

OGE ENERGY CORP.
Form 10-Q
May 06, 2009

**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, 2009

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 has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). 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, 2009, 96,037,234 shares of common stock, par value \$0.01 per share, were outstanding.

OGE ENERGY CORP.

FORM 10-Q

FOR THE QUARTER ENDED MARCH 31, 2009

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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, 2008 (“2008 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, access to existing lines of credit, actions of rating agencies and their impact on capital expenditures;
- OGE Energy Corp.’s (collectively, with its subsidiaries, the “Company”) ability and the ability of its subsidiaries to access the capital markets and obtain financing on favorable terms;
- prices and availability of electricity, coal, natural gas and natural gas liquids, 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 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 Statement of Financial Accounting Standards 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; and
- other risk factors listed in the reports filed by the Company with the Securities and Exchange Commission including those listed in “Item 1A. Risk Factors” and in Exhibit 99.01 to the Company’s 2008 Form 10-K.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements.

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

	Three Months Ended March 31,	
	2009	2008
<i>(In millions, except per share data)</i>		
OPERATING REVENUES		
Electric Utility operating revenues	\$336.7	\$386.4
Natural Gas Pipeline operating revenues	269.9	608.3
Total operating revenues	606.6	994.7
COST OF GOODS SOLD (exclusive of depreciation and amortization shown below)		
Electric Utility cost of goods sold	159.1	228.8
Natural Gas Pipeline cost of goods sold	194.1	520.0
Total cost of goods sold	353.2	748.8
Gross margin on revenues	253.4	245.9
Other operation and maintenance	116.5	125.2
Depreciation and amortization	62.6	50.7
Taxes other than income	22.3	21.9
OPERATING INCOME	52.0	48.1
OTHER INCOME (EXPENSE)		
Interest income	0.7	0.9
Allowance for equity funds used during construction	1.3	---
Other income	6.5	3.9
Other expense	(2.3)	(2.5)
Net other income	6.2	2.3
INTEREST EXPENSE		
Interest on long-term debt	31.4	23.4
Allowance for borrowed funds used during construction	(1.1)	(0.7)
Interest on short-term debt and other interest charges	2.4	6.5
Interest expense	32.7	29.2
INCOME BEFORE TAXES	25.5	21.2
INCOME TAX EXPENSE	7.9	6.6
NET INCOME	17.6	14.6
Less: Net income attributable to noncontrolling interest	0.8	1.6
NET INCOME ATTRIBUTABLE TO OGE ENERGY	\$16.8	\$13.0
BASIC AVERAGE COMMON SHARES OUTSTANDING	94.7	91.9
DILUTED AVERAGE COMMON SHARES OUTSTANDING	95.3	92.5
BASIC EARNINGS PER AVERAGE COMMON SHARE ATTRIBUTABLE TO OGE ENERGY COMMON SHAREHOLDERS	\$0.18	\$0.14
DILUTED EARNINGS PER AVERAGE COMMON SHARE ATTRIBUTABLE TO OGE ENERGY COMMON SHAREHOLDERS	\$0.18	\$0.14

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DIVIDENDS DECLARED PER SHARE

\$0.3550 \$0.347

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

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OGE ENERGY CORP.

CONDENSED CONSOLIDATED BALANCE SHEETS

<i>(In millions)</i>	March 31, 2009 (Unaudited)	December 31, 2008
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 146.4	\$ 174.4
Accounts receivable, less reserve of \$2.9 and \$3.2, respectively	239.4	288.1
Accrued unbilled revenues	41.1	47.0
Fuel inventories	94.6	88.7
Materials and supplies, at average cost	76.2	72.1
Price risk management	11.9	11.9
Gas imbalances	1.5	6.2
Accumulated deferred tax assets	21.8	14.9
Fuel clause under recoveries	---	24.0
Prepayments	8.4	9.0
Other	6.4	8.3
Total current assets	647.7	744.6
OTHER PROPERTY AND INVESTMENTS, at cost	38.6	42.2
PROPERTY, PLANT AND EQUIPMENT		
In service	7,879.0	7,722.4
Construction work in progress	478.8	399.0
Total property, plant and equipment	8,357.8	8,121.4
Less accumulated depreciation	2,911.5	2,871.6
Net property, plant and equipment	5,446.3	5,249.8
DEFERRED CHARGES AND OTHER ASSETS		
Income taxes recoverable from customers, net	15.2	14.6
Regulatory asset – SFAS No. 158	337.9	344.7
Price risk management	23.3	22.0
McClain Plant deferred expenses	4.7	6.2
Unamortized loss on reacquired debt	17.4	17.7
Unamortized debt issuance costs	13.3	13.5
Other	63.1	63.2
Total deferred charges and other assets	474.9	481.9
TOTAL ASSETS	\$ 6,607.5	\$ 6,518.5

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

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

<i>(In millions)</i>	March 31, 2009 (Unaudited)	December 31, 2008
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Short-term debt	\$ 351.5	\$ 298.0
Accounts payable	219.7	279.7
Dividends payable	34.1	33.2
Customer deposits	59.7	58.8
Accrued taxes	0.9	26.8
Accrued interest	32.5	48.7
Accrued compensation	29.2	45.2
Long-term debt due within one year	400.7	---
Price risk management	13.5	2.3
Gas imbalances	16.6	24.9
Fuel clause over recoveries	73.0	8.6
Other	37.4	62.2
Total current liabilities	1,268.8	888.4
 LONG-TERM DEBT	 1,841.0	 2,161.8