

OGE ENERGY CORP  
Form 10-Q  
May 07, 2008

**UNITED STATES  
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 quarterly period ended March 31, 2008

**OR**

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF

THE SECURITIES EXCHANGE ACT OF 1934  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 1-12579

**OGE ENERGY CORP.**  
(Exact name of registrant as specified in its charter)

**Oklahoma**  
(State or other jurisdiction of  
incorporation or organization)

**73-1481638**  
(I.R.S. Employer  
Identification No.)

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

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

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

Indicate by check mark whether the registrant 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.

Large accelerated filer

Accelerated filer

Non-accelerated filer  (Do not check if a smaller reporting company)

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

At March 31, 2008, 91,974,496 shares of common stock, par value \$0.01 per share, were outstanding.

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**OGE ENERGY CORP.**

**FORM 10-Q**

**FOR THE QUARTER ENDED MARCH 31, 2008**

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**FORWARD-LOOKING STATEMENTS**

Except for the historical statements contained herein, the matters discussed in this Form 10-Q, including those matters discussed in “Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations,” are forward-looking statements that are subject to certain risks, uncertainties and assumptions. Such forward-looking statements are intended to be identified in this document by the words “anticipate”, “believe”, “estimate”, “expect”, “intend”, “objective”, “plan”, “possible”, “potential”, “project” and similar expressions. Actual results may vary materially. In addition to the specific risk factors discussed in “Item 1A. Risk Factors” in OGE Energy Corp.’s Annual Report on Form 10-K for the year ended December 31, 2007 (“2007 Form 10-K”) and “Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations,” herein, factors that could cause actual results to differ materially from the forward-looking statements include, but are not limited to:

- general economic conditions, including the availability of credit, actions of rating agencies and their impact on capital expenditures;
- OGE Energy Corp.’s (“OGE Energy” and collectively, with its subsidiaries, the “Company”) ability and the ability of its subsidiaries to obtain financing on favorable terms;
- prices and availability of electricity, coal, natural gas and natural gas liquids (“NGL”), each on a stand-alone basis and in relation to each other;
- business conditions in the energy and natural gas midstream industries;
- competitive factors including the extent and timing of the entry of additional competition in the markets served by the Company;
- unusual weather;
- availability and prices of raw materials for current and future construction projects;
- federal or state legislation and regulatory decisions (including the approval of regulatory filings related to the proposed acquisition of the Redbud power plant) and initiatives that affect cost and investment recovery, have an impact on rate structures or affect the speed and degree to which competition enters the Company’s markets;
- environmental laws and regulations that may impact the Company’s operations;
- changes in accounting standards, rules or guidelines;
- the discontinuance of regulated accounting principles under Financial Accounting Standards Board (“FASB”) Statement of Financial Accounting Standards (“SFAS”) No. 71, “Accounting for the Effects of Certain Types of Regulation”;
- creditworthiness of suppliers, customers and other contractual parties;
- the higher degree of risk associated with the Company’s nonregulated business compared with the Company’s regulated utility business;
- the impact of the proposed initial public offering of limited partner interests of OGE Enogex Partners L.P., a Delaware limited partnership (the “Partnership”); and
- other risk factors listed in the reports filed by the Company with the Securities and Exchange Commission (“SEC”) including those listed in Item “1A. Risk Factors” and in Exhibit 99.01 to the Company’s 2007 Form 10-K.

## PART I. FINANCIAL INFORMATION

## Item 1. Financial Statements.

## OGE ENERGY CORP.

## CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

<i>(In millions, except per share data)</i>	Three Months Ended	
	March 31, 2008	2007
OPERATING REVENUES		
Electric Utility operating revenues	\$ 386.4	\$ 340.7
Natural Gas Pipeline operating revenues	608.3	540.8
Total operating revenues	994.7	881.5
COST OF GOODS SOLD (exclusive of depreciation shown below)		
Electric Utility cost of goods sold	228.8	188.2
Natural Gas Pipeline cost of goods sold	520.0	478.7
Total cost of goods sold	748.8	666.9
Gross margin on revenues	245.9	214.6
Other operation and maintenance	125.2	98.8
Depreciation	50.7	48.7
Taxes other than income	21.9	20.9
OPERATING INCOME	48.1	46.2
OTHER INCOME (EXPENSE)		
Interest income	0.9	0.7
Other income	3.9	2.6
Other expense	(4.1)	(0.9)
Net other income	0.7	2.4
INTEREST EXPENSE		
Interest on long-term debt	23.4	22.1
Allowance for borrowed funds used during construction	(0.7)	(0.6)
Interest on short-term debt and other interest charges	6.5	2.7
Interest expense	29.2	24.2
INCOME BEFORE TAXES	19.6	24.4
INCOME TAX EXPENSE	6.6	7.2
NET INCOME	\$ 13.0	\$ 17.2
BASIC AVERAGE COMMON SHARES OUTSTANDING	91.9	91.5
DILUTED AVERAGE COMMON SHARES OUTSTANDING	92.5	92.4
BASIC EARNINGS PER AVERAGE COMMON SHARE	\$ 0.14	\$ 0.19
DILUTED EARNINGS PER AVERAGE COMMON SHARE	\$ 0.14	\$ 0.19
DIVIDENDS DECLARED PER SHARE	\$ 0.3475	\$ 0.34

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

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OGE ENERGY CORP.

CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

<i>(In millions)</i>	<b>March 31, 2008</b>	December 31, 2007
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 2.7	\$ 8.8
Accounts receivable, less reserve of \$2.3 and \$3.8, respectively	<b>343.1</b>	334.4
Accrued unbilled revenues	<b>37.2</b>	45.7
Fuel inventories	<b>72.8</b>	82.0
Materials and supplies, at average cost	<b>68.3</b>	63.6
Price risk management	<b>8.2</b>	7.7
Gas imbalances	<b>5.7</b>	6.7
Accumulated deferred tax assets	<b>27.3</b>	38.1
Fuel clause under recoveries	<b>30.1</b>	27.3
Prepayments	<b>8.3</b>	8.0
Other	<b>5.7</b>	7.2
Total current assets	<b>609.4</b>	629.5
OTHER PROPERTY AND INVESTMENTS, at cost	<b>44.0</b>	44.5
<b>PROPERTY, PLANT AND EQUIPMENT</b>		
In service	<b>6,914.0</b>	6,809.2
Construction work in progress	<b>183.4</b>	179.8
Total property, plant and equipment	<b>7,097.4</b>	6,989.0
Less accumulated depreciation	<b>2,767.8</b>	2,742.7
Net property, plant and equipment	<b>4,329.6</b>	4,246.3
<b>DEFERRED CHARGES AND OTHER ASSETS</b>		
Income taxes recoverable from customers, net	<b>17.1</b>	17.4
Regulatory asset - SFAS 158	<b>170.5</b>	174.6
Price risk management	<b>2.6</b>	0.3
McClain Plant deferred expenses	<b>10.9</b>	12.4
Unamortized loss on reacquired debt	<b>18.6</b>	18.9
Unamortized debt issuance costs	<b>10.9</b>	8.3
Other	<b>83.7</b>	85.6
Total deferred charges and other assets	<b>314.3</b>	317.5
<b>TOTAL ASSETS</b>	<b>\$ 5,297.3</b>	\$ 5,237.8

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

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## OGE ENERGY CORP.

## CONDENSED CONSOLIDATED BALANCE SHEETS (Continued)

(Unaudited)

<i>(In millions)</i>	<b>March 31, 2008</b>	December 31, 2007
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Short-term debt	\$ 266.3	\$ 295.8
Accounts payable	353.8	399.3
Dividends payable	32.0	31.9
Customer deposits	56.7	55.5
Accrued taxes	18.3	40.0
Accrued interest	24.8	37.0
Accrued compensation	25.5	53.9
Long-term debt due within one year	1.0	1.0
Price risk management	6.8	20.6