normal	19	19	2,020	2,020
Cooling - Actual	1,450	1,372	2,082	1,993
Cooling - Normal	1,380	1,380	2,018	2,018

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.

Three Months Ended September 30, 2016 as Compared to Three Months Ended September 30, 2015

OG&E's net income decreased \$3.0 million, or 1.8 percent, during the three months ended September 30, 2016 as compared to the same period in 2015 primarily due to higher other operation and maintenance expense, higher income tax expense, higher depreciation and amortization expense and lower other income partially offset by higher gross margin, lower interest expense and lower taxes other than income.

Operating revenues were \$743.9 million during the three months ended September 30, 2016 as compared to \$719.8 million during the same period in 2015, an increase of \$24.1 million, or 3.3 percent. Cost of sales were \$269.8 million during the three months ended September 30, 2016 as compared to \$259.8 million during the same period in 2015, an increase of \$10.0 million, or 3.8 percent. Gross margin was \$474.1 million during the three months ended September 30, 2016 as compared to \$460.0 million during the same period in 2015, an increase of \$14.1 million, or 3.1 percent. The below factors contributed to the change in gross margin:

(In millions)	Change
Interim rate increase - Oklahoma (A)	\$ 23.6
Reserve for rate refund (A)	(21.0)
Price variance (B)	10.8
Non-residential demand and related revenues	1.1
New customer growth	0.8
Quantity variance (primarily weather)	0.7
Other	0.1
Expiration of AVEC contract (C)	(0.6)
Wholesale transmission revenue	(1.4)
Change in gross margin	\$ 14.1

As discussed in Note 13, on July 1, 2016, OG&E implemented an annual interim rate increase of \$69.5 million.

(A) Interim rates are subject to refund of any amount recovered in excess of the rates ultimately approved by the OCC in the general rate case.

(B) Increased primarily due to the pricing impact of weather related sales.

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

Cost of sales for OG&E consists of fuel used in electric generation, purchased power and transmission related charges.

Fuel expense was \$164.5 million during the three months ended September 30, 2016 as compared to \$148.7 million during the same period in 2015, an increase of \$15.8 million, or 10.6 percent, primarily due to an increase in generation. Purchased power costs were \$92.7 million during the three months ended September 30, 2016 as compared to \$100.3 million during the same period in 2015, a decrease of \$7.6 million, or 7.6 percent, primarily due to a decrease of \$5.7 million in purchases from the SPP and a decrease of \$1.6 million in cogeneration purchases.

Transmission expense is charged to OG&E by the SPP for the utilization of transmission systems owned by other SPP members and is recovered from retail customers through the SPP Cost Tracker in Oklahoma and through the Transmission Cost Recovery Rider in Arkansas. Transmission related charges were \$12.6 million during the three months ended September 30, 2016 as compared to \$10.8 million during the same period in 2015, an increase of \$1.8 million, or 16.7 percent, primarily due to higher SPP charges for the base plan projects of other utilities.

The actual cost of fuel used in electric generation and certain purchased power costs are passed through to OG&E's customers through fuel adjustment clauses. The fuel adjustment clauses are subject to periodic review by the OCC, the APSC and the FERC. The OCC, the APSC and the FERC have authority to review the appropriateness of gas transportation charges or other fees OG&E pays to its affiliate, Enable.

Operating Expenses

Other operation and maintenance expense was \$115.2 million during the three months ended September 30, 2016 as compared to \$107.4 million during the same period in 2015, an increase of \$7.8 million, or 7.3 percent. The below factors contributed to the change in other operation and maintenance expense:

(In millions)	Change
Salaries and wages (A)	\$ 3.5
Contract professional services (B)	3.4
Marketing (related to demand side management)	2.2
Maintenance at power plants (C)	1.7
Corporate allocations and overheads	0.4
Injuries and damages	(1.1)
Capitalized labor (D)	(2.3)
Change in other operation and maintenance expense	\$ 7.8

(A) Increased primarily due to increased overtime and an increase in incentive compensation.

(B) Increased primarily due to increased engineering services.

(C) Increased primarily due to increased work performed at the power plants.

(D) Decreased primarily due to capitalized labor related to storms.

Depreciation and amortization expense was \$80.8 million during the three months ended September 30, 2016 as compared to \$75.9 million during the same period in 2015, an increase of \$4.9 million, or 6.5 percent, primarily due to higher storm amortization and additional assets being placed in service.

Additional Information

Allowance for Equity Funds Used During Construction. Allowance for Equity Funds Used During Construction was \$3.9 million during the three months ended September 30, 2016 as compared to \$2.2 million during the same period in 2015, an increase of \$1.7 million or 77.3 percent, primarily due to higher construction work in progress balances resulting from increased spending for environmental projects.

Other Income. Other income was \$2.9 million during the three months ended September 30, 2016 as compared to \$4.8 million during the same period in 2015, a decrease of \$1.9 million, or 39.6 percent, primarily due to lower guaranteed flat bill margins and lower non-utility income from contract work partially offset by an increase in the tax gross up related to higher allowance for funds used during construction.

Income Tax Expense. Income tax expense was \$69.0 million during the three months ended September 30, 2016 as compared to \$63.0 million during the same period in 2015, an increase of \$6.0 million, or 9.5 percent, primarily due to higher pre-tax income and a reduction in wind related tax credits generated.

Nine Months Ended September 30, 2016 as Compared to Nine Months Ended September 30, 2015

OG&E's net income decreased \$10.7 million, or 4.3 percent, during the nine months ended September 30, 2016 as compared to the same period in 2015 primarily due to higher other operation and maintenance expense, higher depreciation and amortization expense and higher income tax expense partially offset by higher gross margin, lower interest expense, higher other income and lower taxes other than income.

Operating revenues were \$1,728.4 million during the nine months ended September 30, 2016 as compared to \$1,749.8 million during the same period in 2015, a decrease of \$21.4 million, or 1.2 percent. Cost of sales were \$645.4 million during the nine months ended September 30, 2016 as compared to \$682.3 million during the same period in 2015, a decrease of \$36.9 million, or 5.4 percent. Gross margin was \$1,083.0 million during the nine months ended September 30, 2016 as compared to \$1,067.5 million during the same period in 2015, an increase of \$15.5 million, or 1.5 percent. The below factors contributed to the change in gross margin:

(In millions)	Change
Interim rate increase - Oklahoma (A)	\$ 23.6
Reserve rate for refund (A)	(21.0)
Price variance (B)	21.2
Wholesale transmission revenue (C)	4.7
New customer growth	1.9
Non-residential demand and related revenues	(0.6)
Quantity variance (primarily weather)	(1.5)
Other	(3.1)
Expiration of AVEC contract (D)	(9.7)
Change in gross margin	\$ 15.5

As discussed in Note 13, on July 1, 2016, OG&E implemented an annual interim rate increase of \$69.5 million.

- (A) Interim rates are subject to refund of any amount recovered in excess of the rates ultimately approved by the OCC in the general rate case.
- (B) Increased primarily due to the reversal of a reserve for gas transportation charges in addition to the pricing impact of weather related sales.
- (C) Increased primarily due to a true up for the base plan projects in the SPP formula rate for 2014 and 2015 as well as a true up for Network Integration Transmission Services in the SPP formula rate for 2015.
- (D) On June 30, 2015, the wholesale power contract with AVEC expired.

Cost of sales for OG&E consists of fuel used in electric generation, purchased power and transmission related charges. Fuel expense was \$330.1 million during the nine months ended September 30, 2016 as compared to \$368.4 million during the same period in 2015, a decrease of \$38.3 million, or 10.4 percent, primarily due to a decrease in generation due to lower sales. Purchased power costs were \$276.8 million during the nine months ended September 30, 2016 as compared to \$280.9 million during the same period in 2015, a decrease of \$4.1 million, or 1.5 percent, primarily due to a decrease of \$8.5 million in purchases from the SPP partially offset by an increase of \$2.4 million in wind purchases, an increase of \$1.4 million in cogeneration purchases and an increase of \$0.5 million from transmission and curtailment expenses. Transmission expense is charged to OG&E by the SPP for the utilization of transmission systems owned by other SPP members and is recovered from retail customers through the SPP Cost Tracker in Oklahoma and through the Transmission Cost Recovery Rider in Arkansas. Transmission related charges were \$38.5 million during the nine months ended September 30, 2016 as compared to \$33.0 million during the same period in 2015, an increase of \$5.5 million, or 16.7 percent, primarily due to higher SPP charges for the base plan projects of other utilities.

Operating Expenses

Other operation and maintenance expense was \$356.3 million during the nine months ended September 30, 2016 as compared to \$337.3 million during the same period in 2015, an increase of \$19.0 million, or 5.6 percent. The below factors contributed to the change in other operation and maintenance expense:

(In millions)	Change
Salaries and wages (A)	\$6.2
Contract professional services (B)	4.7
Maintenance at power plants (C)	4.6
Corporate allocations and overheads (D)	4.5
Vegetation management (E)	3.6
Marketing (related to demand side management)	2.8
Employee benefits	(1.1)
Injuries and damages	(1.1)
Software expense	(1.5)
Capitalized labor (F)	(3.8)
Change in other operation and maintenance expense	\$18.9

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

(B) Increased primarily due to increased engineering services.

(C) Increased primarily due to increased work performed at the power plants.

(D) Increased primarily due to additional information technology and facility direct support.

(E) Increased primarily due to timing of vegetation management.

(F) Decreased primarily due to capitalized labor related to storms.

Depreciation and amortization expense was \$235.9 million during the nine months ended September 30, 2016 as compared to \$224.0 million during the same period in 2015, an increase of \$11.9 million, or 5.3 percent, primarily due to additional assets being placed in service.

Additional Information

Allowance for Equity Funds Used During Construction. Allowance for Equity Funds Used During Construction was \$9.2 million during the nine months ended September 30, 2016 as compared to \$5.4 million during the same period in 2015, an increase of \$3.8 million, or 70.4 percent, primarily due to higher construction work in progress balances resulting from increased spending for environmental projects.

Other Income. Other income was \$11.3 million during the nine months ended September 30, 2016 as compared to \$9.8 million during the same period in 2015, an increase of \$1.5 million, or 15.3 percent, primarily due to an increase in the tax gross up related to higher allowance for funds used during construction partially offset by lower non-utility income from contract work.

Allowance for Borrowed Funds Used During Construction. Allowance for Borrowed Funds Used During Construction was \$4.7 million during the nine months ended September 30, 2016 as compared to \$2.7 million during the same period in 2015, an increase of \$2.0 million, or 74.1 percent, primarily due to higher construction work in progress balances resulting from increased spending for environmental projects.

Income Tax Expense. Income tax expense was \$102.4 million during the nine months ended September 30, 2016 as compared to \$94.9 million during the same period in 2015, an increase of \$7.5 million, or 7.9 percent, primarily due to a reduction in wind related tax credits generated partially offset by lower pretax income.

OGE Holdings (Natural Gas Midstream Operations)

(In millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Operating revenues	\$—	\$—	\$—	\$—
Cost of sales	—	—	—	—
Other operation and maintenance	(0.1)	4.9	7.9	5.9
Depreciation and amortization	—	—	—	—
Taxes other than income	—	—	—	—
Operating income (loss)	0.1	(4.9)	(7.9)	(5.9)
Equity in earnings of unconsolidated affiliates	34.5	(71.9)	79.5	(12.0)
Income before taxes	34.6	(76.8)	71.6	(17.9)
Income tax expense	12.1	(26.8)	31.5	(8.7)
Net income (loss) attributable to OGE Holdings	\$22.5	\$(50.0)	\$40.1	\$(9.2)

Three Months Ended September 30, 2016 as Compared to Three Months Ended September 30, 2015

OGE Holding's earnings before taxes increased \$111.4 million for the three months ended September 30, 2016 as compared to the same period in 2015, primarily due to an increase in equity in earnings of Enable of \$106.4 million. This increase in the Company's equity in earnings of Enable was attributable primarily to an increase in Enable's operating income, which increased \$1,114.0 million during the three months ended September 30, 2016 as compared to the same period in 2015. Goodwill and asset impairments recorded in the third quarter of 2015 represented \$1,097.0 million of such \$1,114.0 million increase. In addition to the \$108.4 million goodwill impairment that the Company recognized during 2015, other factors that contributed to the increase in Enable's operating income and their impact on the Company's equity in earnings of Enable included a decrease in operation and maintenance expense and administrative expense of \$22.0 million that increased the Company's equity in earnings of Enable by \$6.0 million, partially offset by a decrease in Enable's gross margin of \$7.0 million that decreased the Company's equity in earnings of Enable by \$2.0 million.

Income tax expense was \$12.1 million during the three months ended September 30, 2016 as compared to an income tax benefit of \$26.8 million during the same period in 2015, an increase of \$38.9 million primarily due to higher pretax operating income.

Nine Months Ended September 30, 2016 as Compared to Nine Months Ended September 30, 2015

OGE Holding's earnings before taxes increased \$89.5 million for the nine months ended September 30, 2016 as compared to the same period in 2015, primarily due to an increase in equity in earnings of Enable of \$91.5 million. This increase in the Company's equity in earnings of Enable was attributable primarily to an increase in Enable's operating income, which increased \$1,077.0 million during the nine months ended September 30, 2016 as compared to the same period in 2015. Goodwill and asset impairments recorded in the third quarter 2015 represented \$1,097.0 million of such \$1,077.0 million increase. In addition to the \$108.4 million goodwill impairment that the Company recognized during 2015, other factors that contributed to the increase in Enable's operating income and their impact on the Company's equity in earnings of Enable included a decrease in operation and maintenance expense and administrative expense of \$48.0 million that increased the Company's equity in earnings of Enable by \$13.0 million, partially offset by a decrease in Enable's gross margin primarily related to gathering and processing of \$45 million that decreased the Company's equity in earnings of Enable by \$12.0 million.

As discussed above, the Company reported a settlement of its Supplemental Executive Retirement Plan and its non-qualified Restoration of Retirement Income Plan. As a result, OGE Holdings recorded pension settlement charges of \$7.9 million for the nine months ended September 30, 2016.

Income tax expense was \$31.5 million during the nine months ended September 30, 2016 as compared to an income tax benefit of \$8.7 million during the same period in 2015, an increase of \$40.2 million primarily due to higher pretax operating income and a state deferred tax revaluation resulting from a change in Louisiana tax law.

Enable Results of Operations

The following table represents summarized financial information of Enable for the three and nine months ended September 30, 2016 as compared to the same period in 2015:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(In millions)	2016	2015	2016	2015
Operating revenues	\$620	\$646	\$1,658	\$1,852
Cost of natural gas and natural gas liquids	268	287	717	856
Operating income	139	(975)	299	(778)
Net income	110	(985)	231	(817)

Enable Operating Data

The following table presents Enable's operating data for the three and nine months ended September 30, 2016 as compared to the same period in 2015:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Gathered volumes - TBtu/d	3.16	3.17	3.11	3.17
Transportation volumes - TBtu/d	4.79	4.62	4.92	5.10
Natural gas processed volumes - TBtu/d	1.78	1.87	1.78	1.79
NGLs sold - million gallons/d (A)(B)	73.45	81.63	77.93	74.45

(A) Excludes condensate.

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

Reconciliation of Equity in Earnings of Unconsolidated Affiliates

The following table reconciles the Company's equity in earnings of its unconsolidated affiliates for the three and nine months ended September 30, 2016 as compared to the same period in 2015:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(In millions)	2016	2015	2016	2015
Reconciliation of Equity in Earnings (Loss) of Unconsolidated Affiliates				
Enable net income (loss)	\$110.1	\$(985.1)	\$230.8	\$(817.3)
Distributions senior to limited partners	(9.1)	—	(9.1)	—
Differences due to timing of OGE Energy and Enable accounting close and permanent items	3.0	4.2	(3.6)	9.9
Differences due to timing of OGE Energy and Enable accounting close and permanent items	\$104.0	\$(980.9)	\$218.1	\$(807.4)
OGE Energy's percent ownership	26.3	%26.3	%26.3	%26.3
OGE Energy's portion of Enable net income (loss)	\$27.3	\$(257.2)	\$57.5	\$(212.0)

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Impairments recognized by Enable associated with OGE Energy's basis differences	—	177.7	0.6	177.7
OGE Energy's share of Enable net income (loss)	27.3	(79.5)	58.1	(34.3)
Amortization of basis difference	2.9	3.5	8.8	10.6
Elimination of Enable fair value step up	4.3	4.1	12.6	11.7
Equity in earnings (loss) of unconsolidated affiliates	\$34.5	\$(71.9)	\$79.5	\$(12.0)

Off-Balance Sheet Arrangement

There have been no significant changes in the Company's off-balance sheet arrangement from that discussed in the Company's 2015 Form 10-K. The Company has no off-balance sheet arrangements with equity method investments that would affect its liquidity.

Liquidity and Capital Resources

Working Capital

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

Cash and Cash Equivalents. There was no balance in Cash and Cash Equivalents at September 30, 2016 compared to a balance of \$75.2 million at December 31, 2015, primarily due to the use of cash and payment of long-term debt of \$110.0 million that matured in January 2016.

Accounts Receivable and Accrued Unbilled Revenues. The balance of Accounts Receivable and Accrued Unbilled Revenues was \$297.7 million and \$228.3 million at September 30, 2016 and December 31, 2015, respectively, an increase of \$69.4 million, or 30.4 percent, primarily due to an increase in billings to OG&E's retail customers reflecting higher usage due to warmer weather in September 2016 as compared to December 2015.

Fuel Inventories. The balance of Fuel Inventories was \$87.6 million and \$113.8 million at September 30, 2016 and December 31, 2015, respectively, a decrease of \$26.2 million, or 23.0 percent, primarily due to lower coal inventory balances at OG&E from higher coal generation.

Other Current Assets. The balance of Other Current Assets was \$68.2 million and \$55.6 million at September 30, 2016 and December 31, 2015, respectively, an increase of \$12.6 million, or 22.7 percent, primarily due to reduced revenue collections from customers and increased revenue requirements that are not included in current rates.

Short-Term Debt. The balance of Short-term Debt was \$213.2 million at September 30, 2016 compared to no balance at December 31, 2015. The Company borrows on a short-term basis, as necessary, by the issuance of commercial paper and by borrowings under its revolving credit agreements.

Accounts Payable. The balance of Accounts Payable was \$129.4 million and \$262.5 million at September 30, 2016 and December 31, 2015, respectively, a decrease of \$133.1 million, or 50.7 percent, primarily due to the timing of vendor payments and a decrease in accruals.

Accrued Taxes. The balance of Accrued Taxes was \$58.7 million and \$45.9 million at September 30, 2016 and December 31, 2015, respectively, an increase of \$12.8 million, or 27.9 percent, primarily resulting from ad valorem tax accruals of approximately \$77.5 million offset by payments of approximately \$64.7 million.

Accrued Interest. The balance of Accrued Interest was \$33.0 million and \$42.9 million at September 30, 2016 and December 31, 2015, respectively, a decrease of \$9.9 million, or 23.1 percent, primarily due to long-term debt that matured in January 2016 and the timing of interest payments on long-term debt.

Accrued Compensation. The balance of Accrued Compensation was \$34.1 million and \$54.4 million at September 30, 2016 and December 31, 2015, respectively, a decrease of \$20.3 million, or 37.3 percent, primarily resulting from the payment of retirement restoration benefits at June 30, 2016.

Long-Term Debt Due Within One Year. The balance of Long-Term Debt Due Within One Year was \$124.9 million and \$110.0 million at September 30, 2016 and December 31, 2015, respectively, an increase of \$14.9 million, or 13.5 percent, primarily due to long-term debt that matured in January 2016 and the reclassification of long-term debt that will mature July 2017.

Fuel Clause Over Recoveries. The balance of Fuel Clause Over Recoveries was \$1.4 million and \$61.3 million at September 30, 2016 and December 31, 2015, respectively, a decrease of \$59.9 million, or 97.7 percent, primarily due to lower amounts billed to OG&E retail customers as compared to the actual cost of fuel and purchased power.

Other Current Liabilities. The balance of Other Current Liabilities was \$62.8 million and \$43.9 million at September 30, 2016 and December 31, 2015, respectively, an increase of \$18.9 million, or 43.1 percent, primarily due to revenue that has been collected from customers but is reserved and subject to refund until the Company receives a rate case order from the OCC.

Cash Flows

(In millions)	Nine Months			
	Ended		September 30, 2016 vs. 2015	
	2016	2015	\$	%
Net cash provided from operating activities	\$426.9	\$609.1	\$(182.2)	(29.9)%
Net cash used in investing activities	(440.5)	(335.9)	(104.6)	31.1%
Net cash used in financing activities	(61.6)	(235.4)	173.8	(73.8)%

Operating Activities

The decrease of \$182.2 million, or 29.9 percent, in net cash provided from operating activities during the nine months ended September 30, 2016 as compared to the same period in 2015 was primarily due to higher fuel refunds during the nine months ended September 30, 2016 as compared to higher fuel recoveries in 2015 at OG&E.

Investing Activities

The increase of \$104.6 million, or 31.1 percent, in net cash used in investing activities during the nine months ended September 30, 2016 as compared to the same period in 2015 was primarily due to an increase in capital expenditures related to environmental projects at OG&E and a decrease in investments related to return of capital from Enable.

Financing Activities

The decrease of \$173.8 million, or 73.8 percent, in net cash used in financing activities during the nine months ended September 30, 2016 as compared to the same period in 2015 was primarily due to an increase in short-term debt partially offset by the payment of long-term debt in January of 2016 and an increase in the payment of dividends.

Future Capital Requirements and Financing Activities

The Company's primary needs for capital are related to acquiring or constructing new facilities and replacing or expanding existing facilities at OG&E. Other working capital requirements are expected to be primarily related to maturing debt, operating lease obligations, fuel clause under and over recoveries and other general corporate purposes.

The Company generally meets its cash needs through a combination of cash generated from operations, short-term borrowings (through a combination of bank borrowings and commercial paper) and permanent financings.

Capital Expenditures

The Company's consolidated estimates of capital expenditures for the years 2016 through 2020 are shown in the following table. These capital expenditures represent the base maintenance capital expenditures (i.e., capital expenditures to maintain and operate the Company's business) plus capital expenditures for known and committed projects. Estimated capital expenditures for Enable are not included in the table below.

(In millions)	2016	2017	2018	2019	2020
OG&E Base Transmission	\$50	\$35	\$30	\$30	\$30
OG&E Base Distribution	185	195	175	175	175
OG&E Base Generation	45	40	75	75	75
OG&E Other	40	35	25	25	25
Total Base Transmission, Distribution, Generation and Other	320	305	305	305	305
OG&E Known and Committed Projects:					
Transmission Projects:					
Other Regionally Allocated Projects (A)	45	55	20	20	20
Large SPP Integrated Transmission Projects (B) (C)	20	150	20	—	—
Total Transmission Projects	65	205	40	20	20
Other Projects:					
Environmental - low NO _x burners (D)	20	10	—	—	—
Environmental - dry scrubbers (D)	125	145	85	25	—
Combustion turbines - Mustang	150	160	30	—	—
Environmental - natural gas conversion (D)	—	20	25	25	—
Allowance of funds used during construction and ad valorem taxes	20	55	40	5	—
Total Other Projects	315	390	180	55	—
Total Known and Committed Projects	380	595	220	75	20
Total	\$700	\$900	\$525	\$380	\$325

(A) Typically 100kV to 299kV projects. Approximately 30 percent of revenue requirement allocated to SPP members other than OG&E.

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

(C) Project Type	Project Description	Estimated Cost (In millions)	Projected In-Service Date
Integrated Transmission Project	30 miles of transmission line from OG&E's Gracemont substation to an AEP companion transmission line to its Elk City substation. Approximately \$5.0 million of the estimated cost has been spent prior to 2016.	\$45	Late 2017
Integrated Transmission Project	126 miles of transmission line from OG&E's Woodward District Extra High Voltage substation to OG&E's Cimarron substation; construction of the Mathewson substation on this transmission line. Approximately \$55.0 million of the estimated cost associated with the Mathewson to Cimarron line and substations will go into service in 2016; \$35.0 million has been spent prior to 2016.	\$185	Mid 2018

Represent capital costs associated with OG&E's ECP to comply with the EPA's MATS and Regional Haze Rule.

(D) More detailed discussion regarding the Regional Haze Rule and OG&E's ECP can be found in Note 13 and under "Environmental Laws and Regulations" within "Management's Discussion and Analysis of Financial Condition and Results of Operations" under Part I, Item 2 of this Form 10-Q.

Additional capital expenditures beyond those identified in the table above, including additional incremental growth opportunities in electric transmission assets, will be evaluated based on their impact on the Company's financial objectives.

Pension Plan Funding

In July 2016, the Company contributed \$20.0 million to its Pension Plan. No additional contributions are expected in 2016.

Security Ratings

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

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

Future Sources of Financing

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

Short-Term Debt and Credit Facilities

Short-term borrowings generally are used to meet working capital requirements. The Company borrows on a short-term basis, as necessary, by the issuance of commercial paper and by borrowings under its revolving credit agreement. The Company has revolving credit facilities totaling in the aggregate \$1,150.0 million. These bank facilities can also be used as letter of credit facilities. As of September 30, 2016, the Company had \$213.2 million of short-term debt as compared to no balance at December 31, 2015. The average balance of short-term debt during the nine months ended September 30, 2016 was \$222.1 million at a weighted-average interest rate of 0.74 percent. The maximum month-end balance of short-term debt during the nine months ended September 30, 2016 was \$355.6 million. At September 30, 2016, there were \$1.7 million supporting letters of credit at a weighted-average interest rate of 0.95 percent. At September 30, 2016, the Company had \$935.1 million of net available liquidity under its revolving credit agreements. OG&E has the necessary regulatory approvals to incur up to \$800.0 million in short-term borrowings at any one time for a two-year period beginning January 1, 2015 and ending December 31, 2016. OG&E has requested renewal of this authority for an additional two-year period and expects to receive approval prior to the expiration of its current authority. At September 30, 2016, the Company had no balance in cash and cash equivalents. See Note 9 for a discussion of the Company's short-term debt activity.

Quarterly Distributions by Enable

Pursuant to the Enable Limited Partnership Agreement, during the three and nine months ended September 30, 2016, Enable made distributions of \$35.3 million and \$105.9 million, respectively, to the Company. On June 22, 2016, Enable's Limited Partnership Agreement was amended to change the last permitted distribution date from 45 days to 60 days after the close of each quarter. Enable's General Partner Agreement was amended to change the distribution

deadline from 50 days after the close of each quarter to five days following distributions by Enable.
Critical Accounting Policies and Estimates

The Condensed Consolidated Financial Statements and Notes to Condensed Consolidated Financial Statements contain information that is pertinent to Management's Discussion and Analysis. In preparing the Condensed Consolidated Financial Statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and contingent liabilities at the date of the Condensed Consolidated Financial Statements and the reported amounts of revenues and expenses during the reporting period. Changes to these assumptions and estimates could have a material effect on the Company's Condensed Consolidated Financial Statements. However, the Company believes it has taken reasonable positions where assumptions and estimates are used in order to minimize the negative financial impact to the Company that could result if actual results vary from the assumptions and estimates.

In management's opinion, the areas of the Company where the most significant judgment is exercised for all Company segments includes the determination of Pension Plan assumptions, income taxes, contingency reserves, asset retirement obligations and depreciable lives of property, plant and equipment. For the electric utility segment, significant judgment is also exercised in the determination of regulatory assets and liabilities and unbilled revenues. The selection, application and disclosure of the Company's critical accounting estimates have been discussed with the Company's Audit Committee and are discussed in detail in Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the Company's 2015 Form 10-K.

Commitments and Contingencies

In the normal course of business, the Company is confronted with issues or events that may result in a contingent liability. These generally relate to lawsuits or claims made by third parties, including governmental agencies. When appropriate, management consults with legal counsel and other experts to assess the claim. If, in management's opinion, the Company has incurred a probable loss as set forth by GAAP, an estimate is made of the loss and the appropriate accounting entries are reflected in the Company's Condensed Consolidated Financial Statements. At the present time, based on available information, the Company believes that any reasonably possible losses in excess of accrued amounts arising out of pending or threatened lawsuits or claims would not be quantitatively material to its financial statements and would not have a material adverse effect on the Company's consolidated financial position, results of operations or cash flows. See Notes 12 and 13 for a discussion of the Company's commitments and contingencies.

Environmental Laws and Regulations

The activities of OG&E are subject to numerous, stringent and complex Federal, state and local laws and regulations governing environmental protection. These laws and regulations can change, restrict or otherwise impact OG&E's business activities in many ways including the handling or disposal of waste material, future construction activities to avoid or mitigate harm to threatened or endangered species and requiring the installation and operation of emissions pollution control equipment. Failure to comply with these laws and regulations could result in the assessment of administrative, civil and criminal penalties, the imposition of remedial requirements and the issuance of orders enjoining future operations. OG&E believes that its operations are in substantial compliance with current Federal, state and local environmental standards. These environmental laws and regulations are discussed in detail in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the Company's 2015 Form 10-K. Except as set forth below, there have been no material changes to such items.

Air

Federal Clean Air Act Overview

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

Regional Haze Control Measures

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

On February 18, 2010, Oklahoma submitted its SIP to the EPA, which set forth the state's plan for compliance with Regional Haze Rule. On December 28, 2011, the EPA issued a final Regional Haze Rule for Oklahoma in which it rejected the SO₂ portion of the previously submitted Oklahoma SIP and issued a FIP in its place. OG&E and the State of Oklahoma's subsequent appeal of the FIP with the Tenth Circuit of Appeals and the U.S. Supreme Court ended on May 27, 2014 when the Supreme Court denied Petition for Certiorari, upholding the EPA's FIP for SO₂. The FIP compliance date is now January 4, 2019.

On December 9, 2015, the EPA released a final rule partially disapproving the revisions to the 2010 Oklahoma SIP for Regional Haze Rule and promulgated FIPs in their place for Oklahoma and Texas. The EPA disapproved portions of the Oklahoma SIP related to the establishment of reasonable progress goals for the Class I area located within the state and promulgated revised

reasonable progress goals based on the FIP implementation in Texas. As a result, no further requirements are required in Oklahoma to meet the 2018 reasonable progress goals for Oklahoma.

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

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

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

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

On February 12, 2016, OG&E filed an application requesting the OCC to issue an order approving its decision to install dry scrubbers at the Sooner facility on or before May 2, 2016. OG&E's application did not seek approval of the costs of the dry scrubber project. Instead, the reasonableness of the costs would be considered after the project is completed and OG&E seeks recovery in its rates. On April 28, 2016, the OCC approved the dry scrubber project and OG&E is proceeding with the project. Two parties to the proceeding have appealed the OCC's decision to the Oklahoma Supreme Court. After the OCC provides a certified record to the Oklahoma Supreme Court, the parties will file briefs by the end of 2016 or the first quarter of 2017.

As of September 30, 2016, OG&E has incurred \$138.6 million of construction work in progress on the dry scrubbers.

Cross-State Air Pollution Rule

In August 2011, the EPA finalized its CSAPR that required 27 states in the eastern half of the United States to reduce power plant emissions that contribute to ozone and particulate matter pollution in other states. In December 2011, the EPA published a supplemental CSAPR, which would make six additional states, including Oklahoma, subject to the CSAPR for NO_x emissions during the ozone-season from May 1 through September 30. Under the rule, OG&E would

have been required to reduce ozone-season NO_x emissions from its electrical generating units within the state beginning in 2012. In response to legal challenges of the final rule on December 30, 2011, the U.S. Court of Appeals issued a stay of the rule, which includes the supplemental rule, pending a decision on the merits. By order dated August 21, 2012, the Court of Appeals vacated the CSAPR and ordered the EPA to promulgate a replacement rule. On April 29, 2014, the U.S. Supreme Court reversed the decision by the Court of Appeals. On October 23, 2014, the Court of Appeals for the District of Columbia Circuit granted the EPA's request that the court lift the stay of the CSAPR. The EPA subsequently clarified that compliance with the CSAPR would begin in 2015 using the amount of allowances originally scheduled to be available in 2012. As of December 31, 2015, OG&E has installed five low NO_x burner systems on two Muskogee units, two Sooner units and one Seminole unit and is in compliance with the final rule. In the meantime, the petitions for review of the supplemental rule remain pending before the D.C. Circuit Court of Appeals for consideration of issues that are not addressed by the Supreme Court's decision.

On September 7, 2016, the EPA finalized an update to the 2011 CSAPR which had been previously remanded back to the EPA by the D.C. Circuit Court of Appeals. The new rule, which was proposed on December 3, 2015, applies to ozone season, NO_x only, in 22 eastern states including Oklahoma, utilizes a cap and trade program for NO_x emissions and will take effect on May 1, 2017. The final rule reduces the 2016 CSAPR emissions cap from all seven of OG&E's coal and gas facilities by 47 percent combined. The Company does not anticipate additional capital expenditures beyond what has been disclosed to comply with this new rule, and does not expect the reduced emissions cap will have a material impact on the Company's consolidated financial position, results of operations or cash flows.

Hazardous Air Pollutants Emission Standards

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

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

Federal Clean Air Act New Source Review Litigation

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

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

On August 12, 2013, the Sierra Club filed a separate complaint against OG&E in the United States District Court for the Eastern District of Oklahoma alleging that OG&E projects at Muskogee Unit 6 in 2008 were made without obtaining a prevention of significant deterioration permit and that the plant had exceeded emissions limits for opacity and particulate matter. The Sierra Club sought a permanent injunction preventing OG&E from operating the Muskogee generating plant. On March 4, 2014, the District Court dismissed the prevention of significant deterioration permit claim based on the statute of limitations, but allowed the opacity and particulate matter claims to proceed. To obtain the right to appeal this decision, the Sierra Club subsequently withdrew a Notice of Intent to Sue for additional Clean Air Act violations and asked the District Court to dismiss its remaining claims with prejudice. On August 27, 2014, the District Court granted the Sierra Club's request. The Sierra Club appealed the District Court's dismissal of its prevention of significant deterioration claim to the United States Court of Appeals for the Tenth Circuit. On March 8,

2016, the Tenth Circuit affirmed the trial court's decision dismissing the Sierra Club's case. On March 21, 2016, the Sierra Club filed a request for rehearing en banc with the Tenth Circuit. On April 13, 2016, the Tenth Circuit denied the request for rehearing. The Sierra Club did not seek review of the case by the United States Supreme Court. OG&E considers this case now closed.

National Ambient Air Quality Standards

The EPA is required to set NAAQS for certain pollutants considered to be harmful to public health or the environment. The Clean Air Act requires the EPA to review each NAAQS every five years. As a result of these reviews, the EPA periodically has taken action to adopt more stringent NAAQS for those pollutants. If any areas of Oklahoma were to be designated as not attaining the NAAQS for a particular pollutant, the Company could be required to install additional emission controls on its facilities to help the state achieve attainment with the NAAQS. As of September 30, 2016, no areas of Oklahoma had been designated as non-attainment for pollutants that are likely to affect the Company's operations. Several processes are under way to designate areas in Oklahoma as attaining or not attaining revised NAAQS. The Company is monitoring those processes and their possible impact on its operations but, at this time, cannot determine with any certainty whether they will cause a material impact to the Company's financial results.

In August of 2013, the Sierra Club and the Natural Resources Defense Council filed a complaint under the citizen suit provision of the Clean Air Act based on the EPA's failure to promulgate and publish designations for the 2010 revised primary SO₂ NAAQS. On March 2, 2015, the U.S. District Court for the Northern District of California issued an order granting the EPA and the Sierra Club's joint motion to approve and enter a consent decree that set forth mandatory deadlines for the EPA to issue designations for all areas of the country that remained undesignated. On September 18, 2015 the ODEQ reported to the EPA that no areas in Oklahoma should be designated as non-attainment for the 2010 SO₂ standard. In a letter dated February 11, 2016, EPA Region 6 notified Oklahoma of their intent to designate part of Muskogee County in which OG&E's Muskogee Power Plant is located, as non-attainment for the 2010 SO₂ NAAQS. This new designation was required to be finalized according to the EPA-Sierra Club consent decree by July 2, 2016. On June 17, 2016 and again on August 30, 2016, the EPA and the Sierra Club entered into a joint agreement to extend the July 2, 2016 deadline for certain areas including the Muskogee area. The date for a final EPA decision on the proposed designation for the Muskogee area is pending. The EPA published final decisions on all other areas not subject to the extension on July 2, 2016. In this decision, Noble County, in which the Sooner plant is located, was deemed to be in attainment with the 2010 standard. On August 21, 2015, the EPA finalized a data requirements rule for implementing the 2010 SO₂ standard requiring air agencies to characterize air quality around sources that emit 2,000 tons per year or more of SO₂ via air quality modeling or ambient air monitoring. On June 28, 2016, the ODEQ filed their emissions monitoring plan with the EPA in compliance with the rule, stating that ambient monitoring will be used as the method for characterizing air quality for sources which release 2,000 tons of SO₂ per year or more. At this time, OG&E cannot determine with any certainty whether this determination will cause a material impact to the Company's financial results.

On September 30, 2015 the EPA finalized a new ambient standard for ozone at 70 Ppb which is more stringent than the current standard of 75 Ppb, set in 2008. In September 2016, Governor Mary Fallin submitted to the EPA the recommendation of "attainment/unclassifiable" for all 77 counties in Oklahoma. This recommendation is subject to approval by the EPA.

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

Clean Power Plan

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

September 6, 2016 or submit an extension request for up to two years. The compliance period was to begin in 2022, and emission reductions were to be phased in by 2030. The EPA also proposed a federal compliance plan to implement the Clean Power Plan in the event that an approvable state plan was not submitted to the EPA by the required deadline.

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

in the state approaches, the ultimate timing and impact of these standards on our operations cannot be determined with certainty at this time.

Climate Change and Greenhouse Gas Emissions

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

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

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

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

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

EPA Startup, Shutdown, and Malfunction Policy

On May 22, 2015, the EPA issued a final rule to address the outdated provisions in the SIPs of 36 states, including Oklahoma, regarding the treatment of emissions that occur during startup, shutdown and malfunction operations. The

final rule clarifies the EPA's Startup, Shutdown and Malfunction Policy to assure consistency with the Clean Air Act and other recent court decisions. The Oklahoma Department of Environmental Quality is in the process of developing a SIP to comply with this rule, which is to be submitted to the EPA before November 2016. Although the extent of impact is not known, this rule will impact certain OG&E units.

Endangered Species

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

transmission, wind or pipeline projects, could be restricted or delayed, or the Company could be required to implement expensive mitigation measures.

In 2014, the Company enrolled in the Western Association of Fish and Wildlife Agencies range-wide conservation plan which consists of industry-specific conservation practices that apply to projects and activities in the impacted area. The range-wide conservation plan was approved by the U.S. Fish and Wildlife Service and incorporated as part of the agency's final decision on March 27, 2014 to list the lesser prairie chicken as a threatened species. On September 1, 2015, the U.S. District Court Western District of Texas vacated federal protections for the lesser prairie chicken based on the U.S. Fish and Wildlife Service's failure to thoroughly consider the active conservation efforts in making the listing decision. On July 19, 2016, the U.S. Fish and Wildlife Service issued a final rule to amend its regulations to remove the lesser prairie chicken from the list of threatened species under the Endangered Species Act. On September 8, 2016, WildEarth Guardians, Defenders of Wildlife and the Center for Biological Diversity filed a petition with the U.S. Fish and Wildlife Services to list the lesser prairie chicken as "endangered" under the Endangered Species Act. OG&E will continue to monitor the progress of the petition.

Air Quality Control System

On September 10, 2014, OG&E executed a contract for the design, engineering and fabrication of two circulating dry scrubber systems to be installed at Sooner Units 1 and 2. OG&E entered into an agreement on February 9, 2015, to install the dry scrubber systems. The dry scrubbers are scheduled to be completed by 2019. More detail regarding the dry scrubber project can be found under "Pending Regulatory Matters" in Note 13.

Waste

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

On December 19, 2014, the EPA finalized a rule under the Federal Resource Conservation and Recovery Act for the handling and disposal of coal combustion residuals or coal ash. The final rule regulates coal ash as a solid waste rather than a hazardous waste, which would have made the management of coal ash more costly. The final rule is currently being appealed at the D.C. Circuit Court of Appeals. OG&E is in compliance with this rule at this time.

The Company has sought and will continue to seek pollution prevention opportunities and to evaluate the effectiveness of its waste reduction, reuse and recycling efforts. In 2015, the Company obtained refunds of \$2.3 million from the recycling of scrap metal, salvaged transformers and used transformer oil. This figure does not include the additional savings gained through the reduction and/or avoidance of disposal costs and the reduction in material purchases due to the reuse of existing materials. Similar savings are anticipated in future years.

Water

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

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

from the state.

On September 30, 2015, the EPA issued a final rule addressing the effluent limitation guidelines for power plants under the Federal Clean Water Act. The final rule establishes technology and performance based standards that may apply to discharges of six waste streams including bottom ash transport water. Compliance with this rule occurs between 2018 and 2023. OG&E is evaluating what if any compliance actions are needed but is not able to quantify with any certainty, what costs may be incurred. OG&E expects to be able to provide a reasonable estimate of any material costs associated with the rule's implementation following issuance of the permits from the state.

Site Remediation

The Comprehensive Environmental Response, Compensation and Liability Act of 1980 and comparable state laws impose liability, without regard to the legality of the original conduct, on certain classes of persons responsible for the release of hazardous

substances into the environment. Because OG&E utilizes various products and generate wastes that are considered hazardous substances for purposes of the Comprehensive Environmental Response, Compensation and Liability Act of 1980, OG&E could be subject to liability for the costs of cleaning up and restoring sites where those substances have been released to the environment. At this time, it is not anticipated that any associated liability will cause a significant impact to OG&E.

For a further discussion regarding contingencies relating to environmental laws and regulations, see Note 12.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

There have been no significant changes in the market risks affecting the Company from those discussed in the Company's 2015 Form 10-K.

Item 4. Controls and Procedures.

The Company maintains a set of disclosure controls and procedures designed to ensure that information required to be disclosed by the Company in reports that it files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission rules and forms. In addition, the disclosure controls and procedures ensure that information required to be disclosed is accumulated and communicated to management, including the chief executive officer and chief financial officer, allowing timely decisions regarding required disclosure. As of the end of the period covered by this report, based on an evaluation carried out under the supervision and with the participation of the Company's management, including the chief executive officer and chief financial officer, of the effectiveness of the Company's disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15(d)-15(e) under the Securities Exchange Act of 1934), the chief executive officer and chief financial officer have concluded that the Company's disclosure controls and procedures are effective.

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

PART II. OTHER INFORMATION

Item 1. Legal Proceedings.

Reference is made to Item 3 of Part I of the Company's 2015 Form 10-K for a description of certain legal proceedings presently pending. Except as described above under Item 2. "Management's Discussion and Analysis of Financial Condition and Results of Operations - Environmental Laws and Regulations," there are no new significant cases to report against the Company or its subsidiaries and there have been no material changes in the previously reported proceedings.

Item 1A. Risk Factors.

Except as discussed below, there have been no significant changes in the Company's risk factors from those discussed in the Company's 2015 Form 10-K, which are incorporated herein by reference.

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 (Enable's "Series A Preferred Units"), 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 or subordinated 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 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 have a material adverse effect on its business, financial position, results of operations and ability to make quarterly cash distributions to its unitholders.

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 midstream energy companies;
- 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.

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 flows and not solely on profitability, which will be affected by non-cash items. 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 is expected to pay a specified minimum quarterly distribution on its outstanding common and subordinated units, including those units that we own, to the extent it has sufficient cash from operations after establishment of cash reserves, payments of distributions on the Series A Preferred Units and payment of fees and expenses, including payments to its general partner and its affiliates. The principal difference between Enable's common units and subordinated units is that in any quarter during the applicable subordination period, holders of the subordinated units

are not entitled to receive any distribution until the common units have received the minimum quarterly distribution plus any arrearages in the payment of the minimum quarterly distribution on common units from prior quarters. If Enable does not pay distributions on its subordinated units, its subordinated units will not accrue arrearages for those unpaid distributions.

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 a lower percentage of total outstanding units will be subordinated units, the risk that a shortfall in the payment of the minimum quarterly distribution will be borne by Enable's common unitholders will increase;
- 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, 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.

As of July 2016, subsidiaries of CenterPoint Energy and the Company hold an aggregate of 136,983,998 common units and 207,855,430 subordinated units, and CenterPoint Energy holds 14,520,000 Series A Preferred Units. Upon a change of control, Enable's Series A Preferred Units are convertible into common units at the option of the holders of such units. All of the subordinated units will convert into common units at the end of the subordination period and some may convert earlier under certain circumstances. In addition, Enable has agreed to provide CenterPoint Energy, the Company and ArcLight with certain registration rights. The sale of these units in the public or private markets could have an adverse impact on the price of the common units or on any trading market that may develop.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

The following table contains information about the Company's purchases of its common stock during the third quarter of 2016.

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plan	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plan
07/01/16 - 07/31/16	167	\$ 32.03	N/A	N/A

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08/01/16 - 08/31/16	—	\$—	N/A	N/A
09/01/16 - 09/30/16	767	\$ 32.33	N/A	N/A

Item 6. Exhibits.

Exhibit No.	Description
31.01	Certifications Pursuant to Rule 13a-14(a)/15d-14(a) As Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.01	Certification Pursuant to 18 U.S.C. Section 1350 As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document.
101.SCH	XBRL Taxonomy Schema Document.
101.PRE	XBRL Taxonomy Presentation Linkbase Document.
101.LAB	XBRL Taxonomy Label Linkbase Document.
101.CAL	XBRL Taxonomy Calculation Linkbase Document.
101.DEF	XBRL Definition Linkbase Document.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

OGE ENERGY CORP.
(Registrant)

By: /s/ Scott Forbes
Scott Forbes
Controller and Chief Accounting Officer
(On behalf of the Registrant and in his capacity as Chief Accounting Officer)

November 3, 2016