OGE ENERGY CORP.
Form 10-Q
August 04, 2011
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q
(Mark One)
S QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 30, 2011
OR
£ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____to_____

Commission File Number: 1-12579
OGE ENERGY CORP.
(Exact name of registrant as specified in its charter)

Oklahoma (State or other jurisdiction of incorporation or organization)	73-1481638 (I.R.S. Employer Identification No.)

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

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

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. R Yes £ No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). R Yes £ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer R	Accelerated filer £
Non-accelerated filer £ (Do not check if a smaller reporting company)	Smaller reporting company £

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

£ Yes R No

At June 30, 2011, there were 97,973,168 shares of common stock, par value $0.01 per share, outstanding.

Table of Contents

OGE ENERGY CORP.

FORM 10-Q

FOR THE QUARTER ENDED JUNE 30, 2011

TABLE OF CONTENTS

Table of Contents

GLOSSARY OF TERMS

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

Abbreviation	Definition
2010 Form 10-K	Annual Report on Form 10-K for the year ended December 31, 2010
APSC	Arkansas Public Service Commission
ArcLight group	Bronco Midstream Holdings, LLC, Bronco Midstream Holdings II, LLC, collectively
Atoka	Atoka Midstream LLC joint venture
BART	Best Available Retrofit Technology
Company	OGE Energy, collectively with its subsidiaries
Crossroads	OG&E's Crossroads wind project in Dewey County, Oklahoma
Dry Scrubbers	Dry flue gas desulfurization units with Spray Dryer Absorber
Enogex	OGE Holdings, collectively with its subsidiaries
Enogex LLC	Enogex LLC, collectively with its subsidiaries
Enogex Holdings	Enogex Holdings LLC, the parent company of Enogex LLC and a majority-owned subsidiary of OGE Energy
Enogex Holdings LLC Agreement	Amended and Restated Limited Liability Agreement of Enogex Holdings
EPA	U.S. Environmental Protection Agency
FERC	Federal Energy Regulatory Commission
GAAP	Accounting principles generally accepted in the United States
MEP	Midcontinent Express Pipeline, LLC
MMcf/d	Million cubic feet per day
NGLs	Natural gas liquids
NOX	Nitrogen oxide
NYMEX	New York Mercantile Exchange
OCC	Oklahoma Corporation Commission
ODEQ	Oklahoma Department of Environmental Quality
OER	OGE Energy Resources LLC, wholly-owned subsidiary of Enogex LLC
Off-system sales	Sales to other utilities and power marketers
OG&E	Oklahoma Gas and Electric Company
OGE Holdings	OGE Enogex Holdings, LLC, wholly-owned subsidiary of OGE Energy and parent company of Enogex Holdings
Pension Plan	Qualified defined benefit retirement plan
PRM	Price risk management
SIP	State implementation plan
SO2	Sulfur dioxide
SPP	Southwest Power Pool
System sales	Sales to OG&E's customers
Windspeed	OG&E's transmission line from Oklahoma City, Oklahoma to Woodward, Oklahoma

Table of Contents

FORWARD-LOOKING STATEMENTS

Except for the historical statements contained herein, the matters discussed in this Form 10-Q, including those matters discussed in "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations," are forward-looking statements that are subject to certain risks, uncertainties and assumptions. Such forward-looking statements are intended to be identified in this document by the words "anticipate", "believe", "estimate", "expect", "intend", "objective", "plan", "possible", "potential", "project" and similar expressions. Actual results may vary materially from those expressed in forward-looking statements. In addition to the specific risk factors discussed in "Item 1A. Risk Factors" in the Company's 2010 Form 10-K and "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations" herein, factors that could cause actual results to differ materially from the forward-looking statements include, but are not limited to:

- general economic conditions, including the availability of credit, access to existing lines of credit, access to the commercial paper markets, actions of rating agencies and their impact on capital expenditures;
- the ability of the Company and its subsidiaries to access the capital markets and obtain financing on favorable terms;
- prices and availability of electricity, coal, natural gas and NGLs, each on a stand-alone basis and in relation to each other as well as the processing contract mix between percent-of-liquids, keep-whole and fixed-fee;
- business conditions in the energy and natural gas midstream industries;
- competitive factors including the extent and timing of the entry of additional competition in the markets served by the Company;
- unusual weather;
- availability and prices of raw materials for current and future construction projects;
- Federal or state legislation and regulatory decisions and initiatives that affect cost and investment recovery, have an impact on rate structures or affect the speed and degree to which competition enters the Company's markets;
- environmental laws and regulations that may impact the Company's operations;
- changes in accounting standards, rules or guidelines;
- the discontinuance of accounting principles for certain types of rate-regulated activities;
- whether OG&E can successfully implement its Smart Grid program to install meters for its customers and integrate the Smart Grid meters with its customer billing and other computer information systems;
- advances in technology;
- creditworthiness of suppliers, customers and other contractual parties;
- the higher degree of risk associated with the Company's nonregulated business compared with the Company's regulated utility business; and
- other risk factors listed in the reports filed by the Company with the Securities and Exchange Commission including those listed in "Item 1A. Risk Factors" and in Exhibit 99.01 to the Company's 2010 Form 10-K.

The Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Table of Contents

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
(In millions, except per share data)	2011	2010	2011	2010
OPERATING REVENUES				
Electric Utility operating revenues	$568.7	$512.8	$990.8	$956.8
Natural Gas Midstream Operations operating revenues	409.4	374.4	827.8	806.2
Total operating revenues	978.1	887.2	1,818.6	1,763.0
COST OF GOODS SOLD (exclusive of depreciation and amortization shown below)				
Electric Utility cost of goods sold	242.5	218.9	450.0	457.8
Natural Gas Midstream Operations cost of goods sold	307.6	287.6	633.3	618.8
Total cost of goods sold	550.1	506.5	1,083.3	1,076.6
Gross margin on revenues	428.0	380.7	735.3	686.4
OPERATING EXPENSES				
Other operation and maintenance	146.6	135.0	284.9	258.6
Depreciation and amortization	74.7	71.2	148.7	141.5
Taxes other than income	24.5	23.0	51.6	48.0
Total operating expenses	245.8	229.2	485.2	448.1
OPERATING INCOME	182.2	151.5	250.1	238.3
OTHER INCOME (EXPENSE)				
Interest income	0.1	—	0.2	—
Allowance for equity funds used during construction	5.8	2.3	10.2	4.6
Other income	7.0	3.4	13.3	6.5
Other expense	(3.5)	(5.0)	(5.8)	(7.4)
Net other income	9.4	0.7	17.9	3.7
INTEREST EXPENSE				
Interest on long-term debt	35.8	33.4	71.2	67.0
Allowance for borrowed funds used during construction	(2.9)	(1.0)	(5.2)	(2.2)
Interest on short-term debt and other interest charges	1.6	1.6	2.6	3.3
Interest expense	34.5	34.0	68.6	68.1
INCOME BEFORE TAXES	157.1	118.2	199.4	173.9
INCOME TAX EXPENSE	47.8	40.3	60.4	70.8
NET INCOME	109.3	77.9	139.0	103.1
Less: Net income attributable to noncontrolling interests	6.3	0.6	11.2	1.6
NET INCOME ATTRIBUTABLE TO OGE ENERGY	$103.0	$77.3	$127.8	$101.5
BASIC AVERAGE COMMON SHARES OUTSTANDING	98.0	97.3	97.8	97.2
DILUTED AVERAGE COMMON SHARES OUTSTANDING	99.3	98.7	99.2	98.6
BASIC EARNINGS PER AVERAGE COMMON SHARE ATTRIBUTABLE TO OGE ENERGY COMMON SHAREHOLDERS	$1.05	$0.79	$1.31	$1.04
DILUTED EARNINGS PER AVERAGE COMMON SHARE				

ATTRIBUTABLE TO OGE ENERGY COMMON SHAREHOLDERS	$1.04	$0.78	$1.29	$1.03
DIVIDENDS DECLARED PER COMMON SHARE	$0.3750	$0.3625	$0.7500	$0.7250

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

Table of Contents

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

	Three Months Ended June 30,		Six Months Ended June 30,	
(In millions)	2011	2010	2011	2010
Net income	$109.3	$77.9	$139.0	$103.1
Other comprehensive income (loss), net of tax				
Pension Plan and Restoration of Retirement Income Plan:				
Amortization of deferred net loss, net of tax of $0.5 million, $0.3 million, $0.9 million and $1.0 million, respectively	0.5	0.5	1.0	1.0
Amortization of prior service cost, net of tax of ($0.1) million, $0, $0 and $0, respectively	—	0.1	0.2	0.1
Postretirement plans:				
Amortization of deferred net loss, net of tax of $0.1 million, $0.2 million, $0.6 million and $0.6 million, respectively	0.6	0.3	0.8	0.9
Amortization of deferred net transition obligation, net of tax of ($0.1) million, $0.1 million, $0 and $0.1 million, respectively	—	0.1	0.1	0.3
Amortization of prior service cost, net of tax of $0.3 million, $0, $5.6 million and $0, respectively	(0.3)	—	9.8	(0.2)
Deferred commodity contracts hedging gains (losses), net of tax of $2.9 million, $7.8 million, $4.1 million and $6.2 million, respectively	5.5	12.3	7.0	9.6
Deferred interest rate swaps hedging gains, net of tax of $0, $0 $0.1 million and $0, respectively	0.1	—	0.2	0.1
Other comprehensive income (loss), net of tax	6.4	13.3	19.1	11.8
Comprehensive income (loss)	115.7	91.2	158.1	114.9
Less: Comprehensive income attributable to noncontrolling interest for sale of equity investment	—	—	(1.7)	—
Less: Comprehensive income attributable to noncontrolling interests	7.5	0.6	13.5	1.6
Total comprehensive income (loss) attributable to OGE Energy	$108.2	$90.6	$146.3	$113.3

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

Table of Contents

OGE ENERGY CORP.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Six Months Ended June 30,	
(In millions)	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$139.0	$103.1
Adjustments to reconcile net income to net cash provided from operating activities		
Depreciation and amortization	148.7	141.5
Deferred income taxes and investment tax credits, net	60.3	52.2
Allowance for equity funds used during construction	(10.2)	(4.6)
(Gain) loss on disposition and abandonment of assets	(3.3)	0.9
Stock-based compensation expense	0.4	2.3
Price risk management assets	1.1	(4.4)
Price risk management liabilities	6.8	11.4
Regulatory assets	6.8	6.8
Regulatory liabilities	3.3	(6.5)
Other assets	5.4	6.2
Other liabilities	(38.3)	(34.2)
Change in certain current assets and liabilities		
Accounts receivable, net	(47.0)	(24.1)
Accrued unbilled revenues	(39.8)	(24.4)
Income taxes receivable	—	150.6
Fuel, materials and supplies inventories	33.9	(28.5)
Gas imbalance assets	(3.6)	(1.8)
Fuel clause under recoveries	(21.4)	(0.6)
Other current assets	3.5	8.9
Accounts payable	(6.1)	4.8
Gas imbalance liabilities	1.0	(4.2)
Fuel clause over recoveries	(20.6)	(50.1)
Other current liabilities	26.6	36.2
Net Cash Provided from Operating Activities	246.5	341.5
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures (less allowance for equity funds used during construction)	(571.8)	(306.2)
Reimbursement of capital expenditures	21.6	12.9
Proceeds from sale of assets	17.5	1.7
Net Cash Used in Investing Activities	(532.7)	(291.6)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long-term debt	246.3	246.2
Contributions from noncontrolling interest partners	73.5	—
Increase (decrease) in short-term debt	66.1	(62.1)
Issuance of common stock	7.5	9.8
Proceeds from line of credit	—	115.0
Retirement of long-term debt	—	(289.2)
Distributions to noncontrolling interest partners	(6.1)	—
Repayment of line of credit	(25.0)	(50.0)
Dividends paid on common stock	(73.3)	(70.4)

Net Cash Provided from (Used in) Financing Activities	289.0	(100.7)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2.8	(50.8)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	2.3	58.1
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$5.1	$7.3

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

Table of Contents

OGE ENERGY CORP.
CONDENSED CONSOLIDATED BALANCE SHEETS

(In millions)	June 30, 2011 (Unaudited)	December 31, 2010
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$5.1	$2.3
Accounts receivable, less reserve of $1.7 and $1.9, respectively	324.9	277.9
Accrued unbilled revenues	96.6	56.8
Income taxes receivable	4.7	4.7
Fuel inventories	122.8	158.8
Materials and supplies, at average cost	85.4	83.3
Price risk management	0.9	1.4
Gas imbalances	6.1	2.5
Deferred income taxes	15.1	18.7
Fuel clause under recoveries	22.4	1.0
Other	21.2	24.7
Total current assets	705.2	632.1
OTHER PROPERTY AND INVESTMENTS, at cost	46.9	44.9
PROPERTY, PLANT AND EQUIPMENT		
In service	9,414.5	9,188.0
Construction work in progress	774.8	460.0
Total property, plant and equipment	10,189.3	9,648.0
Less accumulated depreciation	3,255.1	3,183.6
Net property, plant and equipment	6,934.2	6,464.4
DEFERRED CHARGES AND OTHER ASSETS		
Regulatory assets	414.9	489.4
Price risk management	0.2	0.8
Other	34.1	37.5
Total deferred charges and other assets	449.2	527.7
TOTAL ASSETS	$8,135.5	$7,669.1

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

Table of Contents

OGE ENERGY CORP.
CONDENSED CONSOLIDATED BALANCE SHEETS (Continued)

(In millions)	June 30, 2011 (Unaudited)	December 31, 2010
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Short-term debt	$211.1	$145.0
Accounts payable	372.5	321.7
Dividends payable	36.7	36.6
Customer deposits	67.2	67.0
Accrued taxes	42.3	39.3
Accrued interest	54.3	53.1
Accrued compensation	48.9	43.3
Price risk management	12.2	16.8
Gas imbalances	7.7	6.7
Fuel clause over recoveries	9.3	29.9
Other	71.7	55.1
Total current liabilities	933.9	814.5
LONG-TERM DEBT	2,586.8	2,362.9
DEFERRED CREDITS AND OTHER LIABILITIES		
Accrued benefit obligations	249.0	372.4
Deferred income taxes	1,512.8	1,434.8
Deferred investment tax credits	7.7	9.4
Regulatory liabilities	215.9	193.1
Price risk management	0.1	—
Deferred revenues	36.2	36.7
Other	44.7	45.3
Total deferred credits and other liabilities	2,066.4	2,091.7
Total liabilities	5,587.1	5,269.1
COMMITMENTS AND CONTINGENCIES (NOTE 14)		
STOCKHOLDERS' EQUITY		
Common stockholders’ equity	994.7	969.2
Retained earnings	1,434.9	1,380.6
Accumulated other comprehensive loss, net of tax	(41.8)	(60.2)
Total OGE Energy stockholders' equity	2,387.8	2,289.6
Noncontrolling interests	160.6	110.4
Total stockholders' equity	2,548.4	2,400.0
TOTAL LIABILITIES AND STOCKHOLDERS’ EQUITY	$8,135.5	$7,669.1

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

Table of Contents

OGE ENERGY CORP.
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(Unaudited)

(In millions)	Common Stock	Premium on Common Stock	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interest	Total
Balance at December 31, 2010	$1.0	$968.2	$1,380.6	$(60.2)	$110.4	$2,400.0
Comprehensive income (loss)						
Net income	—	—	127.8	—	11.2	139.0
Other comprehensive income (loss), net of tax	—	—	—	18.4	0.7	19.1
Comprehensive income (loss)	—	—	127.8	18.4	11.9	158.1
Dividends declared on common stock	—	—	(73.5)	—	—	(73.5)
Issuance of common stock	—	7.5	—	—	—	7.5
Stock-based compensation	—	0.1	—	—	—	0.1
Contributions from noncontrolling interest partners	—	29.1	—	—	44.4	73.5
Distributions to noncontrolling interest partners	—	—	—	—	(6.1)	(6.1)
Deferred income taxes attributable to contributions from noncontrolling interest partners	—	(11.2)	—	—	—	(11.2)
Balance at June 30, 2011	$1.0	$993.7	$1,434.9	$(41.8)	$160.6	$2,548.4
Balance at December 31, 2009	$1.0	$886.7	$1,227.8	$(74.7)	$20.0	$2,060.8
Comprehensive income (loss)						
Net income	—	—	101.5	—	1.6	103.1
Other comprehensive income (loss), net of tax	—	—	—	11.8	—	11.8
Comprehensive income (loss)	—	—	101.5	11.8	1.6	114.9
Dividends declared on common stock	—	—	(70.6)	—	—	(70.6)
Issuance of common stock	—	9.8	—	—	—	9.8
Stock-based compensation	—	4.8	—	—	—	4.8
Balance at June 30, 2010	$1.0	$901.3	$1,258.7	$(62.9)	$21.6	$2,119.7

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

Table of Contents

OGE ENERGY CORP.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. Summary of Significant Accounting Policies

Organization

The Company is an energy and energy services provider offering physical delivery and related services for both electricity and natural gas primarily in the south central United States. The Company conducts these activities through four business segments: (i) electric utility, (ii) natural gas transportation and storage, (iii) natural gas gathering and processing and (iv) natural gas marketing. All significant intercompany transactions have been eliminated in consolidation.

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

Enogex is a provider of integrated natural gas midstream services. Enogex is engaged in the business of gathering, processing, transporting, storing and marketing natural gas. Most of Enogex's natural gas gathering, processing, transportation and storage assets are strategically located in the Arkoma and Anadarko basins of Oklahoma and the Texas Panhandle. Enogex's operations are organized into three business segments: (i) natural gas transportation and storage, (ii) natural gas gathering and processing and (iii) natural gas marketing. Through OGE Holdings, the Company indirectly owns an 86.7 percent membership interest in Enogex Holdings, which in turn owns all of the membership interests in Enogex LLC, a Delaware single-member limited liability company (see Note 3). The Company continues to consolidate 100 percent of Enogex Holdings in its consolidated financial statements as OGE Energy has a controlling financial interest over the operations of Enogex Holdings. Prior to November 1, 2010, OER, whose primary operations are in natural gas marketing, was directly owned by OGE Energy. On November 1, 2010, OGE Energy distributed the equity interests in OER to Enogex LLC. Accordingly, the discussion that follows includes the results of OER in Enogex's results for all periods presented. Also, Enogex LLC holds a 50 percent ownership interest in Atoka. The Company has consolidated 100 percent of Atoka in its consolidated financial statements as Enogex acts as the managing member of Atoka and has control over the operations of Atoka.

Basis of Presentation

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

In the opinion of management, all adjustments necessary to fairly present the consolidated financial position of the Company at June 30, 2011 and December 31, 2010, the results of its operations for the three and six months ended June 30, 2011 and 2010 and the results of its cash flows for the six months ended June 30, 2011 and 2010, have been included and are of a normal recurring nature except as otherwise disclosed.

Due to seasonal fluctuations and other factors, the operating results for the three and six months ended June 30, 2011 are not necessarily indicative of the results that may be expected for the year ending December 31, 2011 or for any future period. The Condensed Consolidated Financial Statements and Notes thereto should be read in conjunction with the audited Consolidated Financial Statements and Notes thereto included in the Company's 2010 Form 10-K.

Accounting Records

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

Table of Contents

results from specific decisions by regulators granting such ratemaking treatment.

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

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

(In millions)	June 30, 2011	December 31, 2010
Regulatory Assets		
Current		
Fuel clause under recoveries	$22.4	$1.0
Other (A)	10.2	4.9
Total Current Regulatory Assets	$32.6	$5.9
Non-Current		
Benefit obligations regulatory asset	$279.7	$365.5
Income taxes recoverable from customers, net	48.7	43.3
Deferred storm expenses	27.4	28.6
Smart Grid	22.5	14.2
Unamortized loss on reacquired debt	14.8	15.3
Deferred Pension expenses	11.3	13.5
Red Rock deferred expenses	7.0	7.2
Other	3.5	1.8
Total Non-Current Regulatory Assets	$414.9	$489.4
Regulatory Liabilities		
Current		
Fuel clause over recoveries	$9.3	$29.9
Other (B)	28.4	20.9
Total Current Regulatory Liabilities	$37.7	$50.8
Non-Current		
Accrued removal obligations, net	$200.7	$184.9
Pension tracker	15.2	8.2
Total Non-Current Regulatory Liabilities	$215.9	$193.1

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

As discussed in Note 15 in OG&E's pension tracker modification filing, on June 23, 2011, a settlement agreement was filed by parties in the case stating that the pension tracker should be modified as proposed by OG&E and that the level of retiree medical costs included in base rates will be reviewed and determined in OG&E's next rate case. As a result, OG&E recorded an increase to its postretirement medical expense during the three months ended June 30, 2011 of $1.7 million to maintain the allowable amount to be recovered for postretirement medical expense in the Oklahoma jurisdiction which are included in Pension tracker in the table above.

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

Reclassifications

Certain prior year amounts have been reclassified on the Condensed Consolidated Statement of Income and Condensed Consolidated Statement of Cash Flows to conform to the 2011 presentation primarily related to the presentation of regulatory assets and liabilities.

Table of Contents

2. Accounting Pronouncements

In May 2011, the Financial Accounting Standards Board issued "Fair Value Measurement: Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs," which reconciled differences between U.S. GAAP and International Financial Reporting Standards and clarified existing disclosure requirements about fair value measurement as set forth in previously issued accounting guidance in this area. The new standard requires additional disclosures relating to the valuation processes used by the Company related to its fair value measurements using significant unobservable inputs (Level 3), as well as the sensitivity of the fair value measurement to the changes in unobservable inputs. The new standard is applicable to all entities that are required or permitted to measure or disclose the fair value of an asset, a liability or an instrument classified in a reporting entity's shareholders' equity in the financial statements. The new standard is effective for interim and annual reporting periods beginning after December 15, 2011, and should be applied prospectively. Early adoption of this new standard is not permitted. The Company plans to adopt this new standard effective January 1, 2012 and will include the required information beginning with the Company's Form 10-Q for the quarter ended March 31, 2012.

In June 2011, the Financial Accounting Standards Board issued "Comprehensive Income: Presentation of Comprehensive Income," which requires that all non-owner changes in stockholders' equity be presented either in a single continuous statement of comprehensive income or in two separate but consecutive statements. In the two-statement approach, the first statement should present total net income and its components followed consecutively by a second statement that should present total other comprehensive income, the components of other comprehensive income, and the total of comprehensive income. The new standard is applicable to all entities that report items of comprehensive income in any period presented. The new standard is effective for interim and annual reporting periods beginning after December 15, 2011, and should be applied retrospectively. Early adoption of this new standard is permitted. The Company adopted this new standard effective June 30, 2011 and has presented in this Form 10-Q its Condensed Consolidated Statements of Comprehensive Income after its Condensed Consolidated Statements of Income.

3. ArcLight Transaction

The following table summarizes changes in OGE Energy's equity attributable to changes in its ownership interest in Enogex Holdings during the six months ended June 30, 2011. There were no contributions by OGE Energy or the ArcLight group to fund Enogex LLC's 2011 capital requirements during the three months ended June 30, 2011. Also, there were no sales of additional membership interests in Enogex Holdings to the ArcLight group during the three months ended June 30, 2011.

(In millions)		
Net income attributable to OGE Energy	$127.8	
Transfers (to) from the noncontrolling interest		
Increase in paid-in capital for sale of 100,000 units of Enogex Holdings	0.9	
Increase in paid-in capital for issuance of 4,303,007 units of Enogex Holdings	28.2	
Decrease in paid-in capital for deferred income taxes attributable to the sale and issuance of units of Enogex Holdings	(11.2	)
Net transfers from the noncontrolling interest	17.9	
Change from net income attributable to OGE Energy and transfers from noncontrolling interest	$145.7	

The following table summarizes changes in OGE Holdings' and the ArcLight group's membership interest in Enogex Holdings for the six months ended June 30, 2011. Prior to November 1, 2010, Enogex Holdings was wholly owned by

OGE Energy.

(In millions)	OGE Holdings	ArcLight group	Total
Balance at December 31, 2010 (units)	90.1	9.9	100.0
Ownership percentage at December 31, 2010	90.1 %	9.9 %	100.0 %
Sale of 100,000 units of Enogex Holdings (A)	(0.1)	0.1	—
Issuance of 4,303,007 units of Enogex Holdings (B)	0.4	3.9	4.3
Balance at June 30, 2011 (units)	90.4	13.9	104.3
Ownership percentage at June 30, 2011	86.7 %	13.3 %	100.0 %

(A) On February 1, 2011, OGE Energy sold a 0.1 percent membership interest in Enogex Holdings to the ArcLight group for $1.9 million.

(B) In February 2011, OGE Energy and the ArcLight group made contributions of $8.0 million and $71.6 million, respectively, to fund a portion of Enogex LLC's 2011 capital requirements.

Table of Contents

Pursuant to the Enogex Holdings LLC Agreement, Enogex Holdings makes quarterly distributions to its partners. The below table summarizes these distributions during the six months ended June 30, 2011.

(In millions)	OGE Holdings Portion	ArcLight group's Portion	Total Distribution
First quarter 2011	$7.5	$0.8	$8.3
Second quarter 2011	34.3	5.3	39.6
Total	$41.8	$6.1	$47.9

4. Fair Value Measurements

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

Level 1 inputs are quoted prices in active markets for identical unrestricted assets or liabilities that are accessible at the measurement date. Instruments classified as Level 1 include natural gas futures, swaps and option transactions for contracts traded on the NYMEX and settled through a NYMEX clearing broker.

Level 2 inputs are inputs other than quoted prices in active markets included within Level 1 that are either directly or indirectly observable at the reporting date for the asset or liability for substantially the full term of the asset or liability. Level 2 inputs include quoted prices for similar assets or liabilities in active markets and quoted prices for identical or similar assets or liabilities in markets that are not active. Instruments classified as Level 2 include over-the-counter NYMEX natural gas swaps, natural gas basis swaps and natural gas purchase and sales transactions in markets such that the pricing is closely related to the NYMEX pricing.

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

The Company utilizes the market approach in determining the fair value of its derivative positions by using either NYMEX published market prices, independent broker pricing data or broker/dealer valuations. The valuations of derivatives with pricing based on NYMEX published market prices may be considered Level 1 if they are settled through a NYMEX clearing broker account with daily margining. Over-the-counter derivatives with NYMEX based prices are considered Level 2 due to the impact of counterparty credit risk. Valuations based on independent broker pricing or broker/dealer valuations may be classified as Level 2 only to the extent they may be validated by an additional source of independent market data for an identical or closely related active market. In certain less liquid markets or for longer-term contracts, forward prices are not as readily available. In these circumstances, NGLs options contracts are valued using internally developed methodologies that consider historical relationships among various commodities that result in management's best estimate of fair value. These contracts are classified as Level 3.

The impact to the fair value of derivatives due to credit risk is calculated using the probability of default based on Standard & Poor's Ratings Services and/or internally generated ratings. The fair value of derivative assets is adjusted for credit risk. The fair value of derivative liabilities is adjusted for credit risk only if the impact is deemed material.

Contracts with Master Netting Arrangements

Fair value amounts recognized for forward, interest rate swap, option and other conditional or exchange contracts executed with the same counterparty under a master netting arrangement may be offset. The reporting entity's choice to offset or not must be applied consistently. A master netting arrangement exists if the reporting entity has multiple contracts, whether for the same type of conditional or exchange contract or for different types of contracts, with a single counterparty that are subject to a contractual agreement that provides for the net settlement of all contracts through a single payment in a single currency in the event of default on or termination of any one contract. Offsetting the fair values recognized for forward, interest rate swap, option and other

Table of Contents

conditional or exchange contracts outstanding with a single counterparty results in the net fair value of the transactions being reported as an asset or a liability in the Condensed Consolidated Balance Sheets. The Company has presented the fair values of its derivative contracts under master netting agreements using a net fair value presentation.

The following tables summarize the Company's assets and liabilities that are measured at fair value on a recurring basis at June 30, 2011 and December 31, 2010 as well as reconcile the Company's commodity contracts fair value to PRM Assets and Liabilities on the Company's Condensed Consolidated Balance Sheets at June 30, 2011 and December 31, 2010.

June 30, 2011

(In millions)	Commodity Contracts		Gas Imbalances (A)	
	Assets	Liabilities	Assets	Liabilities (B)
Quoted market prices in active market for identical assets (Level 1)	$12.3	$12.7	$—	$—
Significant other observable inputs (Level 2)	1.7	15.4	6.1	5.2
Significant unobservable inputs (Level 3)	2.5	—	—	—
Total fair value	16.5	28.1	6.1	5.2
Netting adjustments	(15.4)	(15.8)	—	—
Total	$1.1	$12.3	$6.1	$5.2

December 31, 2010

(In millions)	Commodity Contracts		Gas Imbalances (A)	
	Assets	Liabilities	Assets	Liabilities (B)
Quoted market prices in active market for identical assets (Level 1)	$20.6	$20.2	$—	$—
Significant other observable inputs (Level 2)	2.7	30.7	2.5	2.8
Significant unobservable inputs (Level 3)	13.3	—	—	—
Total fair value	36.6	50.9	2.5	2.8
Netting adjustments	(34.4)	(34.1)	—	—
Total	$2.2	$16.8	$2.5	$2.8

(A) The Company uses the market approach to fair value its gas imbalance assets and liabilities, using an average of the Inside FERC Gas Market Report for Panhandle Eastern Pipe Line Co. (Texas, Oklahoma Mainline), ONEOK (Oklahoma) and ANR Pipeline (Oklahoma) indices.

(B) Gas imbalance liabilities exclude fuel reserves for over retained fuel due to shippers of $2.5 million and $3.9 million at June 30, 2011 and December 31, 2010, respectively, which fuel reserves are based on the value of natural gas at the time the imbalance was created and which are not subject to revaluation at fair market value.

The following table summarizes the Company's assets and liabilities that are measured at fair value on a recurring basis using significant unobservable inputs (Level 3).

	Commodity Contracts			
	Assets		Liabilities	
(In millions)	2011	2010	2011	2010
Balance at January 1	$13.3	$49.0	$—	$14.7
Total gains or losses				
Included in other comprehensive income	(4.8)	(3.9)	—	(5.1)
Settlements	(3.3)	(4.1)	—	(1.4)
Balance at March 31	$5.2	$41.0	$—	$8.2
Total gains or losses				
Included in other comprehensive income	(1.0)	7.2	—	(3.7)
Settlements	(1.7)	(6.1)	—	(2.7)

Balance at June 30	$2.5	$42.1	$—	$1.8

12

Table of Contents

The following table summarizes the fair value and carrying amount of the Company's financial instruments, including derivative contracts related to the Company's PRM activities, at June 30, 2011 and December 31, 2010.

	June 30, 2011		December 31, 2010	
(In millions)	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Price Risk Management Assets				
Energy Derivative Contracts	$1.1	$1.1	$2.2	$2.2
Price Risk Management Liabilities				
Energy Derivative Contracts	$12.3	$12.3	$16.8	$16.8
Long-Term Debt				
OG&E Senior Notes	$1,903.7	$2,115.4	$1,655.0	$1,831.5
OGE Energy Senior Notes	99.7	109.0	99.7	106.4
OG&E Industrial Authority Bonds	135.4	135.4	135.4	135.4
Enogex LLC Senior Notes	448.0	494.2	447.8	480.7
Enogex LLC Revolving Credit Agreement	—	—	25.0	25.0

The carrying value of the financial instruments on the Condensed Consolidated Balance Sheets not otherwise discussed above approximates fair value except for long-term debt which is valued at the carrying amount. The valuation of the Company's energy derivative contracts was determined generally based on quoted market prices. However, in certain instances where market quotes are not available, other valuation techniques or models are used to estimate market values. The valuation of instruments also considers the credit risk of the counterparties. The fair value of the Company's long-term debt is based on quoted market prices and estimates of current rates available for similar issues with similar maturities.

5. Derivative Instruments and Hedging Activities

The Company is exposed to certain risks relating to its ongoing business operations. The primary risks managed using derivatives instruments are commodity price risk and interest rate risk. The Company is also exposed to credit risk in its business operations.

Commodity Price Risk

The Company primarily uses forward physical contracts, commodity price swap contracts and commodity price option features to manage the Company's commodity price risk exposures. Commodity derivative instruments used by the Company are as follows:

- NGLs put options and NGLs swaps are used to manage Enogex's NGLs exposure associated with its processing agreements;
- natural gas swaps are used to manage Enogex's keep-whole natural gas exposure associated with its processing operations and Enogex's natural gas exposure associated with operating its gathering, transportation and storage assets;
- natural gas futures and swaps and natural gas commodity purchases and sales are used to manage OER's natural gas exposure associated with its storage and transportation contracts; and
- natural gas futures and swaps, natural gas options and natural gas commodity purchases and sales are used to manage OER's marketing and trading activities.

Normal purchases and normal sales contracts are not recorded in PRM Assets or Liabilities in the Condensed Consolidated Balance Sheets and earnings recognition is recorded in the period in which physical delivery of the commodity occurs. Management applies normal purchases and normal sales treatment to: (i) commodity contracts for the purchase and sale of natural gas used in or produced by its operations, (ii) commodity contracts for the sale of NGLs produced by Enogex's gathering and processing business, (iii) electric power contracts by OG&E and (iv) fuel procurement by OG&E.

The Company recognizes its non-exchange traded derivative instruments as PRM Assets or Liabilities in the Condensed Consolidated Balance Sheets at fair value with such amounts classified as current or long-term based on their anticipated settlement. Exchange traded transactions are settled on a net basis daily through margin accounts with a clearing broker and, therefore, are recorded at fair value on a net basis in Other Current Assets in the Condensed Consolidated Balance Sheets.

Table of Contents

Interest Rate Risk

The Company's exposure to changes in interest rates primarily relates to short-term variable-rate debt and commercial paper. The Company manages its interest rate exposure by monitoring and limiting the effects of market changes in interest rates. The Company utilizes interest rate derivatives to alter interest rate exposure in an attempt to reduce the effects of these changes. Interest rate derivatives are used solely to modify interest rate exposure and not to modify the overall leverage of the debt portfolio.

Credit Risk

The Company is exposed to certain credit risks relating to its ongoing business operations. Credit risk includes the risk that counterparties that owe the Company money or energy will breach their obligations. If the counterparties to these arrangements fail to perform, the Company may be forced to enter into alternative arrangements. In that event, the Company's financial results could be adversely affected and the Company could incur losses.

Cash Flow Hedges

For derivatives that are designated and qualify as a cash flow hedge, the effective portion of the change in fair value of the derivative instrument is reported as a component of Accumulated Other Comprehensive Income and recognized into earnings in the same period during which the hedged transaction affects earnings. The ineffective portion of a derivative's change in fair value or hedge components excluded from the assessment of effectiveness is recognized currently in earnings. The Company measures the ineffectiveness of commodity cash flow hedges using the change in fair value method whereby the change in the expected future cash flows designated as the hedge transaction are compared to the change in fair value of the hedging instrument. Forecasted transactions, which are designated as the hedged transaction in a cash flow hedge, are regularly evaluated to assess whether they continue to be probable of occurring. If the forecasted transactions are no longer probable of occurring, hedge accounting will cease on a prospective basis and all future changes in the fair value of the derivative will be recognized directly in earnings.

The Company designates as cash flow hedges derivatives used to manage commodity price risk exposure for Enogex's NGLs volumes and corresponding keep-whole natural gas resulting from its natural gas processing contracts (processing hedges) and natural gas positions resulting from its natural gas gathering and processing, pipeline and storage operations (operational gas hedges). The Company also designates as cash flow hedges certain derivatives used to manage natural gas commodity exposure for certain natural gas storage inventory positions. Enogex's cash flow hedges at June 30, 2011 mature during the remainder of 2011.

Fair Value Hedges

For derivative instruments that are designated and qualify as a fair value hedge, the gain or loss on the derivative as well as the offsetting loss or gain on the hedged item attributable to the hedge risk are recognized currently in earnings. The Company includes the gain or loss on the hedged items in Operating Revenues as the offsetting loss or gain on the related hedging derivative.

At June 30, 2011 and December 31, 2010, the Company had no derivative instruments that were designated as fair value hedges.

Derivatives Not Designated As Hedging Instruments

Derivative instruments not designated as hedging instruments are utilized in OER's asset management, marketing and trading activities. For derivative instruments not designated as hedging instruments, the gain or loss on the derivative is recognized currently in earnings.

Table of Contents

Quantitative Disclosures Related to Derivative Instruments

At June 30, 2011, the Company had the following derivative instruments that were designated as cash flow hedges.

(In millions)	2011 Gross Notional Volume (A)
Enogex processing hedges	
NGLs sales	0.7
Natural gas purchases	2.6
Enogex marketing hedges	
Natural gas sales	1.6

(A) Natural gas in Million British thermal unit; NGLs in barrels.

At June 30, 2011, the Company had the following derivative instruments that were not designated as hedging instruments.

(In millions)	Gross Notional Volume (A)	
	Purchases	Sales
Natural gas (B)		
Physical (C)(D)	15.4	48.5
Fixed Swaps/Futures	55.5	54.3
Options	9.1	10.5
Basis Swaps	9.1	8.4

(A) Natural gas in Million British thermal unit.

(B) 90.0 percent of the natural gas contracts have durations of one year or less, 6.8 percent have durations of more than one year and less than two years and 3.2 percent have durations of more than two years.

(C) Of the natural gas physical purchases and sales volumes not designated as hedges, the majority are priced based on a monthly or daily index and the fair value is subject to little or no market price risk.

(D) Natural gas physical sales volumes exceed natural gas physical purchase volumes due to the marketing of natural gas volumes purchased via Enogex's processing contracts, which are not derivative instruments and are excluded from the table above.

Balance Sheet Presentation Related to Derivative Instruments

The fair value of the derivative instruments that are presented in the Company's Condensed Consolidated Balance Sheet at June 30, 2011 are as follows:

Instrument	Balance Sheet Location	Fair Value	
		Assets	Liabilities
		(In millions)	
Derivatives Designated as Hedging Instruments			
NGLs			
Financial Options	Current PRM	$2.5	$—
Natural Gas			
Financial Futures/Swaps	Current PRM	—	14.4
Financial Futures/Swaps	Other Current Assets	0.5	—
Total		$3.0	$14.4
Derivatives Not Designated as Hedging Instruments			
Natural Gas			

Financial Futures/Swaps	Current PRM	$0.2	$0.1
	Other Current Assets	12.0	13.1
Physical Purchases/Sales	Current PRM	0.8	0.3
	Non-Current PRM	0.2	0.1
Financial Options	Other Current Assets	0.3	0.1
Total		$13.5	$13.7
Total Gross Derivatives (A)		$16.5	$28.1

(A) See Note 4 for a reconciliation of the Company's total derivatives fair value to the Company's Condensed Consolidated Balance Sheet at June 30, 2011.

15

Table of Contents

The fair value of the derivative instruments that are presented in the Company's Condensed Consolidated Balance Sheet at December 31, 2010 are as follows:

Instrument	Balance Sheet Location	Fair Value Assets	Liabilities
		(In millions)	
Derivatives Designated as Hedging Instruments			
NGLs			
Financial Options	Current PRM	$13.3	$—
Natural Gas			
Financial Futures/Swaps	Current PRM	—	28.8
	Other Current Assets	0.6	0.3
Total		$13.9	$29.1
Derivatives Not Designated as Hedging Instruments			
Natural Gas			
Financial Futures/Swaps	Current PRM	$—	$0.1
	Other Current Assets	20.0	19.8
Physical Purchases/Sales	Current PRM	1.4	1.2
	Non-Current PRM	0.8	—
Financial Options	Other Current Assets	0.5	0.7
Total		$22.7	$21.8
Total Gross Derivatives (A)		$36.6	$50.9

(A) See Note 4 for a reconciliation of the Company's total derivatives fair value to the Company's Condensed Consolidated Balance Sheet at December 31, 2010.

Income Statement Presentation Related to Derivative Instruments

The following table presents the effect of derivative instruments on the Company's Condensed Consolidated Statement of Income for the three months ended June 30, 2011.

Derivatives in Cash Flow Hedging Relationships

(In millions)	Amount Recognized in Other Comprehensive Income (A)	Amount Reclassified from Accumulated Other Comprehensive Income into Income	Amount Recognized in Income
NGLs Financial Options	$(2.4)	$(3.3)	$—
Natural Gas Financial Futures/Swaps	0.1	(7.4)	—
Total	$(2.3)	$(10.7)	$—

(A) The estimated net amount of gains or losses included in Accumulated Other Comprehensive Income at June 30, 2011 that is expected to be reclassified into income within the next 12 months is a loss of $18.8 million.

Derivatives Not Designated as Hedging Instruments

(In millions)	Amount Recognized in Income
Natural Gas Physical Purchases/Sales	$(2.9)

Natural Gas Financial Futures/Swaps	(0.2)
Total	$(3.1)

Table of Contents

The following table presents the effect of derivative instruments on the Company's Condensed Consolidated Statement of Income for the three months ended June 30, 2010.

Derivatives in Cash Flow Hedging Relationships

(In millions)	Amount Recognized in Other Comprehensive Income	Amount Reclassified from Accumulated Other Comprehensive Income into Income	Amount Recognized in Income
NGLs Financial Options	$10.5	$1.1	$—
NGLs Financial Futures/Swaps	2.0	(0.5)	—
Natural Gas Financial Futures/Swaps	—	(8.6)	—
Total	$12.5	$(8.0)	$—

Derivatives Not Designated as Hedging Instruments

(In millions)	Amount Recognized in Income
Natural Gas Physical Purchases/Sales	$(3.7)
Natural Gas Financial Futures/Swaps	(0.6)
Total	$(4.3)

The following table presents the effect of derivative instruments on the Company's Condensed Consolidated Statement of Income for the six months ended June 30, 2011.

Derivatives in Cash Flow Hedging Relationships

(In millions)	Amount Recognized in Other Comprehensive Income (A)	Amount Reclassified from Accumulated Other Comprehensive Income into Income	Amount Recognized in Income
NGLs Financial Options	$(9.2)	$(5.8)	$—
Natural Gas Financial Futures/Swaps	(0.1)	(14.7)	—
Total	$(9.3)	$(20.5)	$—

(A) The estimated net amount of gains or losses included in Accumulated Other Comprehensive Income at June 30, 2011 that is expected to be reclassified into income within the next 12 months is a loss of $18.8 million.

Derivatives Not Designated as Hedging Instruments

(In millions)	Amount Recognized in Income
Natural Gas Physical Purchases/Sales	$(5.0)
Natural Gas Financial Futures/Swaps	(0.4)
Total	$(5.4)

Table of Contents

The following table presents the effect of derivative instruments on the Company's Condensed Consolidated Statement of Income for the six months ended June 30, 2010.

Derivatives in Cash Flow Hedging Relationships

		Amount Reclassified
	Amount Recognized	