

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-K

- ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF  
THE SECURITIES EXCHANGE ACT OF 1934 (FEE REQUIRED)  
OR  
 TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934 (NO FEE REQUIRED)

For the fiscal year ended December 31, 1995 Commission File Number 1-1097

OKLAHOMA GAS AND ELECTRIC COMPANY  
(Exact name of registrant as specified in its charter)

Oklahoma (State or other jurisdiction of incorporation or organization)	73-0382390 (I.R.S. Employer Identification No.)
101 North Robinson P.O. Box 321	
Oklahoma City, Oklahoma (Address of principal executive offices)	73101-0321 (Zip Code)
Registrant's telephone number, including area code: 405-553-3000	

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

Title of each class so registered	Name of each exchange on which each class is registered
-----	-----
Common Stock	New York Stock Exchange
Common Stock	Pacific Stock Exchange
Preferred Stock 4% Cumulative	New York Stock Exchange

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

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 x No

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

As of February 29, 1996, Common Shares outstanding were 40,371,409. Based upon the closing price on the New York Stock Exchange on February 29, 1996, the aggregate market value of the voting stock held by nonaffiliates of the Company was: Common Stock \$1,658,173,234 and 4% Cumulative Preferred Stock \$5,590,308.

The proxy statement for the 1996 annual meeting of shareowners is incorporated by reference into Part III of this Report.

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PART I

ITEM 1. BUSINESS.  
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THE COMPANY

Oklahoma Gas and Electric Company ("OG&E") is a regulated public utility engaged in the generation, transmission and distribution of electricity to retail and wholesale customers. Enogex Inc., a wholly-owned subsidiary of OG&E, and Enogex Inc.'s subsidiaries (collectively, "Enogex") are engaged in non-utility businesses, consisting of diverse natural gas activities. OG&E and Enogex are herein referred to collectively as the "Company." Financial information on the Company's two segments of business is included in Note 8 of Notes to Consolidated Financial Statements.

OG&E, incorporated in 1902 under the laws of the Oklahoma Territory, is the largest electric utility in the State of Oklahoma. OG&E sold its retail gas business in 1928, and now owns and operates an interconnected electric production, transmission and distribution system which includes eight active generating stations with a total capability of 5,647,300 kilowatts. Enogex owns and operates over 3,000 miles of natural gas transmission and gathering pipelines, has interests in five gas processing plants, markets natural gas and natural gas products and invests in the exploration and production of natural gas. At the end of 1995, Enogex had 290 members and OG&E had 2,475 members. OG&E's executive offices are located at 101 North Robinson, P.O. Box 321, Oklahoma City, Oklahoma 73101-0321; telephone (405) 553-3000.

On February 25, 1994, the Oklahoma Corporation Commission ("OCC") issued an order that, among other things, effectively lowered OG&E's rates to its Oklahoma retail customers by approximately \$17 million annually and required OG&E to refund approximately \$41.3 million. Of the \$41.3 million refund, \$39.1 million was associated with revenues prior to January 1, 1994, while the remaining \$2.2 million related to 1994. See "Regulation and Rates - Recent Regulatory Matters" for a further discussion of this order.

In 1994, the Company restructured and redesigned its operations to reduce costs in order to more favorably position itself for the competitive electric utility environment. As part of this process, the Company implemented a Voluntary Early Retirement Package ("VERP") and a severance package in 1994. These two packages reduced the Company's workforce by approximately 900 employees.

In response to an application filed by OG&E on August 9, 1994, the OCC issued an order on October 26, 1994, that permitted OG&E to: (1) establish a

regulatory asset in connection with the costs associated with the workforce reduction; (2) amortize the December 31, 1994, balance of the regulatory asset over 26 months; and (3) reduce OG&E's electric rates by approximately \$15 million annually, effective January 1995. In 1995, the labor savings substantially offset the amortization of the regulatory asset and the annual rate reduction of \$15 million. See "Regulation and Rates - Recent Regulatory Matters" and Note 10 of Notes to Consolidated Financial Statements for a further discussion of the OCC's orders in February and October 1994.

On July 19, 1995, OG&E announced plans to create a holding company structure with OGE Energy Corp. becoming the parent company of OG&E. At a special meeting of shareowners on November 16, 1995, OG&E shareowners approved the new holding company structure. Upon receiving

regulatory approval, which is currently expected by mid-1996, OG&E's common stock will be exchanged on a share-for-share basis for common stock of OGE Energy Corp. and OG&E will become a subsidiary of OGE Energy Corp. See "Regulation and Rates - Recent Regulatory Matters" and "Supplementary Data - Unaudited Pro Forma Financial Information" for a further discussion of this matter.

## ELECTRIC OPERATIONS

### GENERAL

OG&E furnishes retail electric service in 274 communities and their contiguous rural and suburban areas. During 1995, five other communities and two rural electric cooperatives in Oklahoma and western Arkansas purchased electricity from OG&E for resale. The service area, with an estimated population of 1.7 million, covers approximately 30,000 square miles in Oklahoma and western Arkansas; including Oklahoma City, the largest city in Oklahoma, and Ft. Smith, Arkansas, the second largest city in that state. Of the 279 communities served, 248 are located in Oklahoma and 31 in Arkansas. Approximately 91 percent of total electric operating revenues for the year ended December 31, 1995, were derived from sales in Oklahoma and the remainder from sales in Arkansas.

OG&E's system control area peak demand as reported by the system dispatcher for the year was approximately 5,130 megawatts, and occurred on July 12, 1995. OG&E's native load was approximately 4,793 megawatts on July 12, 1995, resulting in a capacity margin of approximately 21.5 percent. As reflected in the table below and in the operating statistics on page 4, total kilowatt-hour sales increased 7.0 percent in 1995 as compared to a decrease of 9.0 percent in 1994 and a 0.3 percent decrease in 1993. In 1995, kilowatt-hour sales to OG&E customers ("system sales") increased slightly due to continued customer growth. Sales to other utilities ("off-system sales") increased significantly, however, off-system sales are at much lower prices per kilowatt-hour and have less impact on operating revenues and income than system sales. In 1994 and 1993, factors which resulted in variations in total kilowatt-hour sales included: (i) the decrease in off-system sales in 1994, (ii) continued customer growth; and (iii) more normal weather in 1993.

Variations in kilowatt-hour sales for the three years are reflected in the following table:

	SALES (Millions of kWh)					
	1995	Inc/ (Dec)	1994	Inc/ (Dec)	1993	Inc/ (Dec)
System Sales	20,828	0.9%	20,642	2.2%	20,202	5.0%
Off-System Sales	1,852	232.6%	557	(82.1%)	3,104	(25.0%)
Total Sales	22,680	7.0%	21,199	(9.0%)	23,306	(0.3%)

OG&E is subject to competition in some areas from government-owned electric systems, municipally-owned electric systems, rural electric cooperatives and, in

certain respects, from other private utilities and cogenerators. Oklahoma law forbids the granting of an exclusive franchise to a utility for providing electricity.

Besides competition from other suppliers of electricity, OG&E competes with suppliers of other forms of energy. The degree of competition between suppliers may vary depending on relative costs and supplies of other forms of energy. In October 1992, the National Energy Policy Act of 1992 ("Energy Act") was enacted. Among many other provisions, the Energy Act is designed to promote competition in the development of wholesale power generation in the electric utility industry. Also, numerous states are considering proposals to require "retail wheeling" which is the delivery of power generated by a third party to retail customers. The Energy Act, these proposals and other factors are expected to significantly increase competition in the electric industry. The Company has taken steps in the past and intends to take appropriate steps in the future to remain a competitive supplier of electricity. See "Regulation and Rates - Recent Regulatory Matters" for a further discussion of this matter.

Electric and magnetic fields ("EMFs") surround all electric tools and appliances, internal home wiring and external power lines such as those owned by OG&E. During the last several years considerable attention has focused on possible health effects from EMFs. While some recent studies indicate a possible correlation, other similar studies indicate no correlation between EMFs and health effects. The nation's electric utilities, including OG&E, have participated with the Electric Power Research Institute ("EPRI") in the sponsorship of more than \$75 million in research to determine the possible health effects of EMFs. In addition, the Edison Electric Institute ("EEI") will help fund \$65 million for EMF studies over a five-year period, beginning in 1994. One-half of this amount is expected to be funded by the federal government, and two-thirds of the non-federal funding is expected to be provided by the electric utility industry. Through its participation with the EPRI and EEI, OG&E will continue its support of the research with regard to the possible health effects of EMFs. OG&E is dedicated to delivering electric service in a safe, reliable, environmentally acceptable and economical manner.

OKLAHOMA GAS AND ELECTRIC COMPANY  
CERTAIN OPERATING STATISTICS

	Year Ended December 31		
	1995	1994	1993
	----	----	----
ELECTRIC ENERGY:			
(Millions of kWh)			
Generation (exclusive of station use)...	20,639	18,325	21,789
Purchased.....	3,578	4,387	3,169
	-----	-----	-----
Total generated and purchased.....	24,217	22,712	24,958
Company use, free service and losses....	(1,537)	(1,513)	(1,652)
	-----	-----	-----
Electric energy sold.....	22,680	21,199	23,306
	=====	=====	=====
ELECTRIC ENERGY SOLD:			
(Millions of kWh)			
Residential.....	6,848	6,739	6,631
Commercial and industrial.....	10,963	10,886	10,595

Public street and highway lighting.....	66	66	64
Other sales to public authorities.....	2,087	2,018	1,966
Sales for resale.....	2,716	1,490	4,050
	-----	-----	-----
Total.....	22,680	21,199	23,306
	=====	=====	=====

OPERATING REVENUES:

(Thousands)

Electric Revenues:

Residential.....	\$ 471,313	\$ 476,441	\$ 488,921
Commercial and industrial.....	512,212	549,528	582,733
Public street and highway lighting..	9,115	9,294	9,433
Other sales to public authorities...	95,660	99,789	107,035
Sales for resale.....	63,340	43,001	89,945
Provision for rate refund .....	(2,437)	(3,417)	(14,963)
Miscellaneous.....	19,084	22,262	19,712
	-----	-----	-----
Total Electric Revenues.....	1,168,287	1,196,898	1,282,816
Non-utility subsidiary.....	133,750	158,270	164,436
	-----	-----	-----
Total.....	\$1,302,037	\$1,355,168	\$1,447,252
	=====	=====	=====

NUMBER OF ELECTRIC CUSTOMERS:

(At end of period)

Residential.....	583,741	578,044	568,780
Commercial and industrial.....	82,577	81,175	79,572
Public street and highway lighting.....	249	249	248
Other sales to public authorities.....	10,340	10,198	10,074
Sales for resale.....	43	39	39
	-----	-----	-----
Total.....	676,950	669,705	658,713
	=====	=====	=====

RESIDENTIAL ELECTRIC SERVICE:

Average annual use (kWh).....	11,786	11,724	11,688
Average annual revenue.....	\$ 811.10	\$ 828.86	\$ 861.72
Average price per kWh (cents).....	6.88	7.07	7.37

FINANCE AND CONSTRUCTION

The Company meets its cash needs through internally generated funds, short-term borrowings and permanent financing. Cash flows from operations remained strong in 1995 and 1994, which enabled the Company to internally generate the required funds to satisfy construction expenditures during 1995 and 1994.

Management expects that internally generated funds will be adequate over the next three years to meet OG&E's capital requirements. The primary capital requirements for 1996 through 1998 are estimated as follows:

(dollars in millions)	1996	1997	1998
	-----	-----	-----
Consolidated construction expenditures including AFUDC .....	\$147	\$134	\$138
Maturities of long-term debt and sinking fund requirement .....	---	15	25
	=====	=====	=====
Total .....	\$147	\$149	\$163
	=====	=====	=====

The three-year estimate includes expenditures for construction of new

facilities to meet anticipated demand for service, to replace or expand existing facilities in both its electric and non-utility businesses, and to some extent, for satisfying maturing debt and sinking fund obligations. Approximately \$1.6 million of the Company's construction expenditures budgeted for 1996 are to comply with environmental laws and regulations. OG&E's construction program was developed to support an anticipated peak demand growth of one to two percent annually and to maintain minimum capacity reserve margins as stipulated by the Southwest Power Pool. See "Rate Structure, Load Growth and Related Matters."

OG&E intends to meet its customers' increased electricity needs during the foreseeable future by maintaining the reliability and increasing the utilization of existing capacity. OG&E's current resource strategy includes the reactivation of existing plants and the addition of peaking resources. OG&E does not anticipate the need for another base-load plant in the foreseeable future.

OG&E's ability to sell additional securities on satisfactory terms to meet its capital needs is dependent upon numerous factors, including general market conditions for utility securities, which will impact OG&E's ability to meet earnings tests for the issuance of additional first mortgage bonds and preferred stock. Based on earnings for the twelve months ended December 31, 1995, and assuming an annual interest rate of 8.2 percent, OG&E could issue more than \$900 million in principal amount of additional first mortgage bonds under the earnings test contained in OG&E's Trust Indenture (assuming adequate property additions were available). Under the earnings test contained in OG&E's Restated Certificate of Incorporation and assuming none of the foregoing first mortgage bonds are issued, more than \$900 million of additional preferred stock at an assumed annual dividend rate of 8.0 percent could be issued as of December 31, 1995.

The Company will continue to use short-term borrowings to meet temporary cash requirements and has the necessary regulatory approvals to incur up to \$400 million in short-term borrowings at any one time. The maximum amount of outstanding short-term borrowings during 1995 was \$267.7 million.

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OG&E's resource strategy for supplying energy through the next decade and beyond consists of evaluating measures to keep its existing generating plants operating efficiently well past their traditional retirement dates. As long as the cost to keep existing plants operating reliably and efficiently is less than the cost of alternative sources of capacity, existing plants will be operated.

In accordance with the requirements of the Public Utility Regulatory Policies Act of 1978 ("PURPA") (see "Regulation and Rates - National Energy Legislation"), OG&E is obligated to purchase 110 megawatts of capacity annually from Smith Cogeneration, Inc. and 320 megawatts annually from Applied Energy Services, Inc., another cogenerator. In 1986, a contract was signed with Sparks Regional Medical Center to purchase energy not needed by the hospital from its nominal seven megawatt cogeneration facility. In 1987, OG&E signed a contract to purchase up to 110 megawatts of capacity from Mid-Continent Power Company, Inc. This purchase of capacity is currently planned to begin in 1998 and carries no obligation on the part of OG&E to purchase energy. The purchases under each of these cogeneration contracts were approved by the appropriate regulatory commissions at rates set in accordance with PURPA.

OG&E's financial results depend to a large extent upon the tariffs it charges customers and the actions of the regulatory bodies that set those tariffs, the amount of energy used by its customers, the cost and availability of external financing and the cost of conforming to government regulations.

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#### REGULATION AND RATES

OG&E's retail electric tariffs in Oklahoma are regulated by the OCC, and in Arkansas by the Arkansas Public Service Commission ("APSC"). The issuance of certain securities by OG&E is also regulated by the OCC and the APSC. OG&E's wholesale electric tariffs, short-term borrowing authorization and accounting practices are subject to the jurisdiction of the Federal Energy Regulatory

Commission ("FERC"). The Secretary of the Department of Energy has jurisdiction over some of OG&E's facilities and operations.

For the year ended December 31, 1995, approximately 87 percent of OG&E's electric revenue was subject to the jurisdiction of the OCC, seven percent to the APSC, and six percent to the FERC.

RECENT REGULATORY MATTERS: On February 25, 1994, the OCC issued an order  
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that, among other things, effectively lowered OG&E's rates to its Oklahoma retail customers by approximately \$17 million annually and required OG&E to refund approximately \$41.3 million. Of the \$41.3 million refund, \$39.1 million is associated with revenues prior to January 1, 1994, while the remaining \$2.2 million related to 1994.

Enogex transports natural gas to OG&E for use at its gas-fired generating units and performs related gas gathering activities for OG&E. The entire \$41.3 million refund related to the OCC's disallowance of a portion of the fees paid by OG&E to Enogex for such services in the past. Of the approximately \$17 million annual rate reduction, approximately \$9.9 million reflects the OCC's reduction of the amount to be recovered by OG&E from its Oklahoma customers for the future performance of such services by Enogex for OG&E. In accordance with the OCC's rate order and a stipulation approved by the OCC in July 1991, OG&E's electric rates are designed to permit OG&E to earn a 12 percent regulatory return on equity and the OCC staff is precluded from initiating an investigation of OG&E's rates for three years from February 25, 1994, unless OG&E's regulatory return on equity exceeds 12.75 percent.

The Company will file for an electric utility rate review with the OCC in mid-1996. This review of OG&E's electric utility rates should conclude no later than six months after the rate case filing, a new requirement under Oklahoma law.

In 1994, the Company underwent a significant restructuring effort and redesign of its operations to more favorably position itself for the competitive electric utility environment. The Company incurred \$63.4 million of restructuring costs in 1994. Pending an OCC order, OG&E deferred the costs associated with a VERP and severance package in the third quarter of 1994. Between August 1, and December 31, 1994, the amount deferred was reduced by approximately \$14.5 million. In response to an application filed by OG&E on August 9, 1994, the OCC issued an order on October 26, 1994, that permitted OG&E to amortize the December 31, 1994, regulatory asset of \$48.9 million over 26 months and reduced OG&E's electric rates by approximately \$15 million annually, effective January 1995. Management anticipates that labor savings from the VERP and severance package will substantially offset the amortization of the regulatory asset and annual rate reduction of \$15 million. Labor savings in 1994 and 1995 approximated the amortization of the deferred amount and therefore, did not significantly impact 1994 or 1995 results. However, approximately \$6.5 million in other restructuring expenses reduced 1994 earnings by \$0.10 per share. At December 31, 1995, the deferred amount was \$26.3 million, which is included on the Consolidated Balance Sheets as Deferred Charges - Other.

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On July 19, 1995, OG&E announced plans to create a holding company structure with OGE Energy Corp. becoming the parent company of OG&E. At a special meeting of shareowners on November 16, 1995, OG&E shareowners approved the new holding company structure. Upon regulatory approval, which is currently expected by mid-1996, OG&E's common stock will be exchanged on a share-for-share basis for common stock of OGE Energy Corp. and OG&E will become a subsidiary of OGE Energy Corp. As part of this corporate restructuring, OG&E's wholly-owned subsidiary, Enogex Inc. and Enogex's subsidiaries (collectively "Enogex") will also become a direct subsidiary of OGE Energy Corp. The holding company structure will provide greater flexibility to take advantage of opportunities to develop or acquire other businesses, providing opportunities for increased earnings in an increasingly competitive business environment. The holding company structure will clearly separate the Company's electric utility business from the non-utility businesses of the other OGE Energy Corp. subsidiaries for regulatory, capital structure and other purposes. See "Supplementary Data-Unaudited Pro Forma Financial Information" for a further discussion of this matter.

On October 5, 1994, the OCC issued an order instructing the OCC staff of the Public Utility Division ("PUD") to move forward with the development of OCC



rules to implement the mandates of Sections 111 and 115 of the National Energy Policy Act of 1992, requiring OG&E and other electric utilities to each submit 20-year Integrated Resource Plans ("IRP"). Following several technical conferences, in Order No. 398049, Cause No. RM 95000011 issued December 18, 1995, the OCC stated that it encourages Oklahoma electric and gas utilities to utilize IRP principles, but found it unnecessary to set new rules dictating requirements for IRP.

Pursuant to an order from the APSC in July 1992, OG&E and other electric utilities serving customers in Arkansas were required to submit 20-year IRP with the APSC. On October 10, 1995, the APSC issued Order No. 9, Docket No. 92-164-U, which recognized the shifting pressures on today's utility industry, the industry's good planning practices, the increasing competitive markets for energy services and the need for publicly available information on utility plans and planning processes. The APSC also recognized that long-term integrated resource planning under prescriptive regulatory guidelines is no longer the most appropriate or, more importantly, most effective means to protect the public interest. Therefore, the APSC is not utilizing the IRP.

**AUTOMATIC FUEL ADJUSTMENT CLAUSES:** Variances in the actual cost of fuel used in electric generation and certain purchased power costs, as compared to that component in estimated cost-of-service for ratemaking, are charged to substantially all of the Company's electric customers through automatic fuel adjustment clauses, which are subject to periodic review by the OCC, the APSC and the FERC.

The APSC is currently reviewing the amounts that OG&E pays Enogex and recovers through its fuel adjustment clause for transporting natural gas to OG&E's gas-fired generating stations. OG&E cannot predict the outcome of this review. Nevertheless, at the present time, management does not believe this proceeding will have a material adverse effect on the Company's consolidated financial position or its results of operations.

**NATIONAL ENERGY LEGISLATION:** The National Energy Act of 1978 imposes numerous responsibilities and requirements on OG&E. PURPA requires electric utilities, such as OG&E, to purchase electric power from, and sell electric power to, qualified cogeneration facilities ("QFs") and small power production facilities. Generally stated, electric utilities must purchase electric energy and production capacity made available by QFs and small power producers at a rate reflecting the cost that the purchasing utility can avoid as a result of obtaining energy and production capacity from these sources; rather than generating an equivalent amount of energy itself or purchasing the energy or capacity from other suppliers.

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OG&E has entered into agreements with four such cogenerators. See "Finance and Construction." Electric utilities also must furnish electric energy to QFs on a non-discriminatory basis at a rate that is just and reasonable and in the public interest and must provide certain types of service which may be requested by QFs to supplement or back up those facilities' own generation.

The National Energy Policy Act of 1992 ("Energy Act") is expected to make some significant changes in the operations of the electric utility industry and the federal policies governing the generation and sale of electric power. The Energy Act, among other things, allows the FERC to order utilities to permit access to their electrical transmission systems and to transmit power produced by independent power producers at transmission rates set by the FERC. The Energy Act also provides funds to study electric vehicle technology, the effects of electric and magnetic fields, and institutes a tax credit for generating electricity using renewable energy sources. The Energy Act also is designed to promote competition in the development of wholesale power generation in the electric industry. It exempts a new class of independent power producers from regulation under the Public Utility Holding Company Act of 1935 and allows the FERC to order "wholesale wheeling" by public utilities to provide utility and non-utility generators access to public utility transmission facilities. Also, numerous states are considering proposals to require "retail wheeling."

Pursuant to the Energy Act, in 1995 the FERC issued a Notice of Proposed Rulemaking on Open Access Non-discriminatory Transmission Services and a Supplemental Notice of Proposed Rulemaking on Stranded Investment (collectively, the Mega-NOPR). The Mega-NOPR is intended, among other things, to create a vigorous wholesale electric market by requiring transmission providers to offer open access to their transmission systems. Concurrently with the Mega-NOPR, FERC

issued a proposal for a Real-Time Information Network intended to facilitate open access by requiring each electric utility to create an electronic bulletin board of information regarding their transmission system services, availability and rates. The Energy Act, these proposals and other factors are expected to significantly increase competition in the electric industry. The Company has taken steps in the past and intends to take appropriate steps in the future to remain a competitive supplier of electricity. Past actions include the redesign and restructuring effort in 1994 and continuing actions to reduce fuel costs, both of which have resulted in lower retail rates, especially for industrial customers. While the Company is supportive of competition, it believes that all electric suppliers must be required to compete on a fair and equitable basis and the Company intends to vigorously advocate this position.

#### RATE STRUCTURE, LOAD GROWTH AND RELATED MATTERS

Two of OG&E's primary goals in its electric tariff designs are: (i) to increase electric revenues by attracting and expanding job-producing businesses and industries; and (ii) to encourage the efficient use of energy by all of its customers. In order to meet these goals, OG&E has reduced and restructured its rates to its key customers while at the same time implementing numerous energy efficiency programs and tariff schedules. These programs and schedules include: (i) residential energy audits promoting efficient energy use, and assistance programs that help residential customers live in comfortable homes with lower energy costs; (ii) the PEAKS program, which provides credit on a customer's bill for the installation of a device that periodically cycles off the customer's central air conditioner during peak summer periods; (iii) a load curtailment rate for industrial and commercial customers who can demonstrate a load curtailment of at least 300 kilowatts; and (iv) time-of-use rate schedules for various commercial, industrial and residential

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customers designed to shift energy usage from peak demand periods during the hot summer afternoons to non-peak hours.

In 1995, OG&E's marketing efforts included electrotechnologies, an electric food service promotion and a heat pump promotion in the residential, commercial and industrial markets. Educating customers to use available time-of-use rates to lower their energy costs was also pursued. These rates can make commercial and industrial heating and cooling especially economical if power is used with thermal storage systems which chills water at night for cooling the next day. OG&E works closely with individual customers to provide the best information on how current technologies can be combined with OG&E's marketing programs to maximize the customer's benefit.

OG&E continues studying programs such as Real Time Pricing to keep its electric tariffs attractive and to control peak demand growth. Real Time Pricing is a service option which prices electricity so that current price varies hourly with short notice to reflect current expected cost. The technique will allow a measure of competitive pricing, a broadening of customer choice, balancing of electricity usage and capacity in the short and long term, and help customers to control their costs. OG&E will implement a pilot program in 1996 with some industrial customers.

OG&E currently does not anticipate the need for new baseload generating plants in the foreseeable future. For further discussion, see "Finance and Construction."

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#### FUEL SUPPLY

During 1995, approximately 23 percent of the OG&E-generated energy was produced by natural gas-fired units and 77 percent by coal-fired units. It is estimated that the fuel mix for 1996 through 2000, based upon expected generation for these years, will be as follows:

	1996	1997	1998	1999	2000
Natural Gas.....	18%	22%	22%	23%	25%
Coal.....	82%	78%	78%	77%	75%

The decline in the percentage of coal-fired generation relative to total generation will result from projected increases in natural gas-fired generation, not a reduction in kwh of coal-fired generation.

The average cost of fuel used, by type, per million Btu for each of the 5 years was as follows:

	1995	1994	1993	1992	1991
Natural Gas.....	\$3.19	\$3.58	\$3.64	\$3.48	\$3.14
Coal.....	\$0.83	\$0.78	\$1.16	\$1.18	\$1.21
Weighted Avg.....	\$1.41	\$1.58	\$1.92	\$1.88	\$1.96

A portion of the fuel cost is included in base rates and differs for each jurisdiction. The portion of these costs that is not included in base rates is recovered through automatic fuel adjustment clauses. See "Regulation and Rates - Automatic Fuel Adjustment Clauses."

GAS-FIRED UNITS: For calendar year 1996, OG&E will acquire approximately 25% of its gas needs from long-term gas purchase contracts. The remainder of OG&E's gas needs during 1996 will be supplied by contracts with at-market pricing or through day to day purchases on the spot market.

In 1993, OG&E began utilizing a natural gas storage facility which helps lower fuel costs by allowing OG&E to optimize economic dispatch between fuel types and take advantage of seasonal variations in natural gas prices. By diverting gas into storage during low demand periods, OG&E is able to use as much coal as possible to generate electricity and utilize the stored gas to meet the additional demand for electricity. In 1996, gas storage will give OG&E the flexibility to generate about 82 percent of its electricity with coal. It is expected that with the continued utilization of the gas storage facility, OG&E will be able to further reduce its fuel costs in 1996.

COAL-FIRED UNITS: All OG&E coal units, with an aggregate capacity of 2,530 megawatts, are designed to burn low sulfur western coal. OG&E purchases coal under a mix of long- and short-term contracts. During 1995, OG&E purchased 11 million tons of coal from the following Wyoming suppliers: Amax Coal West, Inc., Kerr-McGee Coal Corporation, Caballo Rojo, Inc., Kennecott Energy Company, Thunder Basin Coal Company and Powder River Coal Company. The combination of all coals has an average sulfur content of 0.33 percent and can be burned in these units under existing federal, state and local environmental standards ( maximum of 1.2 pounds of sulfur dioxide per million Btu) without the addition of sulfur dioxide removal systems.

During 1995, OG&E burned a total of 9.4 million tons of coal. Based upon the average sulfur content of Wyoming coal, OG&E units have an approximate emission rate of 0.76 pounds of sulfur dioxide per million Btu.

Wyoming coal is transported to OG&E generating stations, a distance of approximately 1,000 miles, by 112 rail car unit trains. In 1995, OG&E completed the upgrading of its unit train fleet to high volume aluminum body rail cars. Currently, the fleet is comprised of 1,495 leased cars. Each aluminum rail car has a maximum capacity of 120 net tons allowing for the movement of 13,440 net tons per unit train. High volume and aluminum design combine to offer a 19 percent increase in net loading per car over a conventional steel car. Also, in December 1995, OG&E increased the number of rail cars in unit train service to Muskogee generating station from 112 rail cars to a maximum of 135 cars.

Increasing the unit train size allowed for an additional increase of delivered tons by 17 percent. The combination of high volume, aluminum design and increased train size to Muskogee generating station will reduce the number of trips from Wyoming by approximately 28 percent and reduce rail car maintenance expenses accordingly.

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#### ENVIRONMENTAL MATTERS

OG&E management believes all of its operations are in substantial compliance with present federal, state and local environmental standards. It is estimated that the Company's total expenditures for capital, operating, maintenance and other costs to preserve and enhance environmental quality will be approximately \$37 million during 1996, approximately the same amount utilized in 1995. OG&E continues to evaluate its environmental management systems to ensure compliance with existing and proposed environmental legislation and regulations and to better position itself in a competitive market.

The Company continues to explore options to comply with the Clean Air Act Amendments of 1990 ("CAAA"). Since all of OG&E's coal-fired generating units currently burn low-sulfur coal, OG&E will not be required to take any steps to comply with the new sulfur dioxide emission limits until January 1, 2000. The CAAA will also regulate emissions of nitrogen oxides and possibly certain hazardous air pollutants. The Company believes it can meet the current EPA Phase II limit for nitrogen oxides without additional expenditures. EPA's report on utility air toxic emissions has not been issued to date. With this uncertainty, it is possible that additional capital expenditures may be necessary in future years.

In compliance with Title IV of the CAAA, the Company completed installation of continuous emission monitors ("CEMs") on each of its generating units in 1995, a project which began in 1994. Capital expenditures on CEMs in 1995 totalled approximately \$767,000, with operating and maintenance expenses of \$113,000. Capital expenditures in 1996 to complete the CEM project are expected to be negligible, while operating and maintenance expenses are expected to total approximately \$125,000.

The Oklahoma Department of Environmental Quality's ("ODEQ") CAAA Title V air permitting program was approved by the EPA in March 1996. Comprehensive site air permits, as required under CAAA Title V, should be administratively complete and submitted to the ODEQ by the end of July 1996 for two of the company's six major source generating stations. Title V permits for the remaining major source generating stations should be complete within six months thereafter. Air permit fees for all generating stations are expected to cost approximately \$340,000 in 1996.

The Company has and will continue to seek new pollution prevention opportunities and to evaluate the effectiveness of its waste reduction, reuse and recycling efforts. In 1995, OG&E obtained refunds of \$460,000 from its recycling efforts. 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 reuse of existing materials. Similar savings are anticipated in future years.

OG&E remains a party to three separate actions brought by the EPA concerning cleanup of disposal sites for hazardous and toxic waste, See "Item 3. Legal Proceedings."

The Company has and will continue to evaluate the impact of its operations on the environment. As a result, contamination on Company property will be discovered from time to time. Three separate sites have been thus identified as having been contaminated by historical operations, and during 1996 the Company will pursue the appropriate corrective action at these sites. The cost of these

remedial actions is not anticipated to have a material adverse impact on the Company's financial position or results of operations.

ENOGEX

OG&E's wholly-owned non-utility subsidiary, Enogex Inc., is the 40th largest pipeline in the nation in terms of miles of pipeline. Enogex Inc.'s primary operations consist of transporting natural gas through its intra-state pipeline to various customers (including OG&E), buying and selling natural gas to third parties, selling natural gas liquids extracted by its natural gas processing plants and investing in natural gas exploration and production activities. At December 31, 1995, Enogex Inc. had three wholly-owned subsidiaries, Enogex Products Corporation ("Products"), Enogex Services Corporation ("Services") and Enogex Exploration Corporation ("Exploration"). On December 31, 1995, the assets of two former wholly-owned subsidiaries of Enogex Inc., ENGL Corporation ("ENGL") and Clinton Gas Transmission Inc. ("Clinton"), were transferred to Products and Services, respectively, and ENGL and Clinton were dissolved. Enogex Inc. also owns an 80 percent interest in Centoma Gas Systems, Inc. ("Centoma"). Products owns interests in and operates five natural gas processing plants. Exploration is engaged in investing in the exploration and production of oil and natural gas and the purchase of oil and gas reserves. Services is engaged in the marketing (buying and selling) of natural gas and also markets natural gas liquids of Products. Centoma both purchases and gathers gas for subsequent processing at one of three processing plants, two of which are owned by Products. The residue gas is then sold under a combination of contract and spot market prices.

For the year ended December 31, 1995, and before elimination of intercompany items between OG&E and Enogex, Enogex's consolidated revenues and net income were approximately \$178.1 million and \$12.7 million, respectively, as indicated in the following table:

(dollars in millions)	1995 Revenues	1995 Net Income
Enogex Inc.....	\$ 59.4	\$12.7 (a)
Products.....	16.5	2.3
Services.....	105.1	0.9
Exploration.....	10.3	2.4
ENGL.....	6.2	(0.4)
Clinton.....	---	---
Centoma.....	9.6	(0.9)
Eliminations within Enogex.....	(29.0) (b)	(4.3)
	-----	-----
Enogex consolidated amounts.....	\$178.1	\$12.7
	=====	=====

(a) Includes \$4.3 million of net income from Products, Services, Exploration, ENGL, Clinton and Centoma.

(b) Consists of intercompany natural gas transmission fees of \$5.7 million and sales of natural gas products amounting to \$23.3 million.

Enogex's natural gas transportation business in Oklahoma consists primarily of gathering and transporting natural gas for OG&E and on an interruptible basis, for other customers. Enogex's system consists of over 3,000 miles of pipeline, which extends from the Arkoma Basin in eastern Oklahoma to the Anadarko Basin in western Oklahoma. Since 1960, Enogex has had a gas transmission contract with OG&E under which Enogex transports OG&E's natural gas supply on a fee basis. Enogex also provides accounting services and assists in payments to producers and suppliers under the contract. Under the gas transmission contract, OG&E agrees to tender to Enogex and Enogex agrees to transport, on a firm, load-following basis, all of OG&E's natural gas requirements for boiler fuel for its seven gas-fired electric

generating stations. In 1995, Enogex transported 127 Bcf of natural gas; of which approximately 50 Bcf, or about 39 percent, was delivered to OG&E's electric generating stations and storage facility, which resulted in approximately 75 percent of Enogex Inc.'s revenue of \$59.4 million for 1995. See "Regulation and Rates" and "Management's Discussion and Analysis of Results of Operations and Financial Condition -- Contingencies."

Enogex's pipeline system also gathers and transports natural gas destined for interstate markets through interconnections in Oklahoma with other pipeline companies. Among others, these interconnections include Panhandle Eastern Pipeline, Williams Natural Gas Pipeline, Natural Gas Pipeline Company of America, Northern Natural Gas Company, Noram Gas Transmission Company, Seagas Pipeline, ANR Pipeline Company and Ozark Gas Transmission Company.

The rates charged by Enogex for transporting natural gas on behalf of an interstate natural gas pipeline company or a local distribution company served by an interstate natural gas pipeline company are subject to the jurisdiction of FERC under Section 311 of the Natural Gas Policy Act. The statute entitles Enogex to charge a "fair and equitable" rate that is subject to review and approval by the FERC at least once every three years. This rate review may involve an administrative-type trial and an administrative appellate review. In addition, Enogex has agreed to open its system to all interstate shippers that are interested in moving natural gas through the Enogex system. Enogex is required to conduct this transportation on a non-discriminatory basis, although this transportation is subordinate to that performed for OG&E. This decision does not increase appreciably the federal regulatory burden on Enogex, but does give Enogex the opportunity to utilize any unused capacity on an interruptible basis and thus increase its transportation revenues.

The fees charged by Enogex for transporting natural gas for OG&E and other intrastate shippers are not subject to FERC regulation. With respect to state regulation, the fees charged by Enogex for any intrastate transportation service have not been subject to direct state regulation by the OCC. Even though the intrastate pipeline business of Enogex is not directly regulated, the OCC, the APSC and the FERC have the authority to examine the appropriateness of any transportation charge or other fees paid by OG&E to Enogex, which OG&E seeks to recover from ratepayers. See "Regulation and Rates" for a further discussion of this matter and the OCC's ruling on the fees paid by OG&E to Enogex.

Products has been active since 1968 in the processing of natural gas and marketing of natural gas liquids. Products has a 50 percent interest in and operates a natural gas processing plant near Calumet, Oklahoma, which can process 250 Mmcf of natural gas per day. Products also owns four other natural gas processing plants in Oklahoma, which have, in the aggregate, the capacity to process approximately 56 Mmcf of natural gas per day. Products' natural gas processing plant operations consist of off-lease extraction of liquids from natural gas that is transported through the Enogex pipeline at four of the plants, and off-lease extraction of liquids from an unaffiliated pipeline at one plant. The raw gas stream is processed and converted into marketable ethane, propane, butane, and natural gasoline mix. The residue gas remaining after the liquid products have been extracted consists primarily of methane.

Commercial grade propane is sold on the local market and the marketing of all other natural gas liquids extracted by Products is handled by Services. The natural gas liquids are sold to Services at a price equal to the Oil Price Information Service average monthly price.

In processing and marketing natural gas liquids, the Enogex companies compete against virtually all other gas processors selling natural gas liquids. The Enogex companies believe they will be able to continue to compete favorably against such companies. With respect to factors affecting the natural gas

liquids industry generally, as the price of natural gas liquids fall without a corresponding decrease in the price of natural gas, it may become uneconomical to extract certain natural gas liquids. As to factors affecting the Enogex companies specifically, the volume of natural gas processed at their plants is dependent upon the volume of natural gas transported through the pipeline system located "behind the plants." If the volume of natural gas transported by such pipeline increases "behind the plants," then the volume of liquids extracted by Products should normally increase.

Services is a natural gas and natural gas liquids marketing company serving both producers and consumers of natural gas by buying natural gas at the wellhead and from other sources in Oklahoma and other states, and reselling the gas to local distribution companies, utilities other than OG&E and industrial purchasers both within and outside Oklahoma. It also serves Products by purchasing and marketing the natural gas liquids they produce. The natural gas liquids are delivered to Conway, Kansas (which is one of the nation's largest wholesale markets for gas liquids), where they are sold on the spot market, commonly referred to as Group 140.

Although the margin on gas sales by Services is relatively small, approximately 71 percent of the natural gas purchased and resold is transported through the Enogex Inc. pipeline to one or more interstate pipelines that deliver the gas to markets. Thus, in addition to purchasing and selling natural gas, Services seeks to use the space available in the Enogex Inc. pipeline and increase the amount of natural gas available for processing by Products.

Enogex Inc. is committed to continue the activities of Services in order to increase the amount of natural gas transported through the pipeline and the amount of natural gas processed by Products.

In its marketing and transportation services for third parties, Enogex Inc. and Services encounter competition from other natural gas transporters and marketers and from available alternative energy sources. The effect of competition from alternative energy sources is dependent upon the availability and cost of competing supply sources.

Volumes of natural gas transported by Enogex Inc. for third parties and the revenues derived from such activities increased from 1994. The contributing factors for the increase were specific projects implemented to strengthen Enogex's position, with other similar projects under consideration.

Services competes with all major suppliers of natural gas and natural gas liquids in the geographic markets they serve. For natural gas, those geographic markets are primarily the areas served by pipelines with which Enogex is interconnected. Although the price of the gas is an important factor to a buyer of natural gas from Services, the primary factor is the total cost (including transportation fees) that the buyer must pay. Natural gas transported for Services by Enogex Inc. is billed at the same rate Enogex Inc. charges for comparable third-party transportation.

Exploration was formed in 1988 primarily to engage in the exploration and production of natural gas. Exploration has focused its drilling activity in the Antrim Devonian shale trend in the state of Michigan and also has interests in Oklahoma. As of December 31, 1995, Exploration had interests in 280 active wells and total assets, including such interests, of approximately \$45 million.

Centoma was formed in 1994 and is Enogex's gas gatherer within an area of mutual interest located on Enogex's inner system. All gas gathered by Centoma is processed at one of three gas plants owned by Products. Centoma derives revenues from gas gathering and also from the resale of residue gas during the winter under premium price contracts.

ITEM 2. PROPERTIES.

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OG&E owns and operates an interconnected electric production, transmission and distribution system, located in Oklahoma and western Arkansas, which includes eight active generating stations with an aggregate active capability of 5,647 megawatts. The following table sets forth information with respect to present electric generating facilities:

Station & Unit	Fuel	Year Installed	Unit Capability (Megawatts)	Station Capability (Megawatts)
- - - - -	- - - - -	- - - - -	- - - - -	- - - - -
Seminole 1	Gas	1971	549	

	2	Gas	1973	507	
	3	Gas	1975	500	1,556
Muskogee	3	Gas	1956	184	
	4	Coal	1977	500	
	5	Coal	1978	500	
	6	Coal	1984	515	1,699
Sooner	1	Coal	1979	505	
	2	Coal	1980	510	1,015
Horseshoe	6	Gas	1958	178	
Lake	7	Gas	1963	238	
	8	Gas	1969	404	820
Mustang	1	Gas	1950	58	Inactive
	2	Gas	1951	57	Inactive
	3	Gas	1955	122	
	4	Gas	1959	260	
	5	Gas	1971	64	446
Conoco	1	Gas	1991	26	
	2	Gas	1991	26	52
Arbuckle	1	Gas	1953	74	Inactive
Enid	1	Gas	1965	12	
	2	Gas	1965	12	
	3	Gas	1965	12	
	4	Gas	1965	12	48
Woodward	1	Gas	1963	11	11
					-----
Total Active Generating Capability (all stations)					5,647
					=====

At December 31, 1995, OG&E's transmission system included 71 substations with a total capacity of approximately 17.2 million kVA and approximately 4,227 structure miles of lines. The distribution system included 332 substations with a total capacity of approximately 6.1 million kVA, 21,245 structure miles of overhead lines, 1,677 miles of underground conduit and 6,571 miles of underground conductor.

Substantially all of OG&E's electric facilities are subject to a direct first mortgage lien under the Trust Indenture securing OG&E's first mortgage bonds.

Enogex owns: (1) over 3,000 miles of natural gas pipeline extending from the Arkoma Basin in eastern Oklahoma to the Anadarko Basin in western Oklahoma; (2) a 50 percent interest in a natural gas processing plant near Calumet, Oklahoma, which has the capacity to process 250 Mmcf of natural gas per day; (3) four other natural gas processing plants in Oklahoma, which have, in the aggregate, the capacity to process approximately 56 Mmcf of natural gas per day; and (4) an 80 percent interest in approximately 110 miles of gas gathering pipeline owned by Centoma.

During the three years ended December 31, 1995, the Company's gross property, plant and equipment additions approximated \$421 million and gross retirements approximated \$71 million. Over 95 percent of these additions were provided by internally generated funds. The additions during this three-year period amounted to approximately 10.7 percent of total property, plant and equipment at December 31, 1995.

### ITEM 3. LEGAL PROCEEDINGS.

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1. Puritan Oil and Gas Corp., and other Plaintiffs, filed an amendment to a petition on February 19, 1993, to an action previously filed in the District Court of Oklahoma County, involving an alleged breach of oil and gas contract by



OG&E. This case was removed to the United States District Court for the Western District of Oklahoma. Enogex Inc. was also joined as a Defendant in the action. Plaintiffs allege that OG&E and Enogex were in violation of the Federal Racket Influenced and Corrupt Act ("RICO"). OG&E filed its Motion to Dismiss the RICO claim on March 26, 1993. Plaintiffs allege the Defendants refused to honor contractual obligations in certain gas purchase contracts. The underlying dispute on the gas purchase contracts arises in the ordinary course of OG&E's business and involves whether OG&E must purchase gas thereunder, where the contract provides for certain requirements to be maintained by the well. Actual damages under the RICO claim are sought in an amount of \$2,000,000. RICO provides that these damages be trebled in the event of an adverse verdict. Punitive damages under the RICO claim are also sought in the amount of \$1,000,000.

On January 4, 1994, the United States District Court for the Western District of Oklahoma entered its Order and dismissed Plaintiffs' RICO claim as well as Plaintiffs' claim for punitive damages under RICO. On January 14, 1994, Plaintiffs filed a Motion to Alter or Amend Judgment seeking leave of Court to file its Amended Complaint asserting different allegations under RICO. On January 31, 1994, the Court denied Plaintiffs' motion.

Plaintiffs filed their Appeal with the United States Court of Appeals for the 10th Circuit. In addition, the United States District for the Western District of Oklahoma remanded the breach of contract claim to the District Court of Oklahoma County, Oklahoma. By Order filed January 11, 1995, the Court dismissed the appeal pursuant to a stipulation of the parties. The RICO case is now dismissed.

The remaining breach of contract claims were submitted to private binding arbitration during 1995. On November 22, 1995, the arbitration panel issued a confidential order which closes this matter. The

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outcome of the arbitration does not have a material adverse effect on the Company's consolidated financial position or its results of operations.

2. On July 8, 1994, an employee of OG&E filed a lawsuit in state court against OG&E in connection with OG&E's voluntary early retirement package. The case was removed to the U.S. District Court in Tulsa, Oklahoma. On August 23, 1994, the trial court granted OG&E's Motion to Dismiss Plaintiff's Complaint in its entirety.

On September 12, 1994, Plaintiff, along with two other Plaintiffs, filed an Amended Complaint alleging substantially the same allegations which were in the original complaint. The action was filed as a class action, but no motion to certify a class was ever filed. Plaintiffs want credit, for retirement purposes, for years they worked prior to a pre-ERISA (1974) break in service. They allege violations of ERISA, the Veterans Reemployment Act, Title VII, and the Age Discrimination in Employment Act. State law claims, including one for intentional infliction of emotional distress, are also alleged.

On October 10, 1994, Defendants filed a Motion to Dismiss Counts II, IV, V, VI and VII of Plaintiffs' Amended Complaint. With regard to Counts I and III, Defendants filed a Motion for Summary Judgment on January 18, 1996. One Plaintiff was killed in a car accident in January of 1996. The Plaintiff never retired and Defendants allege the Plaintiff does not have a claim for retirement benefits. The Plaintiff's beneficiary will receive death benefits.

While the Company cannot predict the precise outcome of the proceeding, the Company continues to believe that the lawsuit is without merit and will not have a material adverse effect on its consolidated results of operations or financial condition.

3. On June 30, 1986, the United States government filed suit against OG&E and 36 other defendants in case number CIV-86-1401 W, in the United States District Court ("USDC") for the Western District of Oklahoma. The Complaint generally alleged that a total of 18 million gallons of hazardous and toxic waste were contained at the Hardage Criner site located approximately 30 miles south of Oklahoma City, and that the government had expended, as of the date of the filing of the Complaint, \$1.44 million related to the site. The 37 defendants are divided into three classes: 33 "generator" defendants, of which the Company is one; three "transporter" defendants; and the owner of the site, Mr. Royal Hardage.

It is estimated that over 200 other entities, not named in the government's Complaint, also disposed of materials at the site. OG&E disposed of an estimated 130,000 gallons at the site, or less than 1 percent of the total volume of waste. OG&E, along with each other Potentially Responsible Party ("PRP"), could be held jointly and severally liable for the remediation of the site. In August 1990, the USDC issued its rulings on the appropriate method for cleanup of the site. The USDC selected the containment remedy proposed by the Hardage Criner Steering Committee Defendants (the "Committee"), of which OG&E is a member, with several modifications. The remedy ordered by the USDC was estimated to cost approximately \$60 million.

The design and construction of the remedy was completed in 1995 and is now in an operation and maintenance mode.

Settlements have been reached with numerous parties that were not members of the Committee for their share of costs incurred. The money collected through these settlements has been used to finance the remedy and to reimburse the government for response costs.

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Even though the settlement funds, plus interest and the United States contribution raised a substantial portion of the monies required for construction of the remedy and future maintenance, any remaining amounts that OG&E and the other Committee members are likely to pay may still be substantial due to maintenance of the remedy over time.

The Committee members have reached an Agreement to pay the on-going maintenance costs based on each company's respective volume of waste sent to the site. OG&E's share of the total is 2.33 percent, or approximately \$1.4 million.

While it is not possible to determine the precise outcome of this matter, in the opinion of management, OG&E's ultimate liability for the cleanup costs of this site will not have a material adverse effect on OG&E's financial position or its results of operations. Management's opinion is based on the following: (1) the cleanup costs already paid by certain parties; (2) the financial viability of the other PRPs; (3) the portion of the total waste disposed at this site attributable to OG&E; and (4) the remedy construction is complete. Management also believes that costs incurred in connection with this site, which are not recovered from insurance carriers or other parties, may be allowable costs for future ratemaking purposes.

4. OG&E is also involved, along with numerous other PRPs, in an EPA administrative action involving the facility in Holden, Missouri, of Martha C. Rose Chemicals, Inc. ("Rose"). Beginning in early 1983 through 1986, Rose was engaged in the business of brokering of polychlorinated biphenyls ("PCBs") and PCB items, processing of PCB capacitors and transformers for disposal, and decontamination of mineral oil dielectric fluids containing PCBs. During this time period, various generators of PCBs ("Generators"), including OG&E, shipped materials containing PCBs to the facility. Contrary to its contractual obligation with OG&E and other Generators, it appears that Rose failed to manage, handle and dispose of the PCBs and the PCB items in accordance with the applicable law. Rose has been issued citations by both the EPA and the Occupational Safety and Health Administration. OG&E, along with the other PRPs, could be held jointly and severally liable for the remediation of the site.

In March 1986, Rose abandoned its facility in Holden, Missouri, and subsequently notified certain Generators of its unwillingness and/or inability to come into compliance with the PCB rules and regulations and to properly dispose of such PCBs and PCB items at the facility. In addition to PCBs and PCB items at the Rose facility, the EPA believes that contaminated soils, sediments and/or sludge may be present off-site.

Several Generators, including OG&E, formed a Steering Committee to investigate and possibly clean up the Rose facility. Currently, OG&E management's estimate of the total cost for cleanup of the Rose facility is in the range of \$23 to \$31 million, of which \$18.5 million has already been collected from certain parties.

The Company estimates its share of the total hazardous wastes at the Rose facility to be less than six percent. A Settlement Agreement between AEGIS Insurance Company and OG&E was reached in 1994. The remediation of this site was completed in 1995 by the Steering Committee and is currently in the final stages

of closure with the EPA, which includes operation and maintenance activities as required in the Administrative Order on Consent with the EPA.

Due to additional funds resulting from payments by third party companies who were not a part of the Steering Committee, and also reduced remedy implementation costs, the Company received a refund in December 1995 under the allocation formula.

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Although the Company cannot predict the precise outcome of this matter, management believes that OG&E's ultimate liability for the cleanup costs of this site will not have a material adverse effect on OG&E's financial position or its results of operations. Management's opinion is based on the following: (1) the cleanup costs already paid by certain parties; (2) the financial viability of the other PRPs; (3) the portion of the total waste disposed at this site attributable to OG&E and (4) the Company's settlement agreement with its insurer. Management also believes that costs incurred in connection with this site, which are not recovered from insurance carriers or other parties, may be allowable costs for future ratemaking purposes.

5. On January 11, 1993, OG&E received a Section 107 (a) Notice Letter from the EPA, Region VI, as authorized by the CERCLA, 42 USC Section 9607 (a), concerning the Double Eagle Refinery Superfund Site located at 1900 NE First Street in Oklahoma City, Oklahoma. The EPA has named OG&E and 45 others as PRPs. Each PRP could be held jointly and severally liable for remediation of this site.

The Notice of Letter, a formal demand for reimbursement of past and future incurred costs (past costs are approximately \$1.3 million), provided for a negotiation period of 60 days and encouraged the PRPs to perform or finance the response activities as set forth in the Record of Decision ("ROD") and the Draft Statement of Work ("SOW").

The ROD addresses the source of contamination both on and off the site and is divided into two operable units: 1) Source Control Operable Unit, the remedy of which is addressed with the SOW and has an estimated cost of \$6.4 million; and 2) Groundwater Operable Unit, which is still being evaluated to assess the extent of contamination in the groundwater and any plumes. The cost of remediation for this Unit cannot be estimated at this time.

On February 15, 1996, OG&E elected to participate in the de minimis settlement of EPA's Administrative Order on Consent. This limits OG&E's financial obligation to less than \$2,000 and also eliminates its involvement in the design and implementation of the site remedy.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

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Special Meeting of shareowners on November 16, 1995 for the purpose of Approving an Agreement and Plan of Share Acquisition, whereby OGE Energy Corp. will become the holding company parent of the Company and the holders of Company Common Stock will become holders of OGE Energy Corp. Common Stock.

Votes For:	33,932,508
Votes Against:	1,271,000
Votes Abstained:	866,451

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EXECUTIVE OFFICERS OF THE REGISTRANT.

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The following persons were Executive Officers of the Registrant as of March 15, 1996:

Name	Age	Title
James G. Harlow, Jr	61	Chairman of the Board and Chief Executive Officer
Steven E. Moore	49	President and Chief Operating Officer
Patrick J. Ryan	57	Vice Chairman
Al M. Strecker	52	Senior Vice President - Finance and Administration
Melvin D. Bowen, Jr.	54	Vice President - Power Delivery
Jack T. Coffman	52	Vice President - Power Supply
Michael G. Davis	46	Vice President - Marketing and Customer Services
Irma B. Elliott	57	Vice President and Corporate Secretary
James R. Hatfield	38	Treasurer
Don L. Young	55	Controller
Donald R. Rowlett	38	Assistant Controller

No family relationship exists between any of the Executive Officers of the Registrant. Each Officer is to hold office until the Board of Directors meeting following the next Annual Meeting of Shareowners, currently scheduled for May 16, 1996.

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The business experience of each of the Executive Officers of the Registrant for the past five years is as follows:

Name	Business Experience
James G. Harlow, Jr.	1995-Present: Chairman of the Board and Chief Executive Officer 1991-1995: Chairman of the Board, President and Chief Executive Officer
Steven E. Moore	1995-Present: President and Chief Operating Officer 1991-1995: Vice President - Law and Public Affairs
Patrick J. Ryan	1994-Present: Vice Chairman 1991-1994: Executive Vice President and Chief Operating Officer
Al M. Strecker	1994-Present: Senior Vice President - Finance and Administration 1991-1994: Vice President and Treasurer 1991: Vice President, Secretary and Treasurer
Melvin D. Bowen, Jr.	1994-Present: Vice President - Power Delivery

	1991-1994:	Metro Region Superintendent
Jack T. Coffman	1994-Present:	Vice President - Power Supply
	1991-1994:	Manager - Generation Services

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Name	Business Experience
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Michael G. Davis	1994-Present: Vice President - Marketing and Customer Services
	1992-1994: Director-Marketing Division
	1991-1992: Manager - Industrial Services
Irma B. Elliott	Present: Vice President and Corporate Secretary
	1991-1996: Secretary
	1991: Assistant Secretary
James R. Hatfield	1994-Present: Treasurer
	1994: Vice President - Investor Relations & Corporate Secretary - Aquila Gas Pipeline Corporation (an intrastate gas pipeline subsidiary of UtiliCorp United Inc.)
	1991-1993: Assistant Treasurer - UtiliCorp United Inc. (an electric and natural gas utility company)
Don L. Young	1991-Present: Controller
Donald R. Rowlett	1994-Present: Assistant Controller
	1992-1994: Senior Specialist - Tax Accounting
	1991-1992: Specialist - Tax Accounting

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## PART II

### ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED

#### STOCKHOLDER MATTERS.

The Company's Common Stock is listed for trading on the New York and Pacific Stock Exchanges under the ticker symbol "OGE." Quotes may be obtained in daily newspapers where the common stock is listed as "OklaGE" in the New York Stock Exchange listing table. The following table gives information with respect to price ranges, as reported in THE WALL STREET JOURNAL as New York Stock

Exchange Composite Transactions, and dividends paid for the periods shown.

	1995			1994		
	Dividend Paid	High	Low	Dividend Paid	High	Low
First Quarter	\$0.66 1/2	\$36 1/4	\$32 9/16	\$0.66 1/2	\$37 1/4	\$33 1/2
Second Quarter	0.66 1/2	36 3/8	33 1/4	0.66 1/2	36 1/2	29 3/8
Third Quarter	0.66 1/2	38	33 3/8	0.66 1/2	34 3/8	29 5/8
Fourth Quarter	0.66 1/2	43 5/8	36 7/8	0.66 1/2	34 1/4	32

The number of record holders of Common Stock at December 31, 1995, was 44,594. The book value of the Company's Common Stock at December 31, 1995, was \$23.22.

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ITEM 6. SELECTED FINANCIAL DATA.

	HISTORICAL DATA				
	1995	1994	1993	1992	1991
SELECTED FINANCIAL DATA					
(dollars in thousands except for per share data)					
Operating revenues .....	\$1,302,037	\$1,355,168	\$1,447,252	\$1,314,984	\$1,314,770
Operating expenses.....	1,099,890	1,154,702	1,252,099	1,137,980	1,103,683
Operating income.....	202,147	200,466	195,153	177,004	211,087
Other income and deductions.....	800	(2,167)	(1,301)	(567)	(471)
Interest charges.....	77,691	74,514	79,575	76,725	76,700
Net income.....	125,256	123,785	114,277	99,712	133,916
Preferred dividend requirements.....	2,316	2,317	2,317	2,317	2,317
Earnings available for common.....	\$ 122,940	\$ 121,468	\$ 111,960	\$ 97,395	\$ 131,599
Long-term debt.....	\$ 843,862	\$ 730,567	\$ 838,660	\$ 838,654	\$ 853,597
Total assets.....	\$2,754,871	\$2,782,629	\$2,731,424	\$2,590,083	\$2,566,089
Earnings per average common share.....	\$ 3.05	\$ 3.01	\$ 2.78	\$ 2.42	\$ 3.27
CAPITALIZATION RATIOS					
Common equity.....	51.19%	54.13%	50.51%	50.36%	50.20%
Cumulative preferred stock.....	2.73%	2.94%	2.78%	2.79%	2.75%
Long-term debt.....	46.08%	42.93%	46.71%	46.85%	47.05%
INTEREST COVERAGES					
Before federal income taxes (including AFUDC).....	3.48X	3.59X	3.32X	3.05X	3.66X
(excluding AFUDC).....	3.46X	3.58X	3.32X	3.04X	3.63X
After federal income taxes (including AFUDC).....	2.59X	2.64X	2.43X	2.29X	2.70X
(excluding AFUDC).....	2.57X	2.62X	2.42X	2.28X	2.66X

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ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS

AND FINANCIAL CONDITION.

MANAGEMENT'S DISCUSSION AND ANALYSIS.

OVERVIEW

(thousands except per share amounts)	1995	1994	1993	Percent Change From Prior Year	
				1995	1994
Operating revenues.....	\$1,302,037	\$1,355,168	\$1,447,252	(3.9)	(6.4)
Earnings available for common stock .....	\$ 122,940	\$ 121,468	\$ 111,960	1.2	8.5
Average shares outstanding .....	40,356	40,344	40,328	---	---
Earnings per average common share.....	\$ 3.05	\$ 3.01	\$ 2.78	1.3	8.3
Dividends paid per share.....	\$ 2.66	\$ 2.66	\$ 2.66	---	---

Earnings for 1995 increased from \$3.01 per share in 1994 to \$3.05 per share in 1995, an increase of 1.3 percent. The increase is primarily the result of continued customer growth in the OG&E service area and improved operating efficiencies resulting from the 1994 restructuring of the Company's operations. The 1994 increase resulted primarily from increased retail electric kilowatt-hour sales and less impact than in 1993 from the February 1994 rate order of the Oklahoma Corporation Commission ("OCC"), which reduced earnings for 1993 by \$.32 per share. See Note 10 of Notes to Consolidated Financial Statements.

The dividend payout ratio (expressed as a percentage of earnings available for common) improved in 1995 to 87 percent as compared to 88 percent for 1994. The Company's long-term goal is to achieve a dividend payout ratio of 75 percent based on long-term earnings expectations.

In 1994, the Company restructured and redesigned its operations to reduce costs in order to more favorably position itself for the competitive electric utility environment. As part of this process, the Company implemented a Voluntary Early Retirement Package ("VERP") and a severance package in 1994. Those two programs reduced the Company's workforce by more than 900 employees. In January 1995, OG&E began amortizing a regulatory asset of \$48.9 million consisting of the balance of the deferred costs associated with the VERP and the severance package, in accordance with an order of the OCC issued on October 26, 1994. The OCC order permitted the Company to amortize the \$48.9 million over 26 months and reduced electric rates by approximately \$15 million annually. At December 31, 1995, the unamortized regulatory asset was \$26.3 million, which is included on the Consolidated Balance Sheets as Deferred Charges - Other. In 1995, the labor savings from the VERP and severance package approximated the amortization of the regulatory asset and the annual rate reduction of \$15 million and therefore, did not significantly impact 1995 operating results. In 1996, the labor savings are again expected to substantially offset the amortization of the regulatory asset and the rate reduction of \$15 million.

On July 19, 1995, OG&E announced plans to create a holding company structure with OGE Energy Corp. becoming the parent company of OG&E. At a special meeting of shareowners on November 16, 1995, OG&E shareowners approved the new holding company structure. Upon regulatory approval, which is currently expected by mid-1996, OG&E's common stock will be exchanged on a share-for-share basis for common stock of OGE Energy Corp. and OG&E will become a subsidiary of OGE Energy Corp. As part of this corporate restructuring, OG&E's wholly-owned subsidiary,

Enogex, Inc. and Enogex's subsidiaries (collectively "Enogex") will also become a direct subsidiary of OGE Energy Corp. The holding company structure will provide greater flexibility to take advantage of opportunities to develop or acquire other businesses, providing opportunities for increased earnings in an increasingly competitive business environment. The holding company structure will clearly separate the Company's electric utility business from the non-utility businesses of the other OGE Energy Corp. subsidiaries for regulatory, capital structure and other purposes.

The Company will file with the OCC for an electric utility rate review in mid-1996. This review of our electric utility rates should conclude no later than six months after the rate case filing, a new requirement under Oklahoma law.

The following discussion and analysis presents factors which had a material effect on the Company's operations and financial position during the last three years and should be read in conjunction with the Consolidated Financial Statements and Notes thereto. Trends and contingencies of a material nature are discussed to the extent known and considered relevant.

RESULTS OF OPERATIONS

REVENUES

(THOUSANDS)	1995	1994	1993	Percent Change From Prior Year	
				1995	1994
Sales of electricity to OG&E customers.....	\$1,135,720	\$1,188,550	\$1,242,964	(4.4)	(4.4)
Provisions for rate refund .....	(2,437)	(3,417)	(14,963)	*	*
Sales of electricity to other utilities.....	35,004	11,765	54,815	197.5	(78.5)
Enogex.....	133,750	158,270	164,436	(15.5)	(3.7)
-----					
Total operating revenues .....	\$1,302,037	\$1,355,168	\$1,447,252	(3.9)	(6.4)
=====					
System kilowatt-hour sales	20,828,415	20,642,675	20,201,533	0.9	2.2
Kilowatt-hour sales to other utilities.....	1,851,839	556,765	3,103,977	232.6	(82.1)
-----					
Total kilowatt-hour sales .....	22,680,254	21,199,440	23,305,510	7.0	(9.0)
=====					

\*Not meaningful

In 1995, approximately 90 percent of the Company's revenues consisted of regulated sales of electricity as a public utility, while the remaining 10 percent was provided by the non-utility operations of Enogex. Revenues from sales of electricity are somewhat seasonal, with a large portion of the Company's annual electric revenues occurring during the summer months when the electricity needs of its customers increase. Enogex's primary operations consist of transporting natural gas through its intra-state pipeline to various customers (including OG&E), buying and selling natural gas to third parties, selling natural gas liquids extracted by its natural gas processing plants and investing in natural gas exploration and production activities. Actions of the regulatory commissions that set OG&E's electric rates will continue to affect the Company's financial results. The commissions also have the authority to examine the

appropriateness of OG&E's recovery from its customers of fuel costs, which include the transportation fees that OG&E pays Enogex for transporting natural gas to OG&E's generating units.

During 1995, operating revenues decreased \$53.1 million or 3.9 percent, primarily due to lower revenue from Enogex businesses, the \$15 million rate



reduction, mild weather, and recovery of lower fuel costs. Partially offsetting the impact of these reductions was continued growth in kilowatt-hour sales to OG&E customers ("system sales") and a significant increase in kilowatt-hour sales to other utilities.

Enogex revenues decreased 15.5 percent in 1995. This reduction is primarily attributable to a reduced emphasis on low margin off-system natural gas sales and lower natural gas prices on gas purchased for resale.

Operating revenues in 1994 decreased \$92.1 million or 6.4 percent, primarily due to recovery of substantially reduced fuel costs, a significant reduction in kilowatt-hour sales to other utilities, milder weather and lower revenue from Enogex businesses. Partially offsetting the impact of these reductions was a 2.2 percent growth in system sales. The OCC issued an order on February 25, 1994, that effectively reduced OG&E's rates by \$17 million annually and required OG&E to refund \$41.3 million. Approximately \$39.1 million of the refund was charged to periods prior to 1994 and did not significantly affect 1994 results. See Note 10 of the Notes to Consolidated Financial Statements.

Enogex revenues decreased 3.7 percent in 1994. Primary factors for the decrease were lower natural gas prices and slightly lower volumes of natural gas sold by Enogex. These decreases were partially offset by increased sales of natural gas liquids.

EXPENSES AND OTHER ITEMS

(DOLLARS IN THOUSANDS)				Percent Change From Prior Year	
	1995	1994	1993	1995	1994
Fuel .....	\$ 260,443	\$ 263,329	\$ 383,207	(1.1)	(31.3)
Purchased power.....	216,598	228,701	218,689	(5.3)	4.6
Gas purchased for resale (Enogex).....	87,293	114,044	140,311	(23.5)	(18.7)
Other operation and maintenance.....	290,824	284,194	274,988	2.3	3.3
Restructuring .....	---	21,035	---	*	*
Depreciation and Amortization.....	132,135	126,377	119,543	4.6	5.7
Taxes.....	112,597	117,022	115,361	(3.8)	1.4
Total operating expenses.....	\$1,099,890	\$1,154,702	\$1,252,099	(4.7)	(7.8)

\* Not meaningful

Total operating expenses decreased approximately \$54.8 million or 4.7 percent in 1995, due to decreases in quantities and prices of gas purchased for resale by Enogex, lower maintenance costs, reduced purchases of power from other utilities, lower income taxes and reduced fuel costs for the production of electricity. These reductions were partially offset by increases in depreciation and amortization.

OG&E's generating capability is evenly divided between coal and natural gas and provides for flexibility to use either fuel to the best economic advantage for the Company and its customers. In 1995, fuel costs decreased \$2.9 million or 1.1 percent due to lower prices and usage of natural gas and a higher volume of kilowatt-hours generated with lower priced coal. During 1994, fuel costs decreased approximately \$120 million or 31.3 percent, due to renegotiated coal and transportation contracts, lower natural gas usage and a 15.9 percent reduction in the volume of kilowatt-hours generated (due to economic purchases of power from other utilities and a reduction in sales to other utilities).

Purchased power costs decreased \$12.1 million or 5.3 percent in 1995, primarily due to the availability of larger quantities of economically priced energy in 1994. Economic purchases of power from other utilities resulted in a \$10 million increase in 1994. As required by the Public Utility Regulatory Policy Act ("PURPA"), the Company is currently purchasing power from qualified cogeneration facilities. In 1998, another qualified cogeneration facility is scheduled to become operational and the Company is obligated to purchase up to 100 megawatts of capacity from this facility as well. See related discussion of purchased power in Note 9 of Notes to Consolidated Financial Statements.

Variances in the actual cost of fuel used in electric generation and certain purchased power costs, as compared to that component in cost-of-service for ratemaking, are passed through to OG&E's electric customers through automatic fuel adjustment clauses. The automatic fuel adjustment clauses are subject to periodic review by the OCC, the Arkansas Public Service Commission ("APSC") and the Federal Energy Regulatory Commission ("FERC"). The OCC, the APSC, and the FERC have authority to review the appropriateness of gas transportation charges or other fees OG&E pays Enogex, which OG&E seeks to recover through the fuel adjustment clause or other tariffs. See Note 10 of Notes to Consolidated Financial Statements for a discussion of the OCC order in February 1994 requiring, among other things, a \$41.3 million refund relating to the fees OG&E paid Enogex. The APSC is in the process of reviewing the gas transportation charges OG&E pays Enogex. See related discussion of the APSC review in Note 9 of Notes to Consolidated Financial Statements.

Even though increases and decreases are passed through to customers, in 1993 the Company began utilizing a natural gas storage facility which helps OG&E lower fuel costs and receive greater value from its remaining take-or-pay gas contracts. By diverting natural gas into storage, OG&E is able to use as much coal as possible to generate electricity, and use gas from storage when needed to meet increases in demand for electricity. The higher levels of fuel inventories at the end of 1995 and 1994 were attributable to increased usage of the natural gas storage facility and the relatively low level of fuel inventories at the end of 1993 was due to significant kilowatt-hour sales to other utilities.

The Company has initiated numerous other ongoing programs that have helped reduce the cost of generating electricity over the last several years. These programs include: 1) spot market purchases of coal; 2) renegotiated contracts for coal, gas, railcar maintenance and coal transportation; and 3) a heat rate awareness program to produce kilowatt-hours with less fuel. Reducing fuel costs helps OG&E remain competitive, which in turn helps OG&E's electric customers remain competitive in a global economy.

Enogex's gas purchased for resale decreased \$26.7 million or 23.5 percent and \$26.3 million or 18.7 percent in 1995 and 1994, respectively. These decreases are primarily the result of the continued trend of declining natural gas prices and Enogex's reduced emphasis on marketing low margin off-system natural gas.

Other operation and maintenance increased \$6.6 million in 1995, due to \$22.6 million of amortization of the regulatory asset resulting from the 1994 restructuring of the Company's operations,

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costs associated with a major storm in the Company's service area and the write-off of obsolete inventory, offset by lower costs due to the 1994 workforce reduction and efficiencies gained in the maintenance of the Company's generating plants. Other operation and maintenance increased by approximately \$9.2 million in 1994. A \$5.4 million decrease in production maintenance in 1994, net of labor savings, was more than offset by: (i) expensing \$8.4 million of previously deferred costs associated with Statement of Financial Accounting Standards ("SFAS") No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions;" (ii) current recognition of SFAS No. 106 costs; and (iii) increased costs of producing natural gas liquids at Enogex.

The increases in depreciation and amortization for 1995 and 1994 reflects higher levels of depreciable plant and amortization of gas sales contracts by Enogex.

In 1995, income taxes decreased primarily due to an increase in tax credits earned during 1995 and lower pre-tax earnings. Income taxes during 1994

increased primarily due to higher pre-tax earnings.

The Company successfully refinanced approximately \$396 million of short-term and long-term debt in 1995, resulting in a \$7 million reduction in annual interest expense. The decrease in interest expense in 1994 from 1993 was primarily attributable to the approximate \$6.2 million of interest in 1993, associated with the refund ordered by the OCC in February 1994. See Note 10 of Notes to Consolidated Financial Statements.

LIQUIDITY, CAPITAL RESOURCES AND CONTINGENCIES

The primary capital requirements for 1995 and as estimated for 1996 through 1998 are as follows:

(DOLLARS IN MILLIONS)	1995	1996	1997	1998
Construction expenditures				
including AFUDC .....	\$154	\$147	\$134	\$138
Maturities of long-term debt and				
sinking fund requirements.....	25	---	15	25
Total.....	\$179	\$147	\$149	\$163

The Company's primary needs for capital are related to construction of new facilities to meet anticipated demand for utility service, to replace or expand existing facilities in both its electric and non-utility businesses, and to some extent, for satisfying maturing debt and sinking fund obligations. The Company generally meets its cash needs through a combination of internally generated funds, short-term borrowings and permanent financing. Because of the continuing trend toward greater environmental awareness and increasingly stringent regulations, the Company has been experiencing increasing construction expenditures related to compliance with environmental laws and regulations.

1995 CAPITAL REQUIREMENTS

Construction expenditures were \$154 million in 1995. Approximately \$1 million of the 1995 construction expenditures were to comply with environmental regulations. This compares to construction

expenditures of \$150 million in 1994, of which \$9.4 million were to comply with environmental regulations.

1995 FINANCING ACTIVITIES

During 1995, the Company's primary source of capital was internally generated funds from operating cash flows. Operating cash flow remained strong in 1995 as internally generated funds provided financing for all of the Company's capital expenditures. Variations in accounts receivable and accounts payable are not generally significant indicators of the Company's liquidity, as such variations are primarily attributable to fluctuations in weather in the Company's service territory, which has a direct effect on sales of electricity. In 1995, accounts receivable and accounts payable were higher due to more favorable weather in the last quarter of the year as compared to 1994.

Short-term borrowings were used during 1995 to meet temporary cash requirements. At December 31, 1995, the Company had outstanding short-term borrowings of \$67.6 million.

In January 1995, OG&E issued two series of pollution control revenue bonds

bearing interest at variable, tax-exempt rates, to refinance its obligations with respect to \$47 million of 5.875 percent pollution control bonds and \$32 million of 6.75 percent pollution control revenue bonds. The annualized composite interest rate on the two new series of bonds was approximately 3.50 percent for the period from their date of issuance through December 31, 1995.

In August and September 1995, Enogex issued \$120 million of medium-term notes at a composite interest rate of 6.89 percent. These notes were issued to replace \$90 million of short-term borrowings incurred by Enogex in August 1994 in connection with the refinancing of outstanding medium-term notes with an annualized composite rate of 9.99 percent, the redemption of a \$6.9 million long-term note payable which carried an interest rate of prime less one-quarter of one percent and the redemption of \$22 million of associated companies short-term borrowings.

In October 1995, OG&E issued \$220 million of long-term debt with a composite interest rate of 6.775 percent. The proceeds were applied to the redemption, in November 1995, of \$220 million principal amount of outstanding first mortgage bonds, which had a weighted average interest rate of 8.676 percent.

#### FUTURE CAPITAL REQUIREMENTS

The Company's construction program for the next several years does not include additional base-load generating units. Rather, to meet the increased electricity needs of its customers during the balance of the century, the Company will concentrate on maintaining the reliability and increasing the utilization of existing capacity and increasing demand-side management efforts. Approximately \$1.6 million of the Company's construction expenditures budgeted for 1996 are to comply with environmental laws and regulations. Assuming favorable market conditions, the Company anticipates refinancing at lower interest rates up to \$300 million of long-term debt in 1996.

Future financing requirements may be dependent, to varying degrees, upon numerous factors such as general economic conditions, abnormal weather, load growth, inflation, changes in environmental laws or regulations, rate increases or decreases allowed by regulatory agencies, new legislation and market entry of competing electric power generators.

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#### FUTURE SOURCES OF FINANCING

Management expects that internally generated funds will be adequate over the next three years to meet anticipated capital requirements. Short-term borrowings will continue to be used to meet temporary cash requirements. The Company has the necessary regulatory approvals to incur up to \$400 million in short-term borrowings at any one time. The Company has in place a line of credit for up to \$160 million which expires December 6, 2000.

The Company continues to evaluate opportunities to enhance shareowner returns and achieve long-term financial objectives through acquisitions of non-utility businesses. Permanent financing could be required for any such acquisitions.

#### CONTINGENCIES

The Company is defending various claims and legal actions, including environmental actions, which are common to its operations. As to environmental matters, the Company has been designated as a "potentially responsible party" ("PRP") with respect to three waste disposal sites to which the Company sent materials. Two of the sites are in an operating and maintenance mode and will require minimal financial support from OG&E. The Company's total waste disposed at the remaining site is minimal. The Company recently elected to participate in the de minimis settlement offered by the EPA. This limits the Company's financial obligation in addition to removing any participation in the site remedy. While it is not possible to determine the precise outcome of these matters, in the opinion of management, the Company's ultimate liability for the clean-up costs of these sites will not have a material adverse effect on the Company's consolidated financial position or results of operations. Management's opinion is based on the following: 1) the clean-up costs already paid by certain parties, 2) the financial viability of the other PRPs, and 3) the portion of the total wastes disposed at the sites attributable to the Company. Management also

believes that costs incurred in connection with the sites, which are not recovered from insurance carriers or other parties, may be allowable costs for future ratemaking purposes.

Gas transportation within Oklahoma appears to be moving towards a market-based rate environment at the urging of the OCC. Recently, the OCC ordered local distribution company affiliates of NORAM (an interstate natural gas pipeline) to implement a competitive bidding process by September 1996 for 100% of their gas transportation requirements to the cities they serve. Currently, these local distribution companies are served by a regulated interstate gas pipeline that is an affiliate of NORAM. In addition, in March 1995, the OCC reached a revenue requirement and rate design joint settlement with Public Service Company of Oklahoma ("PSO") and its interstate pipeline affiliate Transok Inc. which will require, among other provisions, that a competitive bidding process for PSO's gas transportation requirements be phased in over a five-year period beginning January 1, 1998. The OCC order provides that a minimum of 25% of PSO's capacity requirements must be met by non-affiliated transporters by January 1, 1998, if justified by the bidding and evaluation process.

The Company is unable to predict what rates will be approved by the OCC in future years for the transportation services provided by Enogex to OG&E, but the Company anticipates that OG&E will in the future transition to a market-based rate environment for some portion of its gas transportation requirements currently met by Enogex. In 1995, approximately \$44 million or 25 percent of Enogex's revenues were attributable to transporting natural gas for OG&E. The Company further anticipates that OG&E will release firm capacity on the Enogex pipeline system as part of the transition process which will enable Enogex to compete for the new Oklahoma markets which are developing. Other pipelines seeking to compete with Enogex for OG&E's business will likely have to pay a fee to Enogex for transporting the gas

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on Enogex's system or incur capital expenditures to develop the necessary infrastructure to connect with OG&E's gas-fired generating stations.

The Company has contracted for low-sulphur coal to comply with the sulfur dioxide limitations of the Clean Air Act Amendments of 1990 ("CAAA"). Since all of OG&E's coal-fired generating units currently burn low-sulfur coal, OG&E is not required to take any steps to comply with the new sulfur dioxide emission limits until January 1, 2000. The CAAA will also regulate emissions of nitrogen oxides and possibly certain hazardous air pollutants. The Company believes it can meet the current EPA Phase II limit for nitrogen oxides without additional expenditures. EPA's report on utility air toxic emissions has not been issued to date. With this uncertainty, it is possible that additional capital expenditures may be necessary in future years.

In compliance with Title IV of the CAAA, the Company completed installation of continuous emission monitors ("CEMs") on each of its generating units in 1995, a project which had begun in 1994. Capital expenditures on CEMs in 1995 totalled approximately \$767,000, with operating and maintenance expenses of \$113,000. Capital expenditures in 1996 to complete the CEM project are expected to be negligible, while operating and maintenance expenses are expected to total approximately \$125,000.

The Oklahoma Department of Environmental Quality's ("ODEQ") CAAA Title V air permitting program by the EPA was approved in March 1996. Comprehensive site air permits, as required under CAAA Title V, should be administratively complete and submitted to the ODEQ by the end of July 1996 for two of the company's six major source generating stations. Title V permits for the remaining major source generating stations should be complete within six months thereafter. Air permit fees for all generating stations are expected to cost approximately \$340,000 in 1996.

In October 1992, the National Energy Policy Act of 1992 ("Energy Act") was enacted. Among many other provisions, the Energy Act is designed to promote competition in the development of wholesale power generation in the electric utility industry. It exempts a new class of independent power producers from regulation under the Public Utility Holding Company Act of 1935 and allows the FERC to order wholesale "wheeling" by public utilities to provide utility and non-utility generators access to public utility transmission facilities. Pursuant to the Energy Act, the FERC earlier this year issued a Notice of Proposed Rulemaking on Open Access Non-discriminatory Transmission Services and

a Supplemental Notice of Proposed Rulemaking on Stranded Investment (collectively, the Mega-NOPR). The Mega-NOPR is intended, among other things, to create a vigorous wholesale electric market by requiring transmission providers to offer open access to their transmission systems. Concurrently with the Mega-NOPR, FERC issued a proposal for a Real-Time Information Network intended to facilitate open access by requiring each electric utility to create an electronic bulletin board of information regarding their transmission system services, availability and rates. At the state level, several states are considering proposals to require "retail wheeling," which is the transmission of power generated by a third party to retail customers of another utility. During 1995, the OCC conducted an energy symposium to discuss retail wheeling and the state legislature is conducting hearings during the 1996 legislative session. The Arkansas legislature had a retail wheeling bill introduced in 1995, but it was not passed out of committee and the issue probably will not be introduced again until the 1997 legislative session. OG&E believes it is premature to order retail wheeling since the FERC has not fully adopted rules for the wholesale power market. The Company also believes before any retail competition is ordered, there must be revisions in state and federal laws to discontinue tax subsidies and other preferences to federal, state, and municipal power authorities as well as rural electric cooperatives. All electric providers must compete on a fair and equitable basis. The Energy Act and other factors are expected to significantly increase competition in the electric industry. The Company has taken

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steps such as its 1994 restructuring of its operations and its anticipated holding company reorganization, and intends to take appropriate steps in the future to remain a competitive supplier of electricity.

Besides the existing contingencies described above, and those described in Note 9 of Notes to Consolidated Financial Statements, the Company's ability to fund its future operational needs and to finance its construction program is dependent upon numerous other factors beyond its control, such as general economic conditions, abnormal weather, load growth, inflation, new environmental laws or regulations, and the cost and availability of external financing.

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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

CONSOLIDATED STATEMENTS OF INCOME

Year ended December 31 (DOLLARS IN THOUSANDS EXCEPT PER SHARE DATA)	1995	1994	1993
OPERATING REVENUES	\$1,302,037	\$1,355,168	\$1,447,252
OPERATING EXPENSES:			
Fuel .....	260,443	263,329	383,207
Purchased power.....	216,598	228,701	218,689
Gas purchased for resale.....	87,293	114,044	140,311
Other operation.....	233,250	216,961	196,323
Maintenance.....	57,574	67,233	78,665
Restructuring .....	---	21,035	---
Depreciation.....	132,135	126,377	119,543
Current income taxes.....	77,895	50,129	72,003
Deferred income taxes, net.....	(3,928)	27,092	5,286
Deferred investment tax credits, net.....	(5,150)	(5,150)	(5,150)
Taxes other than income.....	43,780	44,951	43,222
Total operating expenses.....	1,099,890	1,154,702	1,252,099

OPERATING INCOME .....	202,147	200,466	195,153
-----			
OTHER INCOME AND DEDUCTIONS:			
Interest income.....	4,380	3,409	1,431
Other.....	(3,580)	(5,576)	(2,732)
-----			
Net other income and deductions.....	800	(2,167)	(1,301)
-----			
INTEREST CHARGES:			
Interest on long-term debt.....	67,549	67,680	70,490
Allowance for borrowed funds used during construction.....	(1,224)	(1,073)	(433)
Other.....	11,366	7,907	9,518
-----			
Total interest charges, net.....	77,691	74,514	79,575
-----			
NET INCOME .....	125,256	123,785	114,277
PREFERRED DIVIDEND REQUIREMENTS.....	2,316	2,317	2,317
-----			
EARNINGS AVAILABLE FOR COMMON.....	\$ 122,940	\$ 121,468	\$ 111,960
=====			
AVERAGE COMMON SHARES OUTSTANDING (thousands).....	40,356	40,344	40,328
EARNINGS PER AVERAGE COMMON SHARE.....	\$ 3.05	\$ 3.01	\$ 2.78
=====			

THE ACCOMPANYING NOTES TO CONSOLIDATED FINANCIAL STATEMENTS ARE AN INTEGRAL PART  
HEREOF.

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#### CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

Year ended December 31 (DOLLARS IN THOUSANDS)	1995	1994	1993
=====			
BALANCE AT BEGINNING OF PERIOD.....	\$ 409,960	\$ 395,811	\$ 391,135
ADD - net income	125,256	123,785	114,277
Total.....	535,216	519,596	505,412
-----			
DEDUCT:			
Cash dividends declared on preferred stock.....	2,316	2,317	2,317
Cash dividends declared on common stock.....	107,355	107,319	107,284
-----			
Total.....	109,671	109,636	109,601
-----			
BALANCE AT END OF PERIOD.....	\$ 425,545	\$ 409,960	\$ 395,811
=====			

THE ACCOMPANYING NOTES TO CONSOLIDATED FINANCIAL STATEMENTS ARE AN INTEGRAL PART  
HEREOF.

CONSOLIDATED BALANCE SHEETS

December 31 (DOLLARS IN THOUSANDS)	1995	1994	1993
<b>ASSETS</b>			
<b>PROPERTY, PLANT AND EQUIPMENT:</b>			
In service.....	\$3,898,829	\$3,770,247	\$3,656,113
Construction work in progress.....	29,705	43,943	33,970
<b>Total property, plant and equipment.....</b>	<b>3,928,534</b>	<b>3,814,190</b>	<b>3,690,083</b>
Less accumulated depreciation.....	1,585,274	1,487,300	1,370,227
<b>Net property, plant and equipment.....</b>	<b>2,343,260</b>	<b>2,326,890</b>	<b>2,319,856</b>
<b>OTHER PROPERTY AND INVESTMENTS, at cost.....</b>	<b>9,943</b>	<b>7,868</b>	<b>6,920</b>
<b>CURRENT ASSETS:</b>			
Cash and cash equivalents.....	5,420	2,455	6,593
Accounts receivable - customers, less reserve of \$4,205, \$3,719 and \$4,070, respectively.....	126,273	118,318	126,997
Accrued unbilled revenues.....	43,550	36,800	45,100
Accounts receivable - other.....	9,152	8,601	6,269
Fuel inventories, at LIFO cost.....	60,356	46,494	27,127



Materials and supplies, at average cost.....	22,996	30,401	26,813
Prepayments and other.....	4,535	43,137	28,648
Accumulated deferred tax assets.....	10,759	12,077	24,088
-----			
Total current assets.....	283,041	298,283	291,635
-----			
DEFERRED CHARGES:			
Advance payments for gas.....	6,500	10,000	21,165
Income taxes recoverable through future rates.....	41,934	47,246	47,593
Other.....	70,193	92,342	44,255
-----			
Total deferred charges.....	118,627	149,588	113,013
-----			
TOTAL ASSETS .....	\$2,754,871	\$2,782,629	\$2,731,424
=====			

THE ACCOMPANYING NOTES TO CONSOLIDATED FINANCIAL STATEMENTS ARE AN INTEGRAL PART  
HEREOF.

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CONSOLIDATED BALANCE SHEETS (Continued)

December 31 (DOLLARS IN THOUSANDS)	1995	1994	1993
=====			
CAPITALIZATION AND LIABILITIES			
CAPITALIZATION (see statements):			
Common stock and retained earnings.....	\$ 937,535	\$ 921,177	\$ 906,804
Cumulative preferred stock.....	49,939	49,973	49,973
Long-term debt.....	843,862	730,567	838,660
-----			
Total capitalization.....	1,831,336	1,701,717	1,795,437
-----			
CURRENT LIABILITIES:			
Short-term debt.....	67,600	182,750	47,000
Accounts payable .....	72,089	66,391	100,285
Dividends payable .....	27,427	27,415	27,410
Customers' deposits.....	21,920	20,904	19,353
Accrued taxes .....	27,937	25,153	24,717
Accrued interest.....	19,144	23,873	26,712
Long-term debt due within one year.....	---	25,350	350
Accumulated provision for rate refund.....	2,650	2,970	39,117
Other.....	33,388	41,321	48,666
-----			
Total current liabilities.....	272,155	416,127	333,610
-----			
DEFERRED CREDITS AND OTHER LIABILITIES:			
Accrued pension and benefit obligation.....	67,350	71,014	16,210
Accumulated deferred income taxes.....	485,078	497,056	484,003
Accumulated deferred investment tax credits.....	83,178	88,328	93,478

Other.....	15,774	8,387	8,686
-----			
Total deferred credits and other liabilities.....	651,380	664,785	602,377
-----			
COMMITMENTS AND CONTINGENCIES (Notes 9 and 10)			
-----			
TOTAL CAPITALIZATION AND LIABILITIES.....	\$2,754,871	\$2,782,629	\$2,731,424
=====			

THE ACCOMPANYING NOTES TO CONSOLIDATED FINANCIAL STATEMENTS ARE AN INTEGRAL PART  
HEREOF.

CONSOLIDATED STATEMENTS OF CAPITALIZATION

December 31 (DOLLARS IN THOUSANDS)	1995	1994	1993
=====			
COMMON STOCK AND RETAINED EARNINGS:			
Common stock, par value \$2.50 per share; Authorized 100,000,000 shares; issued 46,470,616 shares.....	\$ 116,177	\$ 116,177	\$ 116,177
Premium on capital stock.....	608,273	608,158	608,195
Retained earnings .....	425,545	409,960	395,811
Treasury stock - 6,097,357, 6,116,229, and 6,124,139 shares, respectively.....	(212,460)	(213,118)	(213,379)
-----			
Total common stock and retained earnings.....	937,535	921,177	906,804
-----			
CUMULATIVE PREFERRED STOCK:			
Par value \$20, authorized 675,000 shares - 4%; 421,963, 423,663, and 423,663 shares, respectively....	8,439	8,473	8,473
Par value \$25, authorized and unissued 4,000,000 shares....	---	---	---
Par value \$100, authorized 1,865,000 shares-			
SERIES      SHARES OUTSTANDING			
4.20%      50,000.....	5,000	5,000	5,000
4.24%      75,000.....	7,500	7,500	7,500
4.44%      65,000.....	6,500	6,500	6,500
4.80%      75,000.....	7,500	7,500	7,500
5.34%      150,000.....	15,000	15,000	15,000
-----			
Total cumulative preferred stock.....	49,939	49,973	49,973
-----			
LONG-TERM DEBT:			
First mortgage bonds-			
SERIES      DATE DUE			
4.50 %      March 1, 1995.....	---	25,000	25,000
5.125%      January 1, 1997.....	15,000	15,000	15,000
6.375%      January 1, 1998.....	25,000	25,000	25,000
7.125%      January 1, 1999.....	12,500	12,500	12,500
8.625%      January 1, 2000.....	---	30,000	30,000
6.25 %      Senior Notes Series B, October 15, 2000...	110,000	---	---
7.125%      January 1, 2002.....	40,000	40,000	40,000
8.375%      January 1, 2004.....	---	75,000	75,000
9.125%      January 1, 2005.....	---	60,000	60,000
8.625%      January 1, 2006.....	---	55,000	55,000
8.375%      January 1, 2007.....	75,000	75,000	75,000
8.625%      November 1, 2007.....	35,000	35,000	35,000
8.25 %      August 15, 2016.....	100,000	100,000	100,000
8.875%      December 1, 2020.....	75,000	75,000	75,000
7.30 %      Senior Notes Series A, October 15, 2025...	110,000	---	---
5.875%      Pollution Control Series A, 12-1-2007.....	---	47,000	47,000
7.00 %      Pollution Control Series C, 3-1-2017.....	56,000	56,000	56,000
Other bonds-			
6.75 %      Muskogee Industrial Trust Bonds, March 1, 2006.....	---	32,050	32,400
Var. %      Garfield Industrial Authority, 1-1-2025 ...	47,000	---	---
Var. %      Muskogee Industrial Authority, 1-1-2025 ...	32,400	---	---
Unamortized premium and discount, net.....	(9,038)	(8,533)	(8,890)
Enogex Inc. notes (Note 5).....	120,000	6,900	90,000
-----			
Total long-term debt.....	843,862	755,917	839,010
Less long-term debt due within one year.....	---	25,350	350
-----			
Total long-term debt (excluding long-term debt due within one year).....	843,862	730,567	838,660
-----			
Total Capitalization .....	\$1,831,336	\$1,701,717	\$1,795,437
=====			

THE ACCOMPANYING NOTES TO CONSOLIDATED FINANCIAL STATEMENTS ARE AN INTEGRAL PART  
HEREOF.

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CONSOLIDATED STATEMENTS OF CASH FLOWS

Year ended December 31 (DOLLARS IN THOUSANDS)	1995	1994	1993
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Net Income.....	\$ 125,256	\$ 123,785	\$ 114,277
Adjustments to Reconcile Net Income to Net Cash Provided from Operating Activities:			
Depreciation.....	132,135	126,377	119,543
Deferred income taxes and investment tax credits, net.....	(9,078)	21,942	136
Provision for rate refund.....	3,112	4,200	21,117
Change in Certain Current Assets and Liabilities:			
Accounts receivable - customers.....	(7,955)	8,679	(19,192)
Accrued unbilled revenues.....	(6,750)	8,300	200
Fuel, materials and supplies inventories.....	(6,457)	(22,955)	7,740
Accumulated deferred tax assets.....	1,318	12,011	(24,088)
Other current assets.....	38,051	(16,821)	(23,324)
Accounts payable.....	5,887	(35,667)	5,268
Accrued taxes.....	2,784	436	(2,452)
Accrued interest.....	(4,729)	(2,839)	(3,249)
Accumulated provision for rate refund.....	(320)	(36,147)	39,117
Other current liabilities.....	(6,905)	(5,789)	4,600
Other operating activities.....	15,160	18,698	(12,841)
Net cash provided from operating activities.....	281,509	204,210	226,852
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Capital expenditures.....	(141,439)	(151,012)	(127,674)
Net cash used in investing activities.....	(141,439)	(151,012)	(127,674)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Retirement of long-term debt, net.....	87,750	(83,450)	(15,300)
Short-term debt, net.....	(115,150)	135,750	21,000
Redemption of preferred stock.....	(34)	---	---
Cash dividends declared on preferred stock.....	(2,316)	(2,317)	(2,317)
Cash dividends declared on common stock.....	(107,355)	(107,319)	(107,284)
Net cash used in financing activities.....	(137,105)	(57,336)	(103,901)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS.....</b>			
	2,965	(4,138)	(4,723)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD.....</b>			
	2,455	6,593	11,316
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD.....</b>	<b>\$ 5,420</b>	<b>\$ 2,455</b>	<b>\$ 6,593</b>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>			
Cash Paid During the Period for:			
Interest (net of amount capitalized).....	\$ 76,860	\$ 74,372	\$ 71,401
Income taxes .....	\$ 77,752	\$ 57,416	\$ 79,953
<b>DISCLOSURE OF ACCOUNTING POLICY:</b>			
For purposes of these statements, the Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. These investments are carried at cost which approximates market.			

THE ACCOMPANYING NOTES TO CONSOLIDATED FINANCIAL STATEMENTS ARE AN INTEGRAL PART  
HEREOF.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of Oklahoma Gas and Electric Company ("OG&E"), its wholly-owned non-utility subsidiary Enogex Inc. and its subsidiaries ("Enogex") (collectively, the "Company"). All significant intercompany transactions have been eliminated in consolidation.

ACCOUNTING RECORDS

The accounting records of OG&E are maintained in accordance with the

Uniform System of Accounts prescribed by the Federal Energy Regulatory Commission ("FERC") and adopted by the Oklahoma Corporation Commission ("OCC") and the Arkansas Public Service Commission ("APSC"). Additionally, OG&E, as a regulated utility, is subject to the accounting principles prescribed by Statement of Financial Accounting Standards ("SFAS") No. 71, "Accounting for the Effects of Certain Types of Regulation". SFAS No. 71 provides that certain costs that would otherwise be charged to expense can be deferred as regulatory assets, based on expected recovery from customers in future rates. Likewise, certain credits that would otherwise be charged to expense are deferred as regulatory liabilities based on 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. Regulatory assets and liabilities are amortized consistent with ratemaking treatment established by regulators. 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 reduced or written-off, as appropriate. See Notes 7 and 10 of Notes to Consolidated Financial Statements for related discussion.

In March 1995 the Financial Accounting Standards Board issued SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of." Adoption of SFAS No. 121 is required for fiscal years beginning after December 15, 1995. The Company will adopt this new standard effective January 1, 1996, and believes it will not have a material impact on the Company's financial position or its results of operations.

#### USE OF ESTIMATES

In preparing the 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 liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### PROPERTY, PLANT AND EQUIPMENT

All property, plant and equipment is recorded at cost. Electric utility plant is recorded at its original cost. Newly constructed plant is added to plant balances at costs which include contracted services, direct labor, materials, overhead, and allowance for funds used during construction. Replacement of major units of property are capitalized as plant. The replaced plant is removed from plant balances and

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the cost of such property together with the cost of removal less salvage is charged to accumulated depreciation. Repair and replacement of minor items of property are included in the Consolidated Statements of Income as maintenance expense.

#### DEPRECIATION

The provision for depreciation, which was approximately 3.2 percent of the average depreciable utility plant, for each of the years 1995, 1994 and 1993, is provided on a straight-line method over the estimated service life of the property. Depreciation is provided at the unit level for production plant and at the account or sub-account level for all other plant, and is based on the average life group procedure.

Enogex's gas pipeline, gathering systems, compressors and gas processing plants are depreciated on a straight-line method over periods ranging from 15 to 48 years.

#### ALLOWANCE FOR FUNDS USED DURING CONSTRUCTION

Allowance for funds used during construction ("AFUDC") is calculated according to FERC pronouncements for the imputed cost of equity and borrowed funds. AFUDC, a non-cash item, is reflected as a credit on the Consolidated Statements of Income and a charge to construction work in progress.

AFUDC rates, compounded semi-annually, were 6.3, 4.58, and 3.6 percent for the years 1995, 1994 and 1993, respectively.

#### UNBILLED REVENUE

OG&E accrues estimated revenues for services provided but not yet billed. The cost of providing service is recognized as incurred.

AUTOMATIC FUEL ADJUSTMENT CLAUSES

Variances in the actual cost of fuel used in electric generation and certain purchased power costs, as compared to that component in estimated cost-of-service for ratemaking, are charged to substantially all of the Company's electric customers through automatic fuel adjustment clauses, which are subject to periodic review by the OCC, the APSC and the FERC.

FUEL INVENTORIES

Fuel inventories for the generation of electricity consist of coal, oil and natural gas. These inventories are accounted for under the last-in, first-out ("LIFO") cost method. The estimated replacement cost of fuel inventories exceeded the stated LIFO cost by approximately \$2.4 million, \$2.5 million, and \$2.3 million for 1995, 1994 and 1993, respectively, based on the average cost of fuel purchased late in the respective years. LIFO liquidation gains and losses (no gains or losses in 1995 and 1994, and approximately \$500,000 gain in 1993) reduces or increases the Company's recovery under its automatic fuel adjustment clauses, with no impact on net income. Natural gas products inventories are held for sale and accounted for based on the weighted average cost of production.

ENVIRONMENTAL COSTS

Accruals for environmental costs are recognized when it is probable that a liability has been incurred and the amount of the liability can be reasonably estimated. When a single estimate of the liability cannot be determined, the low end of the estimated range is recorded. Costs are charged to expense or deferred as a regulatory asset based on expected recovery from customers in future rates, if they relate to the remediation of conditions caused by past operations or if they are not expected to mitigate or prevent contamination from future operations. Where environmental expenditures relate to facilities currently in use, such as pollution control equipment, the costs may be capitalized and depreciated over the future service periods. Estimated remediation costs are recorded at undiscounted amounts, independent of any insurance or rate recovery, based on prior experience, assessments and current technology. Accrued obligations are regularly adjusted as environmental assessments and estimates are revised, and remediation efforts proceed. For sites where OG&E has been designated as one of several potentially responsible parties, the amount accrued represents OG&E's estimated share of the cost.

2. Income Taxes

The items comprising tax expense are as follows:

Year ended December 31 (DOLLARS IN THOUSANDS)	1995	1994	1993
-----			
Provision For Current Income Taxes:			
Federal.....	\$ 65,173	\$ 42,974	\$ 61,406
State.....	12,722	7,155	10,597
-----			
Total Provision For Current Income Taxes.....	77,895	50,129	72,003
-----			
Provisions (Benefit) For Deferred Income Taxes, net:			
Federal			
Depreciation.....	6,084	7,372	9,673
Repair allowance.....	2,101	1,109	1,360
Removal costs.....	700	1,542	1,026
Provision for rate refund.....	(588)	12,406	(6,972)
Company restructuring.....	(8,373)	---	---
Other.....	(2,678)	812	(225)
State.....	(1,174)	3,851	424
-----			
Total Provision (Benefit) For Deferred Income Taxes, net	(3,928)	27,092	5,286
-----			
Deferred Investment Tax Credits, net.....	(5,150)	(5,150)	(5,150)
Income Taxes Relating to Other Income and Deductions..	1,436	203	(538)

Total Income Tax Expense.....	\$ 70,253	\$ 72,274	\$ 71,601
Pretax Income.....	\$195,509	\$196,059	\$185,878

The following schedule reconciles the statutory federal tax rate to the effective income tax rate:

Year ended December 31	1995	1994	1993
Statutory federal tax rate.....	35.0%	35.0%	35.0%
State income taxes, net of federal income tax benefit.	3.8	3.7	3.9
Tax credits, net.....	(4.8)	(3.8)	(3.2)
Change in federal tax rate.....	---	---	0.9
Other, net.....	1.9	2.0	1.9
Effective income tax rate as reported.....	35.9%	36.9%	38.5%

The Company files consolidated income tax returns. Income taxes are allocated to each company based on its separate taxable income or loss.

Investment tax credits on electric utility property have been deferred and are being amortized to income over the life of the related property.

Current income tax expense increased in 1995 primarily due to costs incurred related to the Company restructuring and payment of the rate refund in 1994. The expenses accrued for the Company restructuring will not be deductible for income tax purposes until the benefits are paid in future years.

The Company follows the provisions of SFAS No. 109, "Accounting for Income Taxes", which it adopted effective January 1, 1993. SFAS No. 109 requires an asset and liability approach to accounting for income taxes. Under SFAS No. 109, deferred tax assets or liabilities are computed based on the difference between the financial statement and income tax bases of assets and liabilities ("temporary differences") using the enacted marginal tax rate. Deferred income tax expenses or benefits are based on the changes in the asset or liability from period to period. The Company elected not to restate the financial statements for years ending before January 1, 1993. When adopted, SFAS No. 109 had no effect on net income.

The deferred tax provisions, set forth above, are recognized as costs in the ratemaking process by the commissions having jurisdiction over the rates charged by OG&E.

The components of Accumulated Deferred Income Taxes at December 31, 1995, 1994 and 1993 are as follows:

(DOLLARS IN THOUSANDS)	1995	1994	1993
Current Deferred Tax Assets:			
Accrued vacation .....	\$ 3,666	\$ 3,363	\$ 4,177
Postemployment medical and life insurance benefits....	---	3,235	---
Provision for rate refund.....	1,025	375	14,965
Uncollectible accounts.....	1,782	1,218	2,130
Capitalization of indirect costs.....	2,583	2,583	2,816
Provision for Worker's Compensation claims.....	1,568	---	---
Other.....	135	1,303	---
Accumulated deferred tax assets.....	\$ 10,759	\$ 12,077	\$ 24,088

=====			
Deferred Tax Liabilities:			
Accelerated depreciation and other property-related differences.....	\$460,332	\$455,943	\$439,253
Allowance for funds used during construction.....	49,572	53,317	57,074
Income taxes recoverable through future rates.....	54,023	58,470	62,441
-----			
Total.....	563,927	567,730	558,768
-----			
Deferred Tax Assets:			
Deferred investment tax credits.....	(27,120)	(28,868)	(30,616)
Income taxes refundable through future rates.....	(37,795)	(40,186)	(44,022)
Postemployment medical and life insurance benefits....	(2,347)	---	---
Company pension plan.....	(11,612)	(6,417)	(3,255)
Other.....	25	4,797	3,128
-----			
Total.....	(78,849)	(70,674)	(74,765)
-----			
Accumulated Deferred Income Tax Liabilities.....	\$485,078	\$497,056	\$484,003
=====			

The effect of adopting SFAS No. 109 at January 1, 1993, before adjusting for the new tax rate, resulted in a net increase in property, plant and equipment of approximately \$73.9 million, a net decrease in income taxes recoverable through future rates of approximately \$12 million and a net increase in accumulated deferred income taxes of approximately \$61.9 million. Also at January 1, 1993, approximately \$8.1 million of deferred tax assets which were previously netted with accumulated deferred income taxes, were reclassified as current assets as a result of adopting SFAS No. 109.

The Omnibus Reconciliation Act of 1993, signed into law on August 10, 1993, increased the top federal corporate tax rate from 34 to 35 percent. The 35 percent rate was retroactively made effective January 1, 1993. The change in the federal income tax rate increased the provision for income taxes approximately \$1.6 million.

### 3. COMMON STOCK AND RETAINED EARNINGS

There were no new shares of common stock issued during 1995, 1994 or 1993. The \$115,000 increase in 1995, \$37,000 decrease in 1994 and \$21,000 increase in 1993 in premium on capital stock, as presented on the Consolidated Statements of Capitalization, represents the gains and losses associated with the issuance of common stock pursuant to the Restricted Stock Plan.

#### RESTRICTED STOCK PLAN

The Company has a Restricted Stock Plan whereby certain employees may periodically receive shares of the Company's common stock at the discretion of the Board of Directors. The Company distributed 18,872, 18,950, and 18,687 shares of common stock during 1995, 1994 and 1993, respectively. The Company also reacquired 11,040 and 1,235 shares in 1994 and 1993, respectively. The shares distributed/reacquired in the reported periods were recorded as treasury stock.

Changes in common stock were:

(thousands)	1995	1994	1993
Shares outstanding January 1.....	40,354	40,346	40,329
Issued/reacquired under the Restricted Stock Plan, net..	19	8	17
Shares outstanding December 31.....	40,373	40,354	40,346

There were 4,009,021 shares of unissued common stock reserved for the various employee and Company stock plans at December 31, 1995. With the exception of the Restricted Stock Plan, the common stock requirements, pursuant to those plans, are currently being satisfied with stock purchased on the open market.

In October 1995 the FASB issued SFAS No. 123, "Accounting for Stock-Based Compensation." The Company has elected to continue to measure stock compensation cost as prescribed by APB Opinion No. 25, "Accounting for Stock Issued to Employees" and make the appropriate pro forma disclosures of net income and earnings effective January 1, 1996.

The Company's Restated Certificate of Incorporation and its Trust Indenture, as supplemented, relating to the First Mortgage Bonds, contained provisions which, under specific conditions, limit the amount of dividends (other than in shares of common stock) and/or other distributions which may be made to common shareowners.

In December 1991, holders of the Company's First Mortgage Bonds approved a series of amendments to the Company's Trust Indenture. The amendments eliminated the cumulative amount of the previous restrictions on retained earnings related to the payment of dividends and provided management with the flexibility to repurchase its common stock, when appropriate, in order to maintain desired capitalization ratios and to achieve other business needs. The Company incurred \$14 million relating to obtaining such amendments and began amortizing these costs over the remaining life of the respective bond issues. In November 1995, the Company redeemed \$220 million principal amount of outstanding First Mortgage Bonds and expensed approximately \$3 million of the costs incurred in obtaining the amendments. At the end of 1995, there was approximately \$6.3 million in unamortized costs associated with obtaining these amendments.

SHAREOWNERS RIGHTS PLAN

In December 1990, the Company adopted a Shareowners Rights Plan designed to protect shareowners' interests in the event that the Company is ever confronted with an unfair or inadequate acquisition proposal. Pursuant to the plan, the Company declared a dividend distribution of one "right" for each share of Company common stock. Each right entitles the holder to purchase from the Company one one-hundredth of a share of new preferred stock of the Company under certain circumstances. The rights may be exercised if a person or group announces its intention to acquire, or does acquire, 20 percent or more of the Company's common stock. Under certain circumstances, the holders of the rights will be entitled to purchase either shares of common stock of the Company or common stock of the acquirer at a reduced percentage of market value. The rights will expire on December 11, 2000.

4. CUMULATIVE PREFERRED STOCK

Preferred stock is redeemable at the option of OG&E at the following amounts per share plus accrued dividends: the 4% Cumulative Preferred Stock at the par value of \$20 per share; the Cumulative Preferred Stock, par value \$100 per share, as follows: 4.20% series-\$102; 4.24% series-\$102.875; 4.44% series-\$102; 4.80% series-\$102; and 5.34% series-\$101.

The Company's Restated Certificate of Incorporation permits the issuance of new series of preferred stock with dividends payable other than quarterly.

5. LONG-TERM DEBT

OG&E's Trust Indenture, as supplemented, relating to the First Mortgage Bonds, requires OG&E to pay to the trustee annually, an amount sufficient to redeem, for sinking fund purposes, 1 1/4 percent of the highest amount outstanding at any time. This requirement has been satisfied by pledging permanent additions to property to the extent of 166 2/3 percent of principal amounts of bonds otherwise required to be redeemed. Through December 31, 1995, gross property additions pledged totaled approximately \$369 million.

Annual sinking fund requirements for each of the five years subsequent to December 31, 1995, are as follows:

Year	Amount
=====	
1996.....	\$ 13,614,583



1997.....	\$ 13,302,083
1998.....	\$ 12,781,249
1999.....	\$ 12,520,833
2000.....	\$ 10,229,166
=====	

As in prior years, OG&E expects to meet these requirements by pledging permanent additions to property.

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The Company successfully refinanced approximately \$306 million of long-term debt in 1995. The following table summarizes the 1995 refinancing activity:

(DOLLARS IN THOUSANDS)	Series	New Debt	Old Debt
Senior Notes Series B.....	6.25 %	\$110,000	\$ ---
Senior Notes Series A.....	7.30 %	110,000	---
First Mortgage Bonds.....	8.625%	---	30,000
First Mortgage Bonds.....	8.375%	---	75,000
First Mortgage Bonds.....	9.125%	---	60,000
First Mortgage Bonds.....	8.625%	---	55,000
Garfield Industrial Authority....	Var. %	47,000	---
Muskogee Industrial Authority....	Var. %	32,400	---
Pollution Control Series A.....	5.875%	---	47,000
Muskogee Industrial Trust.....	6.75 %	---	32,050
Enogex Inc. Notes .....	6.89 %	120,000	---
Enogex Inc. Notes .....	Var. %	---	6,900
Total.....		\$419,400	\$305,950
=====			

As of December 31, 1995, Enogex long-term debt consisted of \$120 million of medium-term notes at a composite rate of 6.89%. The following table itemizes the Enogex long-term debt at December 31, 1995, 1994 and 1993:

December 31 (DOLLARS IN THOUSANDS)	1995	1994	1993
Series Due December 21, 1995--9.88%-10.03%.....	\$ ---	\$ ---	\$ 60,000
Series Due December 21, 1998--9.96%-10.11%.....	---	---	30,000
Series Due August 7, 2000--6.76%-6.77%.....	27,000	---	---
Series Due August 31, 2000--6.68%.....	20,000	---	---
Series Due September 1, 2000--6.70%.....	10,000	---	---
Variable Rate Note Due July 31, 2001.....	---	6,900	---
Series Due August 7, 2002--7.02%-7.05%.....	63,000	---	---
Total.....	\$120,000	\$ 6,900	\$ 90,000
=====			

Maturities of long-term debt during the next five years consist of \$15 million in 1997, \$25 million in 1998, \$12.5 million in 1999 and \$167 million in 2000.

Unamortized debt expense and unamortized premium and discount on long-term debt are being amortized over the life of the respective debt.

Substantially all electric plant was subject to lien of the Trust Indenture at December 31, 1995.

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6. SHORT-TERM DEBT

The Company borrows on a short-term basis, as necessary, by the issuance of commercial paper and by obtaining short-term bank loans. The maximum and average amounts of short-term borrowings during 1995 were \$267.7 million and \$146.6 million, respectively, at a weighted average interest rate of 6.39%. The weighted average interest rates for 1994 and 1993 were 4.76% and 3.60%, respectively. OG&E has an agreement for a flexible line of credit, up to \$160 million, through December 6, 2000. The line of credit is maintained on a variable fee basis on the unused balance. Short-term debt in the amount of \$67.6 million was outstanding at December 31, 1995.

#### 7. POSTEMPLOYMENT BENEFIT PLANS

During 1994, the Company restructured its operations, reducing its workforce by approximately 24 percent. This was accomplished through a Voluntary Early Retirement Package ("VERP") and an enhanced severance package. The VERP included enhanced pension benefits as well as postemployment medical and life insurance benefits.

As a result of the postemployment benefits provided in connection with this workforce reduction, the Company incurred severance costs and certain one-time costs computed in accordance with SFAS No. 88, "Employers' Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits" and SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions". In response to an application filed by the Company, the OCC directed the Company to defer the one-time costs which had not been offset by labor savings through December 31, 1994. The remaining balance of the one-time costs is being amortized over 26 months, commencing January 1, 1995. The components of the severance and VERP costs and the amount deferred are as follows:

(DOLLARS IN THOUSANDS)	SFAS No. 88	SFAS No. 106	Severance	Total
Curtailment Loss.....	\$ 1,042	\$ 5,457	\$ ---	\$ 6,499
Recognition of Transition Obligation...	---	17,268	---	17,268
Special Retirement Benefits.....	28,198	6,566	---	34,764
Enhanced Severance.....	---	---	4,891	4,891
Total VERP and Severance Costs.....	\$29,240	\$29,291	\$ 4,891	63,422
Deferred as a Regulatory Asset at December 31, 1994.....				(48,903)
Postemployment Costs Recognized as Restructuring in 1994.....				14,519
Consulting Fees.....				2,750
Other.....				3,766
1994 Restructuring Expenses.....				\$21,035

The restructuring charges reflected above, include only costs that were actually incurred in 1994. In 1995, amortization of the deferred regulatory asset was \$22.6 million.

#### PENSION PLAN

All eligible employees of the Company are covered by a non-contributory defined benefit pension plan. Under the plan, retirement benefits are primarily a function of both the years of service and the highest average monthly compensation for 60 consecutive months out of the last 120 months of service.

It is the Company's policy to fund the plan on a current basis to comply with the minimum required contributions under existing tax regulations. Such contributions are intended to provide not only for benefits attributed to service to date, but also for those expected to be earned in the future.

Net periodic pension cost is computed in accordance with provisions of SFAS No. 87, "Employers' Accounting for Pensions," and is recorded in the accompanying Consolidated Statements of Income as Other operation.

In determining the projected benefit obligation, the weighted average discount rates used were 7.25, 8.25 and 7.25 percent for 1995, 1994 and 1993, respectively. The assumed rate of increase in future salary levels was 4.5 percent in 1995, 1994 and 1993. The expected long-term rate of return on plan assets used in determining net periodic pension cost was 9 percent for the reported periods.

The plan's assets consist primarily of U. S. Government securities, listed common stocks and corporate debt.

Net periodic pension costs for 1995, 1994 and 1993 included the following:

(DOLLARS IN THOUSANDS)	1995	1994	1993
Service costs.....	\$ 4,714	\$ 7,824	\$ 7,630
Interest cost on projected benefit obligation.....	20,392	17,851	14,557
Return on plan assets .....	(15,036)	(17,510)	(15,697)
Net amortization and deferral.....	(1,263)	(1,263)	(1,263)
Amortization of unrecognized prior service cost....	2,634	1,489	671
Net periodic pension costs.....	\$11,441	\$ 8,391	\$ 5,898

The following table sets forth the plan's funded status at December 31, 1995, 1994 and 1993:

(DOLLARS IN THOUSANDS)	1995	1994	1993
Projected benefit obligation:			
Vested benefits.....	\$ (232,457)	\$ (208,438)	\$ (140,958)
Nonvested benefits.....	(18,263)	(14,664)	(21,435)
Accumulated benefit obligation.....	(250,720)	(223,102)	(162,393)
Effect of future compensation levels.....	(44,853)	(29,425)	(51,196)
Projected benefit obligation.....	(295,573)	(252,527)	(213,589)
Plan's assets at fair value.....	214,986	177,045	194,501
Plan's assets less than projected benefit obligation....	(80,587)	(75,482)	(19,088)
Unrecognized prior service cost.....	40,616	43,250	7,942
Unrecognized net asset from application of SFAS No. 87..	(7,580)	(8,842)	(10,106)
Unrecognized net (gain) loss.....	9,489	(900)	14,448
Accrued pension liability.....	\$ (38,062)	\$ (41,974)	\$ (6,804)

POSTRETIREMENT MEDICAL AND LIFE INSURANCE BENEFITS

In addition to providing pension benefits, the Company provides certain medical and life insurance benefits for retired members ("postretirement benefits"). Employees retiring from the Company on or after attaining age 55 who have met certain length of service requirements are entitled to these benefits. The benefits are subject to deductibles, co-payment provisions and other limitations. Prior to January 1, 1993, the costs of retiree medical and life insurance benefits were recognized as expense when claims were paid ("pay-as-you-go"). Pay-as-you-go costs totaled approximately \$6,513,000, \$4,621,000, and \$3,804,000 for 1995, 1994 and 1993, respectively.

The Company adopted the provisions of SFAS No.106 beginning January 1, 1993. This standard requires that employers accrue the cost of postretirement benefits during the active service periods of employees until the date they attain full eligibility for the benefits.

During 1993, OG&E expensed pay-as-you-go postretirement benefits and recorded a deferral for the difference between pay-as-you-go and SFAS No. 106

requirements. The February 25, 1994, OCC rate order directed OG&E to recover postretirement benefit costs following the pay-as-you-go method and to defer the incremental cost associated with accrual recognition of SFAS No. 106 related costs following a "phase-in" plan. Accordingly, OG&E recorded a regulatory asset for the difference between the amounts using the pay-as-you-go method (adjusted for the phase-in plan) and those required by SFAS No. 106.

A decision was made in the second quarter of 1994 to discontinue deferral of the differential and to charge to expense \$8.4 million of postretirement benefits that had been recorded as a regulatory asset. Although OG&E continues to believe that it could have recovered these costs in future rate proceedings before the OCC, OG&E decided to recognize these expenses currently, due to its strategy to reduce its cost-structure, which minimizes future revenue requirements. OG&E expects to continue charging to expense the SFAS No. 106 costs and to include an annual amount as a component of cost-of-service in future ratemaking proceedings.

Net postretirement benefit expense for 1995, 1994 and 1993 included the following components:

(DOLLARS IN THOUSANDS)	1995	1994	1993
Service cost.....	\$ 1,932	\$ 2,714	\$ 2,812
Interest cost.....	7,242	5,978	6,158
Return on plan assets.....	(576)	---	---
Net amortization.....	3,325	3,549	3,687
Net amount capitalized or deferred.....	(2,399)	(4,557)	(8,853)
Discontinued deferral of regulatory asset...	---	8,359	---
-----	-----	-----	-----
Net postretirement benefit expense.....	\$ 9,524	\$16,043	\$ 3,804

The discount rates used in determining the accumulated postretirement benefit obligation were 7.25, 8.25 and 7.25 percent for December 31, 1995, 1994 and 1993, respectively. The rate of increase in future compensation levels used in measuring the life insurance accumulated postretirement benefit obligation was 4.5 percent for December 31, 1995, 1994 and 1993. An 11 percent annual rate of increase in the per capita cost of covered health care benefits was assumed for 1995; the rate is assumed to decrease gradually to 4.5 percent by the year 2006 and remain at that level thereafter. A one-percentage-point increase in the assumed health care cost trend rates would increase the accumulated postretirement benefit obligation as of December 31, 1995, by approximately \$11.2 million, and the aggregate of the service and interest cost components of net postretirement health care cost for 1995 by approximately \$1.1 million.

The following table sets forth the funded status of the postretirement benefits and amounts recognized in the Company's Consolidated Balance Sheets as of December 31, 1995, 1994 and 1993:

(DOLLARS IN THOUSANDS)	1995	1994	1993
Accumulated postretirement benefit obligation:			
Retirees.....	\$ (88,500)	\$ (81,688)	\$ (42,891)
Actives eligible to retire.....	(2,420)	(2,716)	(17,479)
Actives not yet eligible to retire.....	(11,869)	(7,870)	(15,622)
-----	-----	-----	-----
Total.....	(102,789)	(92,274)	(75,992)
Plan assets at fair value.....	23,864	17,279	---
-----	-----	-----	-----
Funded status .....	(78,925)	(74,995)	(75,992)
Unrecognized transition obligation.....	46,734	49,483	70,047
Unrecognized net actuarial loss (gain).....	4,331	(2,930)	(2,908)
-----	-----	-----	-----
Accrued postretirement benefit obligation....	\$ (27,860)	\$ (28,442)	\$ (8,853)

POSTEMPLOYMENT BENEFITS

In November 1992, the FASB issued SFAS No. 112, "Employers' Accounting for Postemployment Benefits," which requires the accrual of the estimated cost of benefits provided to former or inactive employees after employment but before retirement. The Company adopted this new standard effective January 1, 1994, recording \$4.7 million of postemployment benefit cost for 1994 and \$2.0 million for 1995.

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8. REPORT OF BUSINESS SEGMENTS

The Company's electric utility segment is an operating public utility engaged in the generation, transmission, distribution, and sale of electric energy. The non-utility subsidiary segment is engaged in the gathering and transmission of natural gas, and through its subsidiaries, is engaged in the processing of natural gas and the marketing of natural gas liquids, in the buying and selling of natural gas to third parties, and in the exploration for and production of natural gas and related products.

(DOLLARS IN THOUSANDS)	1995	1994	1993
Operating Information:			
Operating Revenues			
Electric utility.....	\$1,168,287	\$1,196,898	\$1,282,816
Non-utility subsidiary.....	178,082	203,079	219,376
Intersegment revenues (A).....	(44,332)	(44,809)	(54,940)
Total.....	\$1,302,037	\$1,355,168	\$1,447,252
Pre-tax Operating Income			
Electric utility.....	\$ 246,333	\$ 248,827	\$ 238,761
Non-utility subsidiary.....	24,631	23,710	28,531
Total.....	\$ 270,964	\$ 272,537	\$ 267,292
Net Income			
Electric utility.....	\$ 112,545	\$ 113,795	\$ 104,730
Non-utility subsidiary.....	12,711	9,990	9,547
Total.....	\$ 125,256	\$ 123,785	\$ 114,277
Investment Information:			
Identifiable Assets as of December 31			
Electric utility.....	\$2,422,609	\$2,471,902	\$2,443,651
Non-utility subsidiary.....	332,262	310,727	287,773
Total.....	\$2,754,871	\$2,782,629	\$2,731,424
Other Information:			
Depreciation			
Electric utility.....	\$ 110,719	\$ 107,239	\$ 104,343
Non-utility subsidiary.....	21,416	19,138	15,200
Total.....	\$ 132,135	\$ 126,377	\$ 119,543
Construction Expenditures			
Electric utility.....	\$ 110,276	\$ 104,256	\$ 105,746
Non-utility subsidiary.....	43,242	45,634	22,396
Total.....	\$ 153,518	\$ 149,890	\$ 128,142

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

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On July 19, 1995, OG&E announced plans to create a holding company structure with OGE Energy Corp. becoming the parent company of OG&E. At a

special meeting of shareowners on November 16, 1995, OG&E shareowners approved the new holding company structure. Upon regulatory approval, which is currently expected by mid-1996, OG&E's common stock will be exchanged on a share-for-share basis for common stock of OGE Energy Corp. and OG&E will become a subsidiary of OGE Energy Corp. As part of this corporate restructuring, OG&E's wholly-owned subsidiary, Enogex, will also become a direct subsidiary of OGE Energy Corp.

9. COMMITMENTS AND CONTINGENCIES

The Company has entered into purchase commitments in connection with its construction program and the purchase of necessary fuel supplies of coal and natural gas for its generating units. The Company's construction expenditures for 1996 are estimated at \$147 million.

The Company acquires natural gas for boiler fuel under 585 individual contracts, some of which contain provisions allowing the owners to require prepayments for gas if certain minimum quantities are not taken. At December 31, 1995, 1994 and 1993, outstanding prepayments for gas, including the amounts classified as current assets, under these contracts were approximately \$7,402,000, \$10,879,000 and \$22,165,000, respectively. The Company may be required to make additional prepayments in subsequent years. The Company expects to recover these prepayments as fuel costs if unable to take the gas prior to the expiration of the contracts.

At December 31, 1995, the Company held non-cancelable operating leases covering 1,518 coal hopper railcars. Rental payments are charged to fuel expense and recovered through the Company's tariffs and automatic fuel adjustment clauses. The leases have purchase and renewal options. Future minimum lease payments due under the railcar leases, assuming the leases are renewed under the renewal option are as follows:

(DOLLARS IN THOUSANDS)

1996.....	\$5,991	1999.....	\$ 5,644
1997.....	5,875	2000.....	5,529
1998.....	5,759	2001 and beyond.....	116,930
			-----
Total Minimum Lease Payments.....			\$145,728
			=====

Rental payments under operating leases were approximately \$6.5 million in 1995, \$5.6 million in 1994 and \$4.9 million in 1993.

OG&E is required to maintain the railcars it has under lease to transport coal from Wyoming and has entered into an agreement with Railcar Maintenance Company, a non-affiliated company, to furnish this maintenance.

The Company had entered into an agreement with an unrelated third-party to develop a natural gas storage facility. During 1995, operation of the gas storage facility proved beneficial by allowing the Company to lower fuel costs by base loading coal generation, a less costly fuel supply. Also during 1995, the Company entered into negotiations with the third-party developer for gas storage service. Pursuant to those ongoing negotiations, the third-party developer reimbursed OG&E for all outstanding cash advances and interest amounting to approximately \$46.8 million. The Company also entered into a bridge financing agreement as guarantor for the third-party developer for a period of one year. Upon final execution of an

agreement for storage services, permanent financing by the third-party will replace the bridge finance agreement with OG&E as guarantor.

The Company has entered into agreements with four qualifying cogeneration facilities having initial terms of 3 to 32 years. These contracts were entered into pursuant to the Public Utility Regulatory Policy Act of 1978 ("PURPA"). Stated generally, PURPA and the regulations thereunder promulgated by FERC require the Company to purchase power generated in a manufacturing process from a qualified cogeneration facility ("QF"). The rate for such power to be paid by the Company was approved by the OCC. The rate generally consists of two components: one is a rate for actual electricity purchased from the QF by the

Company; the other is a capacity charge which the Company must pay the QF for having the capacity available. However, if no electrical power is made available to the Company for a period of time (generally three months), the Company's obligation to pay the capacity charge is suspended. The total cost of cogeneration payments is currently recoverable in rates from Oklahoma customers.

During 1995, 1994 and 1993, OG&E made total payments to cogenerators of approximately \$210.4 million, \$210.3 million, \$213.0 million, of which \$174.1 million, \$173.2 million, \$165.5 million, respectively, represented capacity payments. All payments for purchased power, including cogeneration, are included in the Consolidated Statements of Income as purchased power. The future minimum capacity payments under the contracts for the next five years are approximately: 1996 - \$175 million, 1997 - \$176 million, 1998 - \$184 million, 1999 - \$189 million and 2000 - \$190 million.

Approximately \$1.6 million of the Company's construction expenditures budgeted for 1996 are to comply with environmental laws and regulations.

OG&E management believes all of its operations are in substantial compliance with present federal, state and local environmental standards. It is estimated that the Company's total expenditures for capital, operating, maintenance and other costs to preserve and enhance environmental quality will be approximately \$37 million during 1996, compared to approximately \$37 million in 1995. OG&E continues to evaluate its environmental management systems to ensure compliance with existing and proposed environmental legislation and regulations and to better position itself in a competitive market.

The Company has contracted for low-sulphur coal to comply with the sulphur dioxide limitations of the Clean Air Act Amendments of 1990 ("CAAA"). Since all of OG&E's coal-fired generating units currently burn low-sulfur coal, OG&E is not required to take any steps to comply with the new sulfur dioxide emission limits until January 1, 2000. The CAAA will also regulate emissions of nitrogen oxides and possibly certain hazardous air pollutants. The Company believes it can meet the current EPA Phase II limit for nitrogen oxides without additional expenditures. EPA's report on utility air toxic emissions has not been issued to date. With this uncertainty, it is possible that additional capital expenditures may be necessary in future years.

The Company is a party to three separate actions brought by the EPA concerning cleanup of disposal sites for hazardous waste. The Company was not the owner or operator of those sites. Rather the Company along with many others, shipped materials to the owners or operators of the sites who failed to dispose of the materials in an appropriate manner. Two of the sites are in an operating and maintenance mode and will require minimal financial support from OG&E. The Company's total waste disposed at the remaining site is minimal. The Company recently elected to participate in the de minimis settlement offered by EPA. This limits the Company's financial obligation in addition to removing any participation in the site remedy.

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The APSC is currently reviewing the amounts that OG&E pays Enogex and recovers through its fuel adjustment clause for transporting natural gas to OG&E's gas-fired generating stations. OG&E cannot predict the outcome of this review. Nevertheless, at the present time, management does not believe this proceeding will have a material adverse effect on the Company's consolidated financial position or its results of operations.

In the normal course of business, other lawsuits, claims, environmental actions and other governmental proceedings arise against the Company. Management, after consultation with legal counsel, does not anticipate that liabilities arising out of other currently pending or threatened lawsuits and claims will have a material adverse effect on the Company's consolidated financial position or results of operations.

#### 10 RATE MATTERS AND REGULATION

On February 25, 1994, the OCC issued an order that, among other things, effectively lowered OG&E's rates to its Oklahoma retail customers by approximately \$14 million annually (based on a test year ended June 30, 1991) and required OG&E to refund approximately \$41.3 million. The \$14 million annual reduction in rates is expected to lower OG&E's rates to its Oklahoma customers by approximately \$17 million annually. With respect to the \$41.3 million refund, \$39.1 million was associated with revenues prior to January 1, 1994, while the

remaining \$2.2 million related to 1994.

During the first half of 1992 the Company participated in settlement negotiations and offered a proposed refund and a reduction in rates in an effort to reach settlement and conclude the proceedings. As a result, the Company recorded an \$18 million provision for a potential refund in 1992. After receiving the February 25, 1994 order, the Company recorded an additional provision for rate refund of approximately \$21.1 million in 1993, (consisting of a \$14.9 million reduction in revenue and \$6.2 million in interest) which reduced net income by some \$13 million or \$0.32 per share.

Enogex transports natural gas to OG&E for use at its gas-fired generating units and performs related gas gathering activities for OG&E. The entire \$41.3 million refund relates to the OCC's disallowance of a portion of the fees paid by OG&E to Enogex for such services in the past. Of the approximately \$17 million annual rate reduction, approximately \$9.9 million reflects the OCC's reduction of the amount to be recovered by OG&E from its Oklahoma customers for the future performance of such services by Enogex.

As discussed in Note 7 of Notes to Consolidated Financial Statements, during the third quarter of 1994, the Company incurred \$63.4 million of costs related to the VERP and enhanced severance package. Pending an OCC order, OG&E deferred these costs; however, between August 1, and December 31, 1994, the amount deferred was reduced by approximately \$14.5 million. In response to an application filed by OG&E on August 9, 1994, the OCC issued an order on October 26, 1994, that permitted the Company to amortize the December 31, 1994, regulatory asset of \$48.9 million over 26 months and reduced OG&E's electric rates by approximately \$15 million annually, effective January 1995. The Company anticipates that labor savings from the VERP and severance package will substantially offset the amortization of the regulatory asset and annual rate reduction of \$15 million.

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The components of Deferred Charges - Other, on the Consolidated Balance Sheets included the following, as of December 31:

(DOLLARS IN THOUSANDS)	1995	1994	1993
Regulatory asset (restructuring).....	\$ 26,331	\$ 48,903	\$ ---
Unamortized debt expense.....	10,919	12,871	14,146
Enogex gas sales contracts.....	11,294	12,690	---
Unamortized loss on reacquired debt.....	11,197	5,487	5,711
Miscellaneous.....	10,452	12,391	24,398
Total.....	\$ 70,193	\$ 92,342	\$ 44,255

Regulatory Assets and Liabilities consisted of the following as of December 31:

(DOLLARS IN THOUSANDS)	1995	1994	1993
Regulatory Assets:			
Income Taxes Recoverable from Customers....	\$139,594	\$ 151,086	\$161,346
Workforce Reduction (Restructuring).....	26,331	48,903	---
Miscellaneous	455	2,214	12,090
Total Regulatory Assets.....	166,380	202,203	173,436
Regulatory Liabilities:			
Income Taxes Refundable to Customers.....	(97,660)	(103,840)	(113,753)
Gain on Disposition of Allowances.....	(282)	(187)	(79)
Net Regulatory Assets.....	\$ 68,438	\$ 98,176	\$ 59,604

While the Company does not expect to cease meeting the criteria for



application of SFAS No. 71 in the foreseeable future, if the Company were required to discontinue the application of SFAS No. 71 for some or all of its operations, it would result in writing off the related regulatory assets; the financial effects of which could be significant.

11. DISCLOSURES ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS

The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

CASH AND CASH EQUIVALENTS AND CUSTOMER DEPOSITS

The fair value of cash and cash equivalents and customer deposits approximate the carrying amount due to their short maturity.

CAPITALIZATION

The fair value of Long-term Debt and Preferred Stocks is estimated based on quoted market prices and management's estimate of current rates available for similar issues. The fair value of the Enogex Notes is based on management's estimate of current rates available for similar issues with the same remaining maturities.

Indicated below are the carrying amounts and estimated fair values of the Company's financial instruments as of December 31:

(DOLLARS IN THOUSANDS)	1995		1994		1993	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<b>ASSETS:</b>						
CASH AND CASH EQUIVALENTS.....	\$ 5,420	\$ 5,420	\$ 2,455	\$ 2,455	\$ 6,593	\$ 6,593
<b>LIABILITIES:</b>						
CUSTOMER DEPOSITS.....	\$ 21,920	\$ 21,920	\$ 20,904	\$ 20,904	\$ 19,353	\$ 19,353
<b>CAPITALIZATION:</b>						
First Mortgage Bonds.....	\$644,462	\$671,356	\$716,967	\$710,523	\$716,610	\$749,684
Industrial Authority Bonds.....	79,400	79,400	32,050	32,044	32,400	32,604
Enogex Inc. Notes	120,000	124,853	6,900	6,900	90,000	100,486
Preferred Stock:						
4% - 5.34% Series -836,963, 838,663 and 838,663 Shares.....	49,939	35,541	49,973	27,442	49,973	34,523
TOTAL CAPITALIZATION.....	\$893,801	\$911,150	\$805,890	\$776,909	\$888,983	\$917,297

Report of Independent Public Accountants

TO THE SHAREOWNERS OF  
OKLAHOMA GAS AND ELECTRIC COMPANY:

We have audited the accompanying consolidated balance sheets and statements of capitalization of Oklahoma Gas and Electric Company (an Oklahoma corporation) and its subsidiaries as of December 31, 1995, 1994 and 1993, and the related consolidated statements of income, retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Oklahoma Gas and Electric Company and its subsidiaries as of December 31, 1995, 1994 and 1993, and the results of their operations and their cash flows for the years then ended in conformity with generally accepted accounting principles.

/s/ Arthur Andersen LLP  
 Arthur Andersen LLP

Oklahoma City, Oklahoma,  
 January 24, 1996

Report of Management  
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TO OUR SHAREOWNERS:

The management of Oklahoma Gas and Electric Company and its subsidiaries has prepared, and is responsible for the integrity and objectivity of the financial and operating information contained in this Annual Report. The consolidated financial statements have been prepared in accordance with generally accepted accounting principles and include certain amounts that are based on the best estimates and judgments of management.

To meet its responsibility for the reliability of the consolidated financial statements and related financial data, the Company's management has established and maintains an internal control structure. This structure provides management with reasonable assurance in a cost-effective manner that, among other things, assets are properly safeguarded and transactions are executed and recorded in accordance with its authorizations so as to permit preparation of financial statements in accordance with generally accepted accounting principles. The Company's internal auditors assess the effectiveness of this internal control structure and recommend possible improvements thereto on an ongoing basis.

The Company maintains high standards in selecting, training and developing its members. This, combined with Company policies and procedures, provides reasonable assurance that operations are conducted in conformity with applicable laws and with its commitment to the highest standards of business conduct.

Supplementary Data  
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Interim Consolidated Financial Information (Unaudited)

In the opinion of the Company, the following quarterly information includes all adjustments, consisting of normal recurring adjustments, necessary for a fair statement of the results of operations for such periods:

Quarter ended (DOLLARS IN THOUSANDS EXCEPT PER SHARE DATA)		Dec 31	Sep 30	Jun 30	Mar 31
Operating revenues.....	1995	\$283,898	\$467,510	\$304,113	\$246,516
	1994	281,388	443,173	346,623	283,984
	1993	301,392	500,639	341,799	303,422
Operating income.....	1995	\$ 24,948	\$115,991	\$ 42,800	\$ 18,408
	1994	23,792	105,563	50,427	20,684
	1993	18,899	111,576	39,457	25,221
Net income (loss).....	1995	\$ 4,890	\$ 96,969	\$ 24,258	\$ (861)
	1994	4,952	86,251	31,082	1,500
	1993	(3,619)	90,810	20,396	6,690
Earnings (loss) available for common.....	1995	\$ 4,311	\$ 96,390	\$ 23,679	\$ (1,440)
	1994	4,372	85,672	30,503	921

	1993	(4,199)	90,231	19,817	6,111
Earnings (loss) per average common share...	1995	\$ 0.11	\$ 2.39	\$ 0.59	\$ (0.04)
	1994	0.11	2.12	0.76	0.02
	1993	(0.10)	2.24	0.49	0.15

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Unaudited Pro Forma Financial Information

The following unaudited pro forma financial information presents the historical consolidated balance sheet, statement of income and retained earnings and ratio of earnings to fixed charges of OG&E after giving effect to the restructuring, including the transfer of Enogex Inc. and its subsidiaries to OGE Energy Corp. The unaudited pro forma balance sheet at December 31, 1995, gives effect to the restructuring as if it had occurred at December 31, 1995. The unaudited pro forma statements of income and retained earnings for each of the years in the three-year period ended December 31, 1995, gives effect to the restructuring as if it had occurred at January 1, 1993. The unaudited pro forma ratio of earnings to fixed charges for each of the years in the three years ended December 31, 1995, gives effect to the restructuring as if it had occurred at January 1, 1993.

The pro forma financial information has been prepared from, and should be read in conjunction with, the historical consolidated financial statements and related notes thereto of OG&E. The following information is not necessarily indicative of the financial position or operating results that would have occurred had the transaction been consummated on the date, or at the beginning of the periods, for which the transaction is being given effect nor is it necessarily indicative of future operating results or financial position.

UNAUDITED PRO FORMA RATIO OF EARNINGS TO FIXED CHARGES

	Year Ended December 31,		
	1995	1994	1993
Unaudited Pro Forma Ratio of Earnings to Fixed Charges	3.59	3.75	3.35

For purposes of this ratio, "Earnings" consist of the aggregate of net income, taxes on income, investment tax credit (net) and "fixed charges." "Fixed charges" consist of interest on long term debt, related amortization, interest on short-term borrowings and a calculated portion of rents considered to be interest.

See Notes to Unaudited Pro Forma Financial Statements for a description of the assumptions used to prepare the unaudited pro forma ratio of earnings to fixed charges.

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Oklahoma Gas and Electric Company  
Unaudited Pro Forma Balance Sheet  
December 31, 1995

	OG&E (As Reported)	Pro Forma Adjustments (1)	Pro Forma OG&E
(DOLLARS IN THOUSANDS)			
ASSETS			
PROPERTY, PLANT AND EQUIPMENT:			
In service.....	\$3,898,829	\$(375,121)	\$3,523,708
Construction work in progress.....	29,705	(5,259)	24,446

Total property, plant and equipment.....	3,928,534	(380,380)	3,548,154
Less accumulated depreciation.....	1,585,274	(101,375)	1,483,899
Net property, plant and equipment.....	2,343,260	(279,005)	2,064,255
OTHER PROPERTY AND INVESTMENTS, at cost.....	9,943	(1,917)	8,026
CURRENT ASSETS:			
Cash and cash equivalents.....	5,420	(5,023)	397
Accounts receivable - customers, less reserve.	126,273	(23,932)	102,341
Accrued unbilled revenues.....	43,550	---	43,550
Accounts receivable - other.....	9,152	1,773	10,925
Fuel inventories, at LIFO cost.....	60,356	(1,079)	59,277
Materials and supplies, at average cost.....	22,996	(4,140)	18,856
Prepayments and other.....	4,535	(1,056)	3,479
Accumulated deferred tax assets.....	10,759	(717)	10,042
Total current assets.....	283,041	(34,174)	248,867
DEFERRED CHARGES:			
Advance payments for gas.....	6,500	---	6,500
Income taxes recoverable - future rates.....	41,934	---	41,934
Other.....	70,193	(14,525)	55,668
Total deferred charges.....	118,627	(14,525)	104,102
TOTAL ASSETS.....	\$2,754,871	\$ (329,621)	\$2,425,250
CAPITALIZATION AND LIABILITIES			
CAPITALIZATION:			
Common stock and retained earnings.....	\$ 937,535	\$ (120,243)	\$ 817,292
Cumulative preferred stock.....	49,939	---	49,939
Long-term debt.....	843,862	(120,000)	723,862
Total capitalization.....	1,831,336	(240,243)	1,591,093
CURRENT LIABILITIES:			
Short-term debt.....	67,600	---	67,600
Accounts payable.....	72,089	(16,814)	55,275
Dividends payable.....	27,427	---	27,427
Customers' deposits.....	21,920	---	21,920
Accrued taxes.....	27,937	(1,381)	26,556
Accrued interest.....	19,144	(3,177)	15,967
Long-term debt due within one year.....	---	---	---
Accumulated provision for rate refunds.....	2,650	---	2,650
Other.....	33,388	(3,085)	30,303
Total current liabilities.....	272,155	(24,457)	247,698
DEFERRED CREDITS AND OTHER LIABILITIES:			
Accrued pension and benefit obligation.....	67,350	(3,367)	63,983
Accumulated deferred income taxes.....	485,078	(57,900)	427,178
Accumulated deferred investment tax credits...	83,178	---	83,178
Other.....	15,774	(3,654)	12,120
Total deferred credits and other liabilities.....	651,380	(64,921)	586,459
TOTAL CAPITALIZATION AND LIABILITIES.....	\$2,754,871	\$ (329,621)	\$2,425,250

SEE ACCOMPANYING NOTES TO UNAUDITED PRO FORMA FINANCIAL STATEMENTS.

Oklahoma Gas and Electric Company  
Unaudited Pro Forma Statements of Income and Retained Earnings  
For the year ended December 31, 1995

	OG&E (As Reported)	Pro Forma Adjustments (2)	Pro Forma OG&E
(THOUSANDS EXCEPT PER SHARE DATA)			
OPERATING REVENUES:			
Electric Utility.....	\$1,168,287	\$ ---	\$1,168,287
Non-Utility Subsidiary.....	133,750	(133,750)	---
Total Operating Revenues.....	1,302,037	(133,750)	1,168,287
OPERATING EXPENSES:			
Fuel .....	260,443	44,332	304,775
Purchased power.....	216,598	---	216,598
Gas purchased for resale.....	87,293	(87,293)	---
Other operation.....	233,250	(39,016)	194,234
Maintenance.....	57,574	(1,935)	55,639
Depreciation and amortization.....	132,135	(21,416)	110,719
Current income taxes.....	77,895	(5,095)	72,800
Deferred income taxes, net.....	(3,928)	1,593	(2,335)
Deferred investment tax credits, net.....	(5,150)	---	(5,150)

Taxes other than income.....	43,780	(3,790)	39,990
Total operating expenses.....	1,099,890	(112,620)	987,270
OPERATING INCOME.....	202,147	(21,130)	181,017
OTHER INCOME AND DEDUCTIONS:			
Interest income.....	4,380	(309)	4,071
Other.....	(3,580)	(704)	(4,284)
Net other income and deductions.....	800	(1,013)	(213)
INTEREST CHARGES:			
Interest on long-term debt.....	67,549	(3,579)	63,970
Allowance for borrowed funds used during construction.....	(1,224)	---	(1,224)
Other.....	11,366	(5,852)	5,514
Total interest charges, net.....	77,691	(9,431)	68,260
NET INCOME .....	125,256	(12,712)	112,544
PREFERRED DIVIDEND REQUIREMENTS.....	2,316	---	2,316
EARNINGS AVAILABLE FOR COMMON.....	\$ 122,940	\$ (12,712)	\$ 110,228
AVERAGE COMMON SHARES			
OUTSTANDING.....	40,356	---	40,356
EARNINGS PER AVERAGE COMMON SHARE.....	\$ 3.05	\$ (0.32)	\$ 2.73

STATEMENT OF RETAINED EARNINGS

	OG&E (As Reported)	Pro Forma Adjustments	Pro Forma OG&E
BALANCE AT BEGINNING OF PERIOD.....	\$ 409,960	\$ (104,197)	\$ 305,763
ADD-net income.....	125,256	(12,712)	112,544
Total.....	535,216	(116,909)	418,307
DEDUCT:			
Cash dividends declared on preferred stock..	2,316	---	2,316
Cash dividends declared on common stock.....	107,355	(12,666)	94,689
Total.....	109,671	(12,666)	97,005
BALANCE AT END OF PERIOD.....	\$ 425,545	\$ (104,243)	\$ 321,302

SEE ACCOMPANYING NOTES TO UNAUDITED PRO FORMA FINANCIAL STATEMENTS.

OKLAHOMA GAS AND ELECTRIC COMPANY  
UNAUDITED PRO FORMA STATEMENTS OF INCOME AND RETAINED EARNINGS  
FOR THE YEAR ENDED DECEMBER 31, 1994

	OG&E (AS REPORTED)	PRO FORMA ADJUSTMENTS (2)	PRO FORMA OG&E
(THOUSANDS EXCEPT PER SHARE DATA)			
OPERATING REVENUES:			
Electric Utility.....	\$1,196,898	\$ ---	\$1,196,898
Non-Utility Subsidiary.....	158,270	(158,270)	---
Total Operating Revenues.....	1,355,168	(158,270)	1,196,898
OPERATING EXPENSES:			
Fuel .....	263,329	44,810	308,139
Purchased power.....	228,701	---	228,701
Gas purchased for resale.....	114,044	(114,044)	---
Other operation.....	216,961	(40,293)	176,668
Maintenance.....	67,233	(2,051)	65,182
Restructuring.....	21,035	---	21,035
Depreciation and amortization.....	126,377	(19,138)	107,239
Current income taxes.....	50,129	(2,288)	47,841
Deferred income taxes, net.....	27,092	(1,780)	25,312
Deferred investment tax credits, net.....	(5,150)	---	(5,150)
Taxes other than income.....	44,951	(3,844)	41,107
Total operating expenses.....	1,154,702	(138,628)	1,016,074
OPERATING INCOME.....	200,466	(19,642)	180,824
OTHER INCOME AND DEDUCTIONS:			
Interest income.....	3,409	(234)	3,175
Other.....	(5,576)	693	(4,883)
Net other income and deductions.....	(2,167)	459	(1,708)
INTEREST CHARGES:			
Interest on long-term debt.....	67,680	(6,454)	61,226

Allowance for borrowed funds used during construction.....	(1,073)	---	(1,073)
Other.....	7,907	(2,739)	5,168
Total interest charges, net.....	74,514	(9,193)	65,321
NET INCOME .....	123,785	(9,990)	113,795
PREFERRED DIVIDEND REQUIREMENTS.....	2,317	---	2,317
EARNINGS AVAILABLE FOR COMMON.....	\$ 121,468	\$ (9,990)	\$ 111,478
AVERAGE COMMON SHARES OUTSTANDING.....	40,344	---	40,344
EARNINGS PER AVERAGE COMMON SHARE.....	\$ 3.01	\$ (0.25)	\$ 2.76

STATEMENT OF RETAINED EARNINGS

	OG&E (AS REPORTED)	PRO FORMA ADJUSTMENTS	PRO FORMA OG&E
BALANCE AT BEGINNING OF PERIOD.....	\$ 395,811	\$ (103,277)	\$ 292,534
ADD-net income.....	123,785	(9,990)	113,795
Total.....	519,596	(113,267)	406,329
DEDUCT:			
Cash dividends declared on preferred stock..	2,317	---	2,317
Cash dividends declared on common stock.....	107,319	(9,070)	98,249
Total.....	109,636	(9,070)	100,566
BALANCE AT END OF PERIOD.....	\$ 409,960	\$ (104,197)	\$ 305,763

SEE ACCOMPANYING NOTES TO UNAUDITED PRO FORMA FINANCIAL STATEMENTS.

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OKLAHOMA GAS AND ELECTRIC COMPANY  
UNAUDITED PRO FORMA STATEMENTS OF INCOME AND RETAINED EARNINGS  
FOR THE YEAR ENDED DECEMBER 31, 1993

	OG&E (AS REPORTED)	PRO FORMA ADJUSTMENTS (2)	PRO FORMA OG&E
(THOUSANDS EXCEPT PER SHARE DATA)			
OPERATING REVENUES:			
Electric Utility.....	\$1,282,816	\$ ---	\$1,282,816
Non-Utility Subsidiary.....	164,436	(164,436)	---
Total Operating Revenues.....	1,447,252	(164,436)	1,282,816
OPERATING EXPENSES:			
Fuel .....	383,207	54,940	438,147
Purchased power.....	218,689	---	218,689
Gas purchased for resale.....	140,311	(140,311)	---
Other operation.....	196,323	(29,696)	166,627
Maintenance.....	78,665	(1,878)	76,787
Depreciation and amortization.....	119,543	(15,200)	104,343
Current income taxes.....	72,003	(7,357)	64,646
Deferred income taxes, net.....	5,286	(2,018)	3,268
Deferred investment tax credits, net.....	(5,150)	---	(5,150)
Taxes other than income.....	43,222	(3,760)	39,462
Total operating expenses.....	1,252,099	(145,280)	1,106,819
OPERATING INCOME.....	195,153	(19,156)	175,997
OTHER INCOME AND DEDUCTIONS:			
Interest income.....	1,431	(398)	1,033
Other.....	(2,732)	(63)	(2,795)
Net other income and deductions.....	(1,301)	(461)	(1,762)
INTEREST CHARGES:			
Interest on long-term debt.....	70,490	(9,093)	61,397
Allowance for borrowed funds used during construction.....	(433)	---	(433)
Other.....	9,518	(977)	8,541
Total interest charges, net.....	79,575	(10,070)	69,505
NET INCOME .....	114,277	(9,547)	104,730
PREFERRED DIVIDEND REQUIREMENTS.....	2,317	---	2,317
EARNINGS AVAILABLE FOR COMMON.....	\$ 111,960	\$ (9,547)	\$ 102,413
AVERAGE COMMON SHARES OUTSTANDING.....	40,328	---	40,328
EARNINGS PER AVERAGE COMMON SHARE.....	\$ 2.78	\$ (0.24)	\$ 2.54

## STATEMENT OF RETAINED EARNINGS

	OG&E (AS REPORTED)	PRO FORMA ADJUSTMENTS	PRO FORMA OG&E
BALANCE AT BEGINNING OF PERIOD.....	\$ 391,135	\$ (87,089)	\$ 304,046
ADD-net income.....	114,277	(9,547)	104,730
Total.....	505,412	(96,636)	408,776
DEDUCT:			
Cash dividends declared on preferred stock..	2,317	---	2,317
Cash dividends declared on common stock.....	107,284	6,641	113,925
Total.....	109,601	6,641	116,242
BALANCE AT END OF PERIOD.....	\$ 395,811	\$ (103,277)	\$ 292,534

SEE ACCOMPANYING NOTES TO UNAUDITED PRO FORMA FINANCIAL STATEMENTS.

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## NOTES TO UNAUDITED PRO FORMA FINANCIAL STATEMENTS

1. Subsidiary assets, liabilities, equity and results of operations have been eliminated from consolidated Oklahoma Gas and Electric Company amounts to reflect the transfer of ownership and control of all consolidated subsidiaries from Oklahoma Gas and Electric Company to OGE Energy Corp.
2. After the transaction, Oklahoma Gas and Electric Company will not retain ownership of the subsidiary currently being consolidated. Consequently, intercompany transactions between Oklahoma Gas and Electric Company and its current consolidated subsidiary have not been eliminated in the pro forma financial statements.

The most significant intercompany transactions are transmission fees and related charges to Oklahoma Gas and Electric Company from Enogex, its subsidiary whose core business has been to deliver natural gas to Oklahoma Gas and Electric Company power plants. The amount of these charges were \$44.3 million for the year ended December 31, 1995; \$44.8 million for the year ended December 31, 1994; and \$54.9 million for the year ended December 31, 1993.

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## ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING

-----  
AND FINANCIAL DISCLOSURE.  
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Not Applicable.

## PART III

## ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT.

## ITEM 11. EXECUTIVE COMPENSATION.

## ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL

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OWNERS AND MANAGEMENT.  
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## ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

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Items 10, 11, 12 and 13 are omitted pursuant to General Instruction G of Form 10-K, since OG&E filed copies of a definitive proxy statement with the Securities and Exchange Commission on or about March 27, 1996. Such proxy

statement is incorporated herein by reference. In accordance with Instruction G of Form 10-K, the information required by Item 10 relating to Executive Officers has been included in Part I, Item 4, of this Form 10-K.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND

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REPORTS ON FORM 8-K.  
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(A) 1. FINANCIAL STATEMENTS  
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The following consolidated financial statements and supplementary data are included in Part II, Item 8 of this Report:

- o Consolidated Balance Sheets at December 31, 1995, 1994 and 1993
- o Consolidated Statements of Income for the years ended December 31, 1995, 1994 and 1993
- o Consolidated Statements of Retained Earnings for the years ended December 31, 1995, 1994 and 1993
- o Consolidated Statements of Capitalization at December 31, 1995, 1994 and 1993
- o Consolidated Statements of Cash Flows for the years ended December 31, 1995, 1994 and 1993
- o Notes to Consolidated Financial Statements
- o Report of Independent Public Accountants
- o Report of Management

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SUPPLEMENTARY DATA  
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- o Interim Consolidated Financial Information
- o Unaudited Pro Forma Financial Information

2. FINANCIAL STATEMENT SCHEDULE (INCLUDED IN PART IV)	PAGE
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Schedule II - Valuation and Qualifying Accounts	78
Report of Independent Public Accountants	79
Financial Data Schedule	84

All other schedules have been omitted since the required information is not applicable or is not material, or because the information required is included in the respective financial statements or notes thereto.

3. EXHIBITS  
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EXHIBIT NO.	DESCRIPTION
-----	-----
3.01	Copy of Restated Certificate of Incorporation. (Filed as Exhibit 4.01 to the Company's Post-Effective Amendment No. Three to Registration Statement No. 2-94973, and incorporated by



reference herein)

- 3.02 By-laws. (Filed as Exhibit 4.02 to Post-Effective Amendment No. Three to Registration Statement No. 2-94973 and incorporated by reference herein)
- 4.01 Copy of Trust Indenture, dated February 1, 1945, from OG&E to The First National Bank and Trust Company of Oklahoma City, Trustee. (Filed as Exhibit 7-A to Registration Statement No. 2-5566 and incorporated by reference herein)
- 4.02 Copy of Supplemental Trust Indenture, dated December 1, 1948, being a supplemental instrument to Exhibit 4.01 hereto. (Filed as Exhibit 7.03 to Registration Statement No. 2-7744 and incorporated by reference herein)
- 4.03 Copy of Supplemental Trust Indenture, dated June 1, 1949, being a supplemental instrument to Exhibit 4.01 hereto. (Filed as Exhibit 7.03 to Registration Statement No. 2-7964 and incorporated by reference herein)

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- 4.04 Copy of Supplemental Trust Indenture, dated May 1, 1950, being a supplemental instrument to Exhibit 4.01 hereto. (Filed as Exhibit 7.04 to Registration Statement No. 2-8421 and incorporated by reference herein)
- 4.05 Copy of Supplemental Trust Indenture, dated March 1, 1952, a supplemental instrument to Exhibit 4.01 hereto. (Filed as Exhibit 4.08 to Registration Statement No. 2-9415 and incorporated by reference herein)
- 4.06 Copy of Supplemental Trust Indenture, dated June 1, 1955, being a supplemental instrument to Exhibit 4.01 hereto. (Filed as Exhibit 4.07 to Registration Statement No. 2-12274 and incorporated by reference herein)
- 4.07 Copy of Supplemental Trust Indenture, dated January 1, 1957, being a supplemental instrument to Exhibit 4.01 hereto. (Filed as Exhibit 2.07 to Registration Statement No. 2-14115 and incorporated by reference herein)
- 4.08 Copy of Supplemental Trust Indenture, dated June 1, 1958, being a supplemental instrument to Exhibit 4.01 hereto. (Filed as Exhibit 4.09 to Registration Statement No. 2-19757 and incorporated by reference herein)
- 4.09 Copy of Supplemental Trust Indenture, dated March 1, 1963, being a supplemental instrument to Exhibit 4.01 hereto. (Filed as Exhibit 2.09 to Registration Statement No. 2-23127 and incorporated by reference herein)
- 4.10 Copy of Supplemental Trust Indenture, dated March 1, 1965, being a supplemental instrument to Exhibit 4.01 hereto. (Filed as Exhibit 4.10 to Registration Statement No. 2-25808 and incorporated by reference herein)
- 4.11 Copy of Supplemental Trust Indenture, dated

January 1, 1967, being a supplemental instrument to Exhibit 4.01 hereto. (Filed as Exhibit 2.11 to Registration Statement No. 2-27854 and incorporated by reference herein)

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- 4.12 Copy of Supplemental Trust Indenture, dated January 1, 1968, being a supplemental instrument to Exhibit 4.01 hereto. (Filed as Exhibit 2.12 to Registration Statement No. 2-31010 and incorporated by reference herein)
- 4.13 Copy of Supplemental Trust Indenture, dated January 1, 1969, being a supplemental instrument to Exhibit 4.01 hereto. (Filed as Exhibit 2.13 to Registration Statement No. 2-35419 and incorporated by reference herein)
- 4.14 Copy of Supplemental Trust Indenture, dated January 1, 1970, being a supplemental instrument to Exhibit 4.01 hereto. (Filed as Exhibit 2.14 to Registration Statement No. 2-42393 and incorporated by reference herein)
- 4.15 Copy of Supplemental Trust Indenture, dated January 1, 1972, being a supplemental instrument to Exhibit 4.01 hereto. (Filed as Exhibit 2.15 to Registration Statement No. 2-49612 and incorporated by reference herein)
- 4.16 Copy of Supplemental Trust Indenture, dated January 1, 1974, being a supplemental instrument to Exhibit 4.01 hereto. (Filed as Exhibit 2.16 to Registration Statement No. 2-52417 and incorporated by reference herein)
- 4.17 Copy of Supplemental Trust Indenture, dated January 1, 1975, being a supplemental instrument to Exhibit 4.01 hereto. (Filed as Exhibit 2.17 to Registration Statement No. 2-55085 and incorporated by reference herein)
- 4.18 Copy of Supplemental Trust Indenture, dated January 1, 1976, being a supplemental instrument to Exhibit 4.01 hereto. (Filed as Exhibit 2.18 to Registration Statement No. 2-57730 and incorporated by reference herein)
- 4.19 Copy of Supplemental Trust Indenture, dated September 14, 1976, being a supplemental instrument to Exhibit 4.01 hereto. (Filed as Exhibit 2.19 to Registration Statement No. 2-59887 and incorporated by reference herein)

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- 4.20 Copy of Supplemental Trust Indenture, dated January 1, 1977, being a supplemental instrument to Exhibit 4.01 hereto. (Filed as Exhibit 2.20 to Registration Statement No. 2-59887 and incorporated by reference herein)
- 4.21 Copy of Supplemental Trust Indenture, dated

November 1, 1977, being a supplemental instrument to Exhibit 4.01 hereto. (Filed as Exhibit 4.21 to Registration Statement No. 2-70539 and incorporated by reference herein)

- 4.22 Copy of Supplemental Trust Indenture, dated December 1, 1977, being a supplemental instrument to Exhibit 4.01 hereto. (Filed as Exhibit 4.22 to Registration Statement No. 2-70539 and incorporated by reference herein)
- 4.23 Copy of Supplemental Trust Indenture, dated February 1, 1980, being a supplemental instrument to Exhibit 4.01 hereto. (Filed as Exhibit 4.23 to Registration Statement No. 2-70539 and incorporated by reference herein)
- 4.24 Copy of Supplemental Trust Indenture, dated April 15, 1982, being a supplemental instrument to Exhibit 4.01 hereto. (Filed as Exhibit 4.24 to the Company's Form 10-K Report, File No. 1-1097, for the year ended December 31, 1982, and incorporated by reference herein)
- 4.25 Copy of Supplemental Trust Indenture, dated August 15, 1986, being a supplemental instrument to Exhibit 4.01 hereto. (Filed as Exhibit 4.25 to the Company's Form 10-K Report, File No. 1-1097, for the year ended December 31, 1986 and incorporated by reference herein)
- 4.26 Copy of Supplemental Trust Indenture, dated March 1, 1987, being a supplemental instrument to Exhibit 4.01 hereto. (Filed as Exhibit 4.26 to the Company's Form 10-K Report for the year ended December 31, 1987, File No. 1-1097, and incorporated by reference herein)

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- 4.28 Copy of Supplemental Trust Indenture, dated November 15, 1990, being a supplemental instrument to Exhibit 4.01 hereto. (Filed as Exhibit 4.28 to the Company's Form 10-K Report for the year ended December 31, 1990, File No. 1-1097, and incorporated by reference herein)
- 4.29 Copy of Supplemental Trust Indenture, dated December 9, 1991, being a supplemental instrument to Exhibit 4.01 hereto. (Filed as Exhibit 4.29 to the Company's Form 10-K Report for the year ended December 31, 1991, File No. 1-1097, and incorporated by reference herein)
- 4.30 Copy of Supplemental Trust Indenture dated October 1, 1995, being a supplemental instrument to Exhibit 4.01 hereto. (Filed as Exhibit 4.02 to the Company's Form 8-K Report dated October 23, 1995, File No. 1-1097, and incorporated by reference herein)
- 4.31 Copy of Supplemental Trust Indenture dated October 1, 1995, from OG&E to Boatmen's First National Bank of Oklahoma, Trustee. (Filed as Exhibit 4.29 to Registration Statement No. 33-61821 and incorporated by reference herein)
- 4.32 Copy of Supplemental Trust Indenture No. 1 dated October 16, 1995, being a supplemental instrument to Exhibit 4.31 hereto. (Filed as Exhibit 4.01 to the Company's Form 8-K Report dated October 23, 1995, File No. 1-1097, and incorporated by reference herein)
- 10.01 Coal Supply Agreement dated March 1, 1973, between OG&E and

Atlantic Richfield Company. (Filed as Exhibit 5.19 to Registration Statement No. 2-59887 and incorporated by reference herein)

10.02 Amendment dated April 1, 1976, to Coal Supply Agreement dated March 1, 1973, between OG&E and Atlantic Richfield Company, together with related correspondence. (Filed as Exhibit 5.21 to Registration Statement No. 2-59887 and incorporated by reference herein)

10.03 Second Amendment dated March 1, 1978, to Coal Supply Agreement dated March 1, 1973, between OG&E and Atlantic Richfield Company. (Filed as Exhibit 5.28 to Registration Statement No. 2-62208 and incorporated by reference herein)

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10.04 Amendment dated June 27, 1990, between OG&E and Thunder Basin Coal Company, to Coal Supply Agreement dated March 1, 1973, between OG&E and Atlantic Richfield Company. (Filed as Exhibit 10.04 to the Company's Form 10-K Report for the year ended December 31, 1994, File No. 1-1097, and incorporated by reference herein) [Confidential Treatment has been requested for certain portions of this exhibit.]

10.05 Participation Agreement dated as of January 1, 1980, among First National Bank and Trust Company of Oklahoma City, Thrall Car Manufacturing Company, OG&E and other parties, including Lease of Railroad Equipment dated January 1, 1980, between Mercantile-Safe Deposit and Trust Company and OG&E. (Filed as Exhibit 10.32 to the Company's Form 10-K Report for the year ended December 31, 1980, File No. 1-1097, and incorporated by reference herein)

10.06 Participation Agreement dated January 1, 1981, among The First National Bank and Trust Company of Oklahoma City, Thrall Car Manufacturing Company, OG&E and other parties, including Lease for Railroad Equipment dated January 1, 1981, between Wells Fargo Equipment Leasing Corporation and OG&E. (Filed as Exhibit 20.01 to the Company's Form 10-Q for June 30, 1981, File No. 1-1097, and incorporated by reference herein)

10.08 Form of Amended and Restated Stock Equivalent and Deferred Compensation Agreement for Directors, as amended. (Filed as Exhibit 10.08 to the Company's Form 10-K Report for the year ended December 31, 1994, File No. 1-1097, and incorporated by reference herein)

10.09 Restricted Stock Plan of the Company. (Filed as Exhibit 10.36 to the Company's Form 10-K Report for the year ended December 31, 1986, File No. 1-1097, and incorporated by reference herein)

10.10 Agreement and Plan of Reorganization, dated May 14, 1986, between OG&E and Mustang Fuel Corporation. (Attached as Appendix A to Registration Statement No. 33-7472 and incorporated by reference herein)

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- 10.11 Gas Service Agreement dated January 1, 1988, between  
OG&E and Oklahoma Natural Gas Company. (Filed as  
Exhibit 10.26 to the Company's Form 10-K Report  
for the year ended December 31, 1987, File No. 1-1097,  
and incorporated by reference herein)
- 10.12 Company's Restoration of Retirement Income Plan, as amended.  
(Filed as Exhibit 10.12 to the Company's Form 10-K  
Report for the year ended December 31, 1993, File  
No. 1-1097 and incorporated by reference herein)
- 10.13 Company's Restoration of Retirement Savings Plan.  
(Filed as Exhibit 10.13 to the Company's Form 10-K  
Report for the year ended December 31, 1993, File  
No. 1-1097 and incorporated by reference herein)
- 10.14 Gas Service Agreement dated July 23, 1987, between OG&E and  
Arkla Services Company. (Filed as Exhibit 10.29 to the  
Company's Form 10-K Report for the year ended December 31,  
1987, File No. 1-1097, and incorporated by reference herein)
- 10.15 Company's Supplemental Executive Retirement Plan.  
(Filed as Exhibit 10.1 to the Company's Form 10-K  
Report for the year ended December 31, 1993, File  
No. 1-1097 and incorporated by reference herein)
- 10.16 Company's Annual Incentive Compensation Plan.  
(Filed as Exhibit 10.16 to the Company's Form 10-K  
Report for the year ended December 31, 1993, File  
No. 1-1097, and incorporated by reference herein)
- 21.01 Subsidiaries of the Registrant.
- 23.01 Consent of Arthur Andersen LLP.
- 24.01 Power of Attorney.
- 27.01 Financial Data Schedule.
- 99.02 Description of Common Stock. (Filed as Exhibit 99.02  
to the Company's Form 10-K Report for the year  
ended December 31, 1994, File No. 1-1097, and  
incorporated by reference herein)

Executive Compensation Plans and Arrangements  
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- 10.08 Form of Amended and Restated Stock Equivalent and  
Deferred Compensation Agreement for Directors, as amended.  
(Filed as Exhibit 10.08 to the Company's Form 10-K Report  
for the year ended December 31, 1994, File No. 1-1097, and  
incorporated by reference herein)
- 10.09 Restricted Stock Plan of the Company. (Filed as Exhibit 10.36 to the  
Company's Form 10-K Report for the year ended December 31,  
1986, File No. 1-1097, and incorporated by reference herein)
- 10.12 Company's Restoration of Retirement Income Plan, as amended.  
(Filed as Exhibit 10.12 to the Company's Form 10-K Report  
for the year ended December 31, 1993, File No. 1-1097  
and incorporated by reference herein)
- 10.13 Company's Restoration of Retirement Savings Plan.  
(Filed as Exhibit 10.13 to the Company's Form 10-K Report  
for the year ended December 31, 1993, File No. 1-1097  
and incorporated by reference herein)

- 10.15 Company's Supplemental Executive Retirement Plan.  
 (Filed as Exhibit 10.15 to the Company's Form 10-K Report  
 for the year ended December 31, 1993, File No. 1-1097  
 and incorporated by reference herein)
- 10.16 Company's Annual Incentive Compensation Plan.  
 (Filed as Exhibit 10.16 to the Company's Form 10-K Report for  
 the year ended December 31, 1993, File No. 1-1097 and  
 incorporated by reference herein)

(B) REPORTS ON FORM 8-K  
 -----

Item 5. Other Events, dated July 26, 1995.

Item 7. Financial Statements and Exhibits, dated August 3, 1995.

Item 5. Other Events, dated October 23, 1995.

Item 7. Financial Statements and Exhibits, dated October 23, 1995.

Item 5. Other Events, dated October 25, 1995.

OKLAHOMA GAS AND ELECTRIC COMPANY  
 SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS

COLUMN A DESCRIPTION -----	COLUMN B BALANCE BEGINNING OF YEAR -----	COLUMN C CHARGED TO COSTS AND EXPENSES -----	COLUMN C CHARGED TO OTHER ACCOUNTS -----	COLUMN D DEDUCTIONS -----	COLUMN E BALANCE END OF YEAR -----
(THOUSANDS)					
1995					
Reserve for Uncollectible Accounts	\$3,719	\$7,588	-	\$7,102	\$4,205
1994					
Reserve for Uncollectible Accounts	\$4,070	\$6,767	-	\$7,118	\$3,719
1993					
Reserve for Uncollectible Accounts	\$4,039	\$6,669	-	\$6,638	\$4,070

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To Oklahoma Gas and Electric Company:

We have audited in accordance with generally accepted auditing standards, the consolidated financial statements of Oklahoma Gas and Electric Company included in this Form 10-K, and have issued our report thereon dated January 24, 1996. Our audits were made for the purpose of forming an opinion on those statements taken as a whole. The schedule listed on Page 70, Item 14 (a) 2. is the responsibility of the Company's management and is presented for purposes of

complying with the Securities and Exchange Commission's rules and is not part of the basic financial statements. This schedule has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, fairly states in all material respects the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

/s/ Arthur Andersen LLP  
Arthur Andersen LLP

Oklahoma City, Oklahoma,  
January 24, 1996

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Oklahoma City, and State of Oklahoma on the 22nd day of March, 1996.

OKLAHOMA GAS AND ELECTRIC COMPANY  
(REGISTRANT)

/s/ J. G. Harlow, Jr.  
By J. G. Harlow, Jr.  
Chairman of the Board  
and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this Report has been signed below by the following persons in the capacities and on the dates indicated.

SIGNATURE -----	TITLE -----	DATE ----
/s/ J. G. Harlow, Jr. J. G. Harlow, Jr.	Principal Executive Officer and Director;	March 22, 1996
/s/ A. M. Strecker A. M. Strecker	Principal Financial Officer; and	March 22, 1996
/s/ D. L. Young D. L. Young	Principal Accounting Officer.	March 22, 1996
Herbert H. Champlin	Director;	
William E. Durrett	Director;	
Martha W. Griffin	Director;	
Hugh L. Hembree, III	Director;	
Steven E. Moore	Director;	
Bill Swisher	Director; and	
Ronald H. White, M.D.	Director.	

/s/ J. G. Harlow, Jr.

## EXHIBIT INDEX

EXHIBIT NO. -----	DESCRIPTION -----
3.01	Copy of Restated Certificate of Incorporation. (Filed as Exhibit 4.01 to the Company's Post-Effective Amendment No. Three to Registration Statement No. 2-94973, and incorporated by reference herein)
3.02	By-laws. (Filed as Exhibit 4.02 to Post-Effective Amendment No. Three to Registration Statement No. 2-94973 and incorporated by reference herein)
4.01	Copy of Trust Indenture, dated February 1, 1945, from OG&E to The First National Bank and Trust Company of Oklahoma City, Trustee. (Filed as Exhibit 7-A to Registration Statement No. 2-5566 and incorporated by reference herein)
4.02	Copy of Supplemental Trust Indenture, dated December 1, 1948, being a supplemental instrument to Exhibit 4.01 hereto. (Filed as Exhibit 7.03 to Registration Statement No. 2-7744 and incorporated by reference herein)
4.03	Copy of Supplemental Trust Indenture, dated June 1, 1949, being a supplemental instrument to Exhibit 4.01 hereto. (Filed as Exhibit 7.03 to Registration Statement No. 2-7964 and incorporated by reference herein)
4.04	Copy of Supplemental Trust Indenture, dated May 1, 1950, being a supplemental instrument to Exhibit 4.01 hereto. (Filed as Exhibit 7.04 to Registration Statement No. 2-8421 and incorporated by reference herein)
4.05	Copy of Supplemental Trust Indenture, dated March 1, 1952, a supplemental instrument to Exhibit 4.01 hereto. (Filed as Exhibit 4.08 to Registration Statement No. 2-9415 and incorporated by reference herein)
4.06	Copy of Supplemental Trust Indenture, dated June 1, 1955, being a supplemental instrument to Exhibit 4.01 hereto. (Filed as Exhibit 4.07 to Registration Statement No. 2-12274 and incorporated by reference herein)
4.07	Copy of Supplemental Trust Indenture, dated January 1, 1957, being a supplemental instrument to Exhibit 4.01 hereto. (Filed as Exhibit 2.07 to Registration Statement No. 2-14115 and incorporated by reference herein)
4.08	Copy of Supplemental Trust Indenture, dated June 1, 1958, being a supplemental instrument to Exhibit 4.01 hereto. (Filed as Exhibit 4.09 to



Registration Statement No. 2-19757 and  
incorporated by reference herein)

- 4.09 Copy of Supplemental Trust Indenture, dated  
March 1, 1963, being a supplemental instrument  
to Exhibit 4.01 hereto. (Filed as Exhibit 2.09  
to Registration Statement No. 2-23127 and  
incorporated by reference herein)
- 4.10 Copy of Supplemental Trust Indenture, dated  
March 1, 1965, being a supplemental instrument  
to Exhibit 4.01 hereto. (Filed as Exhibit 4.10  
to Registration Statement No. 2-25808 and  
incorporated by reference herein)
- 4.11 Copy of Supplemental Trust Indenture, dated  
January 1, 1967, being a supplemental instrument  
to Exhibit 4.01 hereto. (Filed as Exhibit 2.11  
to Registration Statement No. 2-27854 and  
incorporated by reference herein)
- 4.12 Copy of Supplemental Trust Indenture, dated  
January 1, 1968, being a supplemental instrument  
to Exhibit 4.01 hereto. (Filed as Exhibit 2.12  
to Registration Statement No. 2-31010 and  
incorporated by reference herein)
- 4.13 Copy of Supplemental Trust Indenture, dated  
January 1, 1969, being a supplemental instrument  
to Exhibit 4.01 hereto. (Filed as Exhibit 2.13  
to Registration Statement No. 2-35419 and  
incorporated by reference herein)
- 4.14 Copy of Supplemental Trust Indenture, dated  
January 1, 1970, being a supplemental instrument  
to Exhibit 4.01 hereto. (Filed as Exhibit 2.14  
to Registration Statement No. 2-42393 and  
incorporated by reference herein)
- 4.15 Copy of Supplemental Trust Indenture, dated  
January 1, 1972, being a supplemental instrument  
to Exhibit 4.01 hereto. (Filed as Exhibit 2.15  
to Registration Statement No. 2-49612 and  
incorporated by reference herein)
- 4.16 Copy of Supplemental Trust Indenture, dated  
January 1, 1974, being a supplemental instrument  
to Exhibit 4.01 hereto. (Filed as Exhibit 2.16  
to Registration Statement No. 2-52417 and  
incorporated by reference herein)
- 4.17 Copy of Supplemental Trust Indenture, dated  
January 1, 1975, being a supplemental instrument  
to Exhibit 4.01 hereto. (Filed as Exhibit 2.17  
to Registration Statement No. 2-55085 and  
incorporated by reference herein)
- 4.18 Copy of Supplemental Trust Indenture, dated  
January 1, 1976, being a supplemental instrument  
to Exhibit 4.01 hereto. (Filed as Exhibit 2.18  
to Registration Statement No. 2-57730 and  
incorporated by reference herein)
- 4.19 Copy of Supplemental Trust Indenture, dated  
September 14, 1976, being a supplemental  
instrument to Exhibit 4.01 hereto. (Filed as  
Exhibit 2.19 to Registration Statement No.  
2-59887 and incorporated by reference herein)

- 4.20 Copy of Supplemental Trust Indenture, dated January 1, 1977, being a supplemental instrument to Exhibit 4.01 hereto. (Filed as Exhibit 2.20 to Registration Statement No. 2-59887 and incorporated by reference herein)
- 4.21 Copy of Supplemental Trust Indenture, dated November 1, 1977, being a supplemental instrument to Exhibit 4.01 hereto. (Filed as Exhibit 4.21 to Registration Statement No. 2-70539 and incorporated by reference herein)
- 4.22 Copy of Supplemental Trust Indenture, dated December 1, 1977, being a supplemental instrument to Exhibit 4.01 hereto. (Filed as Exhibit 4.22 to Registration Statement No. 2-70539 and incorporated by reference herein)
- 4.23 Copy of Supplemental Trust Indenture, dated February 1, 1980, being a supplemental instrument to Exhibit 4.01 hereto. (Filed as Exhibit 4.23 to Registration Statement No. 2-70539 and incorporated by reference herein)
- 4.24 Copy of Supplemental Trust Indenture, dated April 15, 1982, being a supplemental instrument to Exhibit 4.01 hereto. (Filed as Exhibit 4.24 to the Company's Form 10-K Report, File No. 1-1097, for the year ended December 31, 1982, and incorporated by reference herein)
- 4.25 Copy of Supplemental Trust Indenture, dated August 15, 1986, being a supplemental instrument to Exhibit 4.01 hereto. (Filed as Exhibit 4.25 to the Company's Form 10-K Report, File No. 1-1097, for the year ended December 31, 1986 and incorporated by reference herein)
- 4.26 Copy of Supplemental Trust Indenture, dated March 1, 1987, being a supplemental instrument to Exhibit 4.01 hereto. (Filed as Exhibit 4.26 to the Company's Form 10-K Report for the year ended December 31, 1987, File No. 1-1097, and incorporated by reference herein)
- 4.28 Copy of Supplemental Trust Indenture, dated November 15, 1990, being a supplemental instrument to Exhibit 4.01 hereto. (Filed as Exhibit 4.28 to the Company's Form 10-K Report for the year ended December 31, 1990, File No. 1-1097, and incorporated by reference herein)
- 4.29 Copy of Supplemental Trust Indenture, dated December 9, 1991, being a supplemental instrument to Exhibit 4.01 hereto. (Filed as Exhibit 4.29 to the Company's Form 10-K Report for the year ended December 31, 1991, File No. 1-1097, and incorporated by reference herein)
- 4.30 Copy of Supplemental Trust Indenture dated October 1, 1995, being a supplemental instrument to Exhibit 4.01 hereto. (Filed as Exhibit 4.02 to the Company's Form 8-K Report dated October 23, 1995, File No. 1-1097, and incorporated by reference herein)

- 4.31 Copy of Supplemental Trust Indenture dated October 1, 1995, from OG&E to Boatmen's First National Bank of Oklahoma, Trustee. (Filed as Exhibit 4.29 to Registration Statement No. 33-61821 and incorporated by reference herein)
- 4.32 Copy of Supplemental Trust Indenture No. 1 dated October 16, 1995, being a supplemental instrument to Exhibit 4.31 hereto. (Filed as Exhibit 4.01 to the Company's Form 8-K Report dated October 23, 1995, File No. 1-1097, and incorporated by reference herein)
- 10.01 Coal Supply Agreement dated March 1, 1973, between OG&E and Atlantic Richfield Company. (Filed as Exhibit 5.19 to Registration Statement No. 2-59887 and incorporated by reference herein)
- 10.02 Amendment dated April 1, 1976, to Coal Supply Agreement dated March 1, 1973, between OG&E and Atlantic Richfield Company, together with related correspondence. (Filed as Exhibit 5.21 to Registration Statement No. 2-59887 and incorporated by reference herein)
- 10.03 Second Amendment dated March 1, 1978, to Coal Supply Agreement dated March 1, 1973, between OG&E and Atlantic Richfield Company. (Filed as Exhibit 5.28 to Registration Statement No. 2-62208 and incorporated by reference herein)
- 10.04 Amendment dated June 27, 1990, between OG&E and Thunder Basin Coal Company, to Coal Supply Agreement dated March 1, 1973, between OG&E and Atlantic Richfield Company. (Filed as Exhibit 10.04 to the Company's Form 10-K Report for the year ended December 31, 1994, File No. 1-1097, and incorporated by reference herein) [Confidential Treatment has been requested for certain portions of this exhibit.]
- 10.05 Participation Agreement dated as of January 1, 1980, among First National Bank and Trust Company of Oklahoma City, Thrall Car Manufacturing Company, OG&E and other parties, including Lease of Railroad Equipment dated January 1, 1980, between Mercantile-Safe Deposit and Trust Company and OG&E. (Filed as Exhibit 10.32 to the Company's Form 10-K Report for the year ended December 31, 1980, File No. 1-1097, and incorporated by reference herein)
- 10.06 Participation Agreement dated January 1, 1981, among The First National Bank and Trust Company of Oklahoma City, Thrall Car Manufacturing Company, OG&E and other parties, including Lease for Railroad Equipment dated January 1, 1981, between Wells Fargo Equipment Leasing Corporation and OG&E. (Filed as Exhibit 20.01 to the Company's Form 10-Q for June 30, 1981, File No. 1-1097, and incorporated by reference herein)
- 10.08 Form of Amended and Restated Stock Equivalent and Deferred Compensation Agreement for Directors, as amended. (Filed as Exhibit 10.08 to the Company's Form 10-K Report for the year ended December 31, 1994, File No. 1-1097, and incorporated by reference herein)
- 10.09 Restricted Stock Plan of the Company. (Filed as Exhibit 10.36 to the Company's Form 10-K Report for the year ended December 31, 1986, File No. 1-1097, and incorporated by reference herein)

- 10.10 Agreement and Plan of Reorganization, dated May 14, 1986, between OG&E and Mustang Fuel Corporation. (Attached as Appendix A to Registration Statement No. 33-7472 and incorporated by reference herein)
- 10.11 Gas Service Agreement dated January 1, 1988, between OG&E and Oklahoma Natural Gas Company. (Filed as Exhibit 10.26 to the Company's Form 10-K Report for the year ended December 31, 1987, File No. 1-1097, and incorporated by reference herein)
- 10.12 Company's Restoration of Retirement Income Plan, as amended. (Filed as Exhibit 10.12 to the Company's Form 10-K Report for the year ended December 31, 1993, File No. 1-1097 and incorporated by reference herein)
- 10.13 Company's Restoration of Retirement Savings Plan. (Filed as Exhibit 10.13 to the Company's Form 10-K Report for the year ended December 31, 1993, File No. 1-1097 and incorporated by reference herein)
- 10.14 Gas Service Agreement dated July 23, 1987, between OG&E and Arkla Services Company. (Filed as Exhibit 10.29 to the Company's Form 10-K Report for the year ended December 31, 1987, File No. 1-1097, and incorporated by reference herein)
- 10.15 Company's Supplemental Executive Retirement Plan. (Filed as Exhibit 10.1 to the Company's Form 10-K Report for the year ended December 31, 1993, File No. 1-1097 and incorporated by reference herein)
- 10.16 Company's Annual Incentive Compensation Plan. (Filed as Exhibit 10.16 to the Company's Form 10-K Report for the year ended December 31, 1993, File No. 1-1097, and incorporated by reference herein)
- 21.01 Subsidiaries of the Registrant.
- 23.01 Consent of Arthur Andersen LLP.
- 24.01 Power of Attorney.
- 27.01 Financial Data Schedule.
- 99.02 Description of Common Stock. (Filed as Exhibit 99.02 to the Company's Form 10-K Report for the year ended December 31, 1994, File No. 1-1097, and incorporated by reference herein)

EXHIBIT 21.01

Oklahoma Gas and Electric Company  
Subsidiaries of the Registrant

Name of Subsidiary -----	Jurisdiction of Incorporation -----	Percentage of Ownership -----
Enogex, Inc.	Oklahoma	100

The Registrant has two additional subsidiaries, neither of which, individually, or in the aggregate, constitute a significant subsidiary.

The above listed subsidiary has been consolidated in the Registrant's financial statements.

EXHIBIT 23.01

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation of our reports dated January 24, 1996 included in the Oklahoma Gas and Electric Company Form 10-K for the year ended December 31, 1995, into the previously filed Form S-8 Registration Statement No. 33-52169, Form S-3 Registration Statement No. 33-59805, and Form S-4 Registration Statement No. 33-61699.

/s/ Arthur Andersen LLP  
Arthur Andersen LLP

Oklahoma City, Oklahoma,  
March 21, 1996

POWER OF ATTORNEY

WHEREAS, OKLAHOMA GAS AND ELECTRIC COMPANY, an Oklahoma corporation (herein referred to as the "Company"), is about to file with the Securities and Exchange Commission, under the provisions of the Securities Exchange Act of 1934, as amended, its annual report on Form 10-K for the year ended December 31, 1995; and

WHEREAS, each of the undersigned holds the office or offices in the Company herein-below set opposite his or her name, respectively;

NOW, THEREFORE, each of the undersigned hereby constitutes and appoints J. G. HARLOW, JR., A. M. STRECKER and D. L. YOUNG, and each of them individually, his or her attorney with full power to act for him or her and in his or her name, place and stead, to sign his name in the capacity or capacities set forth below to said Form 10-K and to any and all amendments thereto, and hereby ratifies and confirms all that said attorney may or shall lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned have hereunto set their hands this 17th day of January 1996.

Herbert H. Champlin, Director	/s/ Herbert H. Champlin -----
J. G. Harlow, Jr., Chairman, Principal Executive Officer and Director	/s/ J. G. Harlow, Jr. -----
William E. Durrett, Director	/s/ William E. Durrett -----
Martha W. Griffin, Director	/s/ Martha W. Griffin -----
Hugh L. Hembree, III, Director	/s/ Hugh L. Hembree, III -----
Steven E. Moore, Director	/s/ Steven E. Moore -----
Bill Swisher, Director	/s/ Bill Swisher -----
John A. Taylor, Director	/s/ John A. Taylor -----
Ronald H. White, M.D., Director	/s/ Ronald H. White, M.D. -----
A. M. Strecker, Principal Financial Officer	/s/ A. M. Strecker -----
D. L. Young, Principal Accounting Officer	/s/ D. L. Young -----

STATE OF OKLAHOMA )  
                          ) SS  
COUNTY OF OKLAHOMA )

On the date indicated above, before me, Lisa Thompson, Notary Public in and for said County and State, personally appeared the above named directors and officers of OKLAHOMA GAS AND ELECTRIC COMPANY, an Oklahoma corporation, and known to me to be the persons whose names are subscribed to the foregoing instrument, and they severally acknowledged to me that they executed the same as their own free act and deed.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal on the 17th day of January, 1996.

/s/ Lisa L. Thompson  
Lisa L. Thompson  
Notary Public in and for the County  
of Oklahoma, State of Oklahoma

My Commission  
Expires: January 16, 2000



<ARTICLE> UT

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This schedule contains summary information extracted from the Oklahoma Gas and Electric Company Consolidated Statements of Income, Balance Sheets, and Statements of Cash Flow as reported on Form 10-K as of December 31, 1995 and is qualified in its entirety by reference to such Form 10-K.

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