

**Explanatory Statement Addressing
The Impact of the Tax Cuts and Jobs Act of 2017
On OG&E's 2017 Deferred Tax Balances**

The Tax Cuts and Job Act of 2017 ("TCJA"), enacted on December 22, 2017 and effective as of January 1, 2018, reduced the Federal corporate income tax rate from 35% to 21%. To clarify the impact of the TCJA on Oklahoma Gas and Electric Company's ("OG&E") deferred tax balances, OG&E provides the following description and Exhibit 1 containing a revised Worksheet C originally provided in OG&E's June 1, 2018 transmission formula rate update informational filing ("2018 Informational Filing").

In OG&E's 2018 Informational Filing, amounts relating to the tax reform resulting from the TCJA were initially combined into one existing line item on Worksheet C, specifically Line 32 on Worksheet C. Line 32 on Worksheet C reflected an amount of \$507,766,395. Lines 32 and 33 shown in Exhibit 1 illustrate how the TCJA impacts the derivation of this amount. Line 32 in Exhibit 1 titled "Income Taxes Recoverable/Refundable, net – 2017 Rate Change" reflects an average balance of \$519,286,004 related to the 12/31/17 accumulated deferred income tax adjustment of \$1,038,572,008 recorded in December 2017. This line reflects the combined Federal and State income tax benefit related to the decrease in the Federal corporate income tax rate pursuant to the TCJA, refundable to customers in future rates. The \$519,286,004 amount listed in Line 32 of Exhibit 1 is reduced by the \$11,519,609 amount listed in Line 33 of Exhibit 1 titled "Income Taxes Recoverable/Refundable, net –RETAIL" resulting in the \$507,766,395 amount listed in Line 32 of Worksheet C in the 2018 Informational Filing.

Consistent with prior filings, regulatory taxes (with the exception of those specifically allocated to Transmission) have been included in the "100% Non-Transmission Related" column to avoid an increase to transmission rate base from the reduction in the Federal corporate income tax rate rather than including the adjustment in the "Plant Related" column and also including the adjustment on Line 52 in Worksheet C. Both approaches yield the same result for the total amount included in rate base.

The revisions set forth in Exhibit 1 have no impact on the total amounts reported in the 2018 Informational Filing and merely intend to illustrate the impact of the TCJA on OG&E's total Accumulated Deferred Income Tax previously netted with other items in the 2018 Informational Filing.

EXHIBIT 1

NOTE: The Worksheet C submitted does not reflect this revision

Worksheet C

I. Account 281 – ADIT – Accelerated Amortization Property		Relevant Year = 2017		(Note 2)					
Line No.	(A) Identification	(B) Relevant Year Average of BOY and EOY Balance	(C) 100% Non-Transmission Related	(D) 100% Related to facilities excluded in Worksheet H	(E) 100% Transmission Related	(F) Plant Related	(G) Labor Related	(H) Total Included in Ratebase (E)+(F)+(G)	(I) Description / Justification
1									
2	Net Total Property and Accumulated Depreciation								Accumulated deferred income taxes-Accelerated amortization property.
3	Other								
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21									
22									
23									
24	Subtotal - Form 1, p273								
25	Less FASB 109 Above if not separately removed								
26	Less FASB 106 Above if not separately removed								
27	Total (In 24 - In 25 - In 26)								
28	Transmission Allocator [GP or W/S]		0.0000%	0.0000%	100.0000%	22.8270%	8.7622%		
29	Total (In 27 * In 28)		0	0	0	0	0	0	
II. Account 282 – ADIT – Other Property		Relevant Year = 2017		(Note 2)					
Line No.	(A) Identification	(B) Relevant Year Average of BOY and EOY Balance	(C) 100% Non-Transmission Related	(D) 100% Related to facilities excluded in Worksheet H	(E) 100% Transmission Related	(F) Plant Related	(G) Labor Related	(H) Total Included in Ratebase (E)+(F)+(G)	(I) Description / Justification
30									
31	Net Total Property and Accumulated Depreciation	(2,086,321,559)				(2,086,321,559)		(2,086,321,559)	Accumulated deferred income taxes-Other property.
32	Income Taxes Recoverable/Refundable, net - 2017 Rate Change	519,286,004	519,286,004						Deferred tax adjustment for 2017 Fed Rate Change per ASC 740
33	Income Taxes Recoverable/Refundable, net - RETAIL	(1,519,609)	(1,519,609)						Deferred tax per SFAS 109 related to property and Retail S. Georgia.
34	Income Taxes Recoverable/Refundable, net - Equity AFUDC - Retail	(58,273,293)	(58,273,293)						ADIT - Equity AFUDC Gross-up - Retail
35	Income Taxes Recoverable/Refundable, net - Equity AFUDC - Transmission	(2,889,743)			(2,889,743)			(2,889,743)	ADIT - Equity AFUDC Gross-up - Transmission
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49									
50									
51	Subtotal - Form 1, p275	(1,639,724,206)	449,487,096		(2,889,743)	(2,086,321,559)			
52	Less FASB 109 Above if not separately removed	(3,407,220)				(3,407,220)			
53	Less FASB 106 Above if not separately removed								
54	Total (In 51 - In 52 - In 53)	(1,636,316,386)	449,487,096		(2,889,743)	#####			
55	Transmission Allocator [GP or W/S]		0.0000%	0.0000%	100.0000%	22.8270%	8.7622%		
56	Total (In 54 * In 55)		0	0	(2,889,743)	(475,467,002)	0	(478,356,745)	

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