

OGE ENERGY CORP
Form 8-K
August 06, 2003

FORM 8-K

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

CURRENT REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported): August 6, 2003

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.)

OGE Energy Corp. Announces 2nd Quarter Results ***Company increases 2003 earnings projection***

OKLAHOMA CITY OGE Energy Corp. (NYSE: OGE) today reported earnings of \$0.41 a share for the three months ended June 30, 2003, compared with earnings of \$0.36 a share for the second quarter of 2002. OGE Energy is the parent company of Oklahoma Gas and Electric Company (OG&E) and Enogex Inc.

In the second quarter, OGE Energy's consolidated earnings improved by 13 percent over the comparable period a year earlier, despite weather that was 8 percent cooler than last year and 13 percent cooler than normal. For a second consecutive quarter, better results for OGE Energy were primarily the result of higher earnings at Enogex.

We are pleased to report improved results again this quarter at Enogex, said Steven E. Moore, OGE Energy chairman, president and CEO. We see this as affirmation of the steps we are taking to improve performance. We also continue to pursue the acquisition of a new power plant and we look forward to signing an agreement and completing the acquisition, which will set the stage for higher earnings for shareowners and savings for customers.

Discussion of Second Quarter 2003

OGE Energy consolidated operating revenues were \$853 million in the second quarter, compared with \$731 million in the comparable 2002 period. The second-quarter gross margin on revenues was \$231 million, compared with \$223 million in the year-earlier quarter. Operating income was \$77 million in the second quarter, compared with operating income of \$64 million a year earlier.

OG&E, the utility, posted earnings of \$0.35 a share to OGE Energy's consolidated second-quarter results, compared with earnings of \$0.40 a share for the second quarter a year ago. Second-quarter gross margin was \$171 million, compared with \$174 million in the comparable period a year earlier. Operating income at OG&E was \$55 million, compared with \$57 million in the second quarter of 2002. The decrease was due, in large part, to the electric rate reduction ordered in Oklahoma in 2002 and to cooler weather—8 percent cooler in the second quarter compared to last year, partially offset by customer growth.

Enogex, the pipeline, posted earnings of \$0.10 a share for the quarter, compared with earnings of \$0.01 a share for the same quarter last year. Second-quarter gross margin was \$60 million, compared with \$49 million a year earlier. Operating income was \$22 million, up from \$8 million in the second quarter last year. The increase in operating income was primarily due to increased gross margins in the natural gas transportation and storage business and lower expenses.

The holding company, OGE Energy, which only has interest expenses associated with long and short-term debt, recorded a loss of \$0.04 a share in the second quarter, compared to a loss of \$0.05 a share in the year-ago quarter.

2003 Outlook

The company has increased its 2003 earnings projection to \$1.40 to \$1.50 a share, from \$1.35 to \$1.45 previously, based on continued improvement in financial performance at Enogex. The outlook includes projected net income of between \$112 million and \$118 million at OG&E and between \$18 million and \$20 million at Enogex, while the holding company will likely post a net loss of approximately \$14 million.

Conference Call Webcast

OGE Energy will host a conference call for discussion of the results and the outlook for 2003 on Wednesday, August 6, at 8 a.m. CDT. The conference, hosted by James R. Hatfield, senior vice president and CFO, will be simulcast and archived at <http://www.firstcallevts.com/service/ajwz386799636gf12.html>

OGE Energy is the parent company of Oklahoma Gas and Electric Company (OG&E), which serves approximately 720,000 customers in a service territory spanning 30,000 square miles in Oklahoma and western Arkansas, and of Enogex Inc., a natural gas pipeline business with principal operations in Oklahoma and Arkansas.

Some of the matters discussed on this news release may contain forward-looking statements that are subject to certain risks, uncertainties and assumptions. Actual results may vary materially. Factors that could cause actual results to differ materially include, but are not limited to: general economic conditions, including their impact on capital expenditures; business conditions in the energy industry; competitive factors; unusual weather; regulatory decisions and other risk factors listed in the Company's Form 10-K for the year ended December 31, 2002 and other factors described from time to time in the Company's reports to the Securities and Exchange Commission.

OGE Energy Corp. ***consolidated statements of income***

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(unaudited)

| | Three Months Ended June 30 | | Six Months Ended June 30 | |
|---|-------------------------------|---------------|-----------------------------|----------------|
| | 2003 | 2002 | 2003 | 2002 |
| <i>(In millions, except per share data)</i> | | | | |
| OPERATING REVENUES | | | | |
| Electric Utility operating revenues | \$ 357.9 | \$ 352.2 | \$ 690.5 | \$ 614.3 |
| Natural Gas Pipeline operating revenues | 494.7 | 378.6 | 1,212.2 | 692.3 |
| Total operating revenues | 852.6 | 730.8 | 1,902.7 | 1,306.6 |
| COST OF GOODS SOLD | | | | |
| Electric Utility cost of goods sold | 175.8 | 169.6 | 379.7 | 309.4 |
| Natural Gas Pipeline cost of goods sold | 446.2 | 338.4 | 1,110.6 | 612.4 |
| Total cost of goods sold | 622.0 | 508.0 | 1,490.3 | 921.8 |
| Gross margin on revenues | 230.6 | 222.8 | 412.4 | 384.8 |
| Other operation and maintenance | 93.1 | 96.4 | 183.4 | 181.5 |
| Depreciation | 43.0 | 46.0 | 89.6 | 91.2 |
| Impairment of assets | 1.0 | -- | 1.0 | -- |
| Taxes other than income | 16.9 | 16.3 | 34.1 | 33.0 |
| OPERATING INCOME | 76.6 | 64.1 | 104.3 | 79.1 |
| OTHER INCOME (EXPENSE) | | | | |
| Other income | 0.6 | 0.5 | 6.7 | 0.9 |
| Other expense | (0.6) | (0.9) | (3.6) | (1.8) |
| Net other income (expense) | -- | (0.4) | 3.1 | (0.9) |
| INTEREST INCOME (EXPENSE) | | | | |
| Interest income | 0.1 | 0.5 | 0.3 | 1.0 |
| Interest on long-term debt | (19.2) | (21.7) | (38.2) | (43.8) |
| Interest on trust preferred securities | (4.3) | (4.3) | (8.6) | (8.6) |
| Allowance for borrowed funds used during construction | 0.1 | 0.3 | 0.4 | 0.7 |
| Interest on short-term debt and other interest charges | (1.7) | (1.6) | (3.5) | (4.1) |
| Net interest expense | (25.0) | (26.8) | (49.6) | (54.8) |
| INCOME FROM CONTINUING OPERATIONS BEFORE TAXES | 51.6 | 36.9 | 57.8 | 23.4 |
| INCOME TAX EXPENSE | 19.4 | 11.7 | 21.3 | 6.6 |
| INCOME FROM CONTINUING OPERATIONS BEFORE CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE | 32.2 | 25.2 | 36.5 | 16.8 |
| DISCONTINUED OPERATIONS | | | | |
| Income from discontinued operations | -- | 3.2 | 2.2 | 4.9 |
| Income tax expense (benefit) | -- | -- | 0.9 | (0.4) |

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| | | | | |
|---|----------------|----------------|----------------|----------------|
| Income from discontinued operations | -- | 3.2 | 1.3 | 5.3 |
| INCOME BEFORE CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE | 32.2 | 28.4 | 37.8 | 22.1 |
| CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING FOR ENERGY TRADING CONTRACTS, NET OF TAX OF \$3.7 | -- | -- | (5.9) | -- |
| NET INCOME | \$ 32.2 | \$ 28.4 | \$ 31.9 | \$ 22.1 |
| BASIC AVERAGE COMMON SHARES OUTSTANDING | 79.2 | 78.0 | 78.9 | 78.0 |
| DILUTED AVERAGE COMMON SHARES OUTSTANDING | 79.4 | 78.0 | 79.2 | 78.0 |
| BASIC EARNINGS (LOSS) PER AVERAGE COMMON SHARE | | | | |
| Income from continuing operations | \$ 0.41 | \$ 0.32 | \$ 0.46 | \$ 0.21 |
| Income from discontinued operations, net of tax | -- | 0.04 | 0.01 | 0.07 |
| Loss from cumulative effect of accounting change, net of tax | -- | -- | (0.07) | -- |
| NET INCOME | \$ 0.41 | \$ 0.36 | \$ 0.40 | \$ 0.28 |
| DILUTED EARNINGS (LOSS) PER AVERAGE COMMON SHARE | | | | |
| Income from continuing operations | \$ 0.41 | \$ 0.32 | \$ 0.46 | \$ 0.21 |
| Income from discontinued operations, net of tax | -- | 0.04 | 0.01 | 0.07 |
| Loss from cumulative effect of accounting change, net of tax | -- | -- | (0.07) | -- |
| NET INCOME | \$ 0.41 | \$ 0.36 | \$ 0.40 | \$ 0.28 |

OGE Energy Corp.
financial and statistical data
(unaudited)

| | Three Months Ended June 30 | | Six Months Ended June 30 | |
|--------------------------------|-------------------------------|----------|-----------------------------|----------|
| | 2003 | 2002 | 2003 | 2002 |
| | <i>(In millions)</i> | | | |
| ELECTRIC UTILITY | | | | |
| Electric revenues | | | | |
| Residential | \$ 137.4 | \$ 124.9 | \$ 265.2 | \$ 236.8 |
| Commercial | 92.8 | 93.3 | 170.2 | 151.3 |
| Industrial | 68.7 | 73.1 | 138.1 | 121.1 |
| Public authorities | 33.6 | 38.2 | 66.3 | 63.1 |
| Sales for resale | 14.7 | 13.4 | 28.1 | 22.0 |
| Other | 9.5 | 8.4 | 19.8 | 16.3 |
| Total system revenues | 356.7 | 351.3 | 687.7 | 610.6 |
| Sales to other utilities | 1.2 | 0.9 | 2.8 | 3.7 |
| Total electric revenues | \$ 357.9 | \$ 352.2 | \$ 690.5 | \$ 614.3 |
| Sales of electricity - MWH (a) | | | | |
| Residential | 1.7 | 1.7 | 3.7 | 3.5 |
| Commercial | 1.4 | 1.5 | 2.7 | 2.7 |

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| | | | | |
|---|-----------|-----------|------------|-----------|
| Industrial | 1.7 | 1.7 | 3.3 | 3.3 |
| Public authorities | 0.6 | 0.7 | 1.2 | 1.3 |
| Sales for resale | 0.4 | 0.3 | 0.8 | 0.7 |
| <hr/> | | | | |
| Total system sales | 5.8 | 5.9 | 11.7 | 11.5 |
| Sales to other utilities | 0.1 | 0.1 | 0.1 | 0.2 |
| <hr/> | | | | |
| Total electric sales | 5.9 | 6.0 | 11.8 | 11.7 |
| <hr/> | | | | |
| Number of customers | 721,304 | 715,430 | 721,304 | 715,430 |
| | | | | |
| Average cost of energy per KWH (b) - cents | | | | |
| Fuel | 2.292 | 1.910 | 2.512 | 1.741 |
| Fuel and purchased power | 5.182 | 2.673 | 3.184 | 2.529 |
| | | | | |
| Degree days | | | | |
| Heating | | | | |
| Actual | 180 | 216 | 2,257 | 2,206 |
| Normal | 236 | 237 | 2,199 | 2,201 |
| Cooling | | | | |
| Actual | 475 | 515 | 478 | 516 |
| Normal | 547 | 547 | 555 | 555 |
| | | | | |
| NATURAL GAS PIPELINE | | | | |
| Operating revenues (before intercompany eliminations) | \$ 513.2 | \$ 390.0 | \$ 1,252.8 | \$ 713.4 |
| Operating income | \$ 21.6 | \$ 7.5 | \$ 46.9 | \$ 16.3 |
| Net income (loss) | \$ 7.7 | \$ 1.0 | \$ 13.2 | \$ (0.3) |
| Net cash (used in) provided from operating activities | \$ (39.7) | \$ 59.0 | \$ 53.0 | \$ 59.4 |
| Capital expenditures from continuing operations | \$ 8.4 | \$ 4.2 | \$ 15.1 | \$ 11.2 |
| Physical System Supply - MMBtu/d (c) | 1,519 | 1,600 | 1,566 | 1,648 |
| Natural gas processed - MMcf/d (d) | 409 | 515 | 418 | 521 |
| Natural gas liquids sold - million gallons | 61.1 | 86.3 | 120.1 | 161.2 |
| Average sales price per gallon | \$ 0.563 | \$ 0.405 | \$ 0.607 | \$ 0.380 |
| Natural gas marketed - Bbtu (e) | 81,476 | 94,096 | 189,772 | 192,396 |
| Average sales price per Bbtu | \$ 5.205 | \$ 3.238 | \$ 5.623 | \$ 2.908 |
| Power marketed - MWH | 69,196 | 457,017 | 129,584 | 723,930 |
| Average sales price per MWH | \$ 45.390 | \$ 27.910 | \$ 45.590 | \$ 27.320 |

- (a) Megawatt-hours
- (b) Kilowatt-hours
- (c) Million British thermal units per day
- (d) Million cubic feet per day
- (e) Billion British thermal units