Risk Factors Comparison 2024-02-21 to 2023-02-23 Form: 10-K

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In the discussion of risk factors set forth below, unless the context otherwise requires, the terms" we,"" our" and" us" refer to the Registrants. In addition to the other information in this Form 10- K and other documents filed by us and / or our subsidiaries with the Securities and Exchange Commission from time to time, the following factors should be carefully considered in evaluating OGE Energy and its subsidiaries. Such factors could affect actual results and cause results to differ materially from those expressed in any forward- looking statements made by or on behalf of us or our subsidiaries. Additional risks and uncertainties not currently known to us or that we currently view as immaterial may also impair our business operations. The Registrants are subject to a variety of risks which can be classified as regulatory, operational, financial and general. Risk factors of OG & E are also risk factors of OGE Energy. REGULATORY RISKS The Registrants' profitability depends to a large extent on the ability of OG & E to fully recover its costs, including its cost of capital, from its customers in a timely manner, and there may be changes in the regulatory environment that impair its ability to recover costs from its customers. OG & E is subject to comprehensive regulation by several federal and state ~~utility~~ regulatory agencies, which significantly influences its operating environment and its ability to fully recover its costs, including its cost of capital, from ~~utility~~ customers. Recoverability of any under recovered amounts from OG & E' s customers due to a rise in fuel costs is a significant risk ~~, such as the Oklahoma and Arkansas fuel clause under recovery amounts as disclosed in Note 1 within" Item 8~~ . ~~Financial Statements and Footnotes."~~ The utility commissions in the states where OG & E operates regulate many aspects of its electric operations including siting and construction of facilities, customer service and the rates that OG & E can charge customers. The profitability of the electric operations is dependent on OG & E' s ability to fully recover costs related to providing electricity and power services to its customers in a timely manner. Any failure to obtain ~~utility~~ commission approval to increase rates to fully recover costs, or a delay in the receipt of such approval, could have an adverse impact on OG & E' s results of operations. In addition, OG & E' s jurisdictions have fuel adjustment clauses that permit OG & E to recover fuel and purchased power costs through rates without a general rate review, subject to a later determination that such costs were prudently incurred. If the state regulatory commissions determine that such costs were not prudently incurred, recovery could be disallowed. In recent years, the regulatory environments in which OG & E operates have received an increased amount of attention. It is possible that there could be changes in the regulatory environment that would impair OG & E' s ability to fully recover costs historically paid by OG & E' s customers. State ~~utility~~ **regulatory** commissions generally possess broad powers to ensure that the needs of the utility customers are being met. OG & E cannot assure that the OCC, APSC and the FERC will grant rate increases in the future or in the amounts requested, and they could instead lower OG & E' s rates. The Registrants are unable to predict the impact on their operating results from future regulatory activities of any of the agencies that regulate OG & E. Changes in regulations, legislation or the imposition of additional regulations or legislation could have an adverse impact on the Registrants' results of operations. OG & E' s rates are subject to rate regulation by the states of Oklahoma and Arkansas, as well as by a federal agency, whose regulatory paradigms and goals may not be consistent. OG & E is a vertically integrated electric company. Most of its revenue results from the sale of electricity to retail customers subject to bundled rates that are approved by the applicable state ~~utility~~ **regulatory** commission. OG & E operates in Oklahoma and western Arkansas and is subject to rate regulation by the OCC and the APSC, in addition to FERC regulation of its transmission activities and any wholesale sales. Exposure to inconsistent state and federal regulatory standards may limit our ability to operate profitably. Further alteration of the regulatory landscape in which we operate, including a change in our authorized return on equity, may harm our financial position and results of operations. Costs of compliance with environmental **and other** laws and regulations are significant, and the cost of compliance with future environmental **and other** laws and regulations may adversely affect our results of operations, financial position or liquidity. We are subject to extensive federal, state and local environmental statutes, rules and regulations relating to air quality, water quality, waste management, wildlife conservation, natural resources and health and safety that could, among other things, restrict or limit the output of certain facilities or the use of certain fuels required for the production of electricity and / or require additional pollution control equipment and otherwise increase costs **. We are also subject to SPP- related capacity methodologies which are expected to continue to impact our future capacity needs** . There are significant capital, operating and other costs associated with compliance with these environmental **and other** statutes, rules and regulations and those costs may be even more significant in the future. In response to recent regulatory and judicial decisions and international accords, emissions of greenhouse gases including, most significantly, CO2, could be restricted in the future as a result of federal or state legal requirements or litigation relating to greenhouse gas emissions. No rules are currently in effect that require us to reduce our greenhouse gas emissions, but laws and regulations to which we must adhere change, and the Biden Administration' s agenda includes a significant shift in environmental and energy policy, focusing on reducing greenhouse gas emissions and addressing climate change issues. Together, these actions reflect climate change issues and greenhouse gas emission reductions as central areas of focus for domestic and international regulations, orders and policies **, such as proposed rules from the EPA in 2023 to reduce emissions of greenhouse gases from fossil fuel- fired electric generating units under Clean Air Act Section 111** . In addition, a parallel focus on reducing greenhouse gas emissions is reflected in legislation introduced in Congress. For example, the Infrastructure Investment and Jobs Act and Inflation Reduction Act were passed into law in 2022. These laws present opportunities for federal grants and tax incentives intended to hasten the future economy- wide deployment of various greenhouse gas emission reducing technologies and approaches. These initiatives could lead to new and revised energy and environmental laws and regulations, including tax reforms relating to energy and environmental issues. Any such changes, as well as any enforcement actions or judicial decisions regarding those laws and regulations, could result in significant additional compliance costs that would affect our future financial position, results of operations and cash flows if such costs are not recovered through regulated rates. Such changes also could affect the manner in which we conduct our business and could require us to make substantial additional capital expenditures or abandon certain projects. **Recently proposed environmental regulations may also impact our plan to comply with potential additional changes to the SPP' s planning reserve margin and, as further discussed in Note 14 within" Item 8. Financial Statements and Supplementary Data," recent changes to the resource capacity accreditation methodologies for both thermal and renewable resources. Both changes may increase OG & E' s generation capacity needs. We may be constrained by the ability to procure resources or labor that is needed to construct projects on time and at a reasonable price, which could significantly impact the extent to which we can successfully comply with these proposed environmental regulations and SPP requirements.**