

ENTERGY CORP /DE/
Form 10-K
March 01, 2007

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

FORM 10-K

(Mark One)

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

For the Fiscal Year Ended December 31, 2006

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	Registrant, State of Incorporation, Address of Principal Executive Offices, Telephone Number, and IRS Employer Identification No.	Commission File Number	Registrant, State of Incorporation, Address of Principal Executive Offices, Telephone Number, and IRS Employer Identification No.
1-11299	ENTERGY CORPORATION (a Delaware corporation) 639 Loyola Avenue New Orleans, Louisiana 70113 Telephone (504) 576-4000 72-1229752	1-31508	ENTERGY MISSISSIPPI, INC. (a Mississippi corporation) 308 East Pearl Street Jackson, Mississippi 39201 Telephone (601) 368-5000 64-0205830
1-10764	ENTERGY ARKANSAS, INC. (an Arkansas corporation) 425 West Capitol Avenue Little Rock, Arkansas 72201 Telephone (501) 377-4000 71-0005900	0-5807	ENTERGY NEW ORLEANS, INC. (a Louisiana corporation) 1600 Perdido Street, Building 529 New Orleans, Louisiana 70112 Telephone (504) 670-3620 72-0273040
1-27031	ENTERGY GULF STATES, INC. (a Texas corporation) 350 Pine Street Beaumont, Texas 77701 Telephone (409) 838-6631 74-0662730	1-9067	SYSTEM ENERGY RESOURCES, INC. (an Arkansas corporation) Echelon One 1340 Echelon Parkway Jackson, Mississippi 39213 Telephone (601) 368-5000 72-0752777

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1-32718 ENTERGY LOUISIANA, LLC
 (a Texas limited liability company)
 446 North Boulevard
 Baton Rouge, Louisiana 70802
 Telephone (225) 381-5868
 75-3206126

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

<u>Registrant</u>	<u>Title of Class</u>	<u>Name of Each Exchange on Which Registered</u>
Entergy Corporation	Common Stock, \$0.01 Par Value - 198,309,610 shares outstanding at February 28, 2007	New York Stock Exchange, Inc. Chicago Stock Exchange Inc. NYSE Arca, Inc.
	Equity Units, 7.625%	New York Stock Exchange, Inc.
Entergy Arkansas, Inc.	Mortgage Bonds, 6.7% Series due April 2032	New York Stock Exchange, Inc.
	Mortgage Bonds, 6.0% Series due November 2032	New York Stock Exchange, Inc.
Entergy Gulf States, Inc.	Preferred Stock, Cumulative, \$100 Par Value:	
	\$4.40 Dividend Series	New York Stock Exchange, Inc.
	\$4.52 Dividend Series	New York Stock Exchange, Inc.
	\$5.08 Dividend Series	New York Stock Exchange, Inc.
	Adjustable Rate Series B (Depository Receipts)	New York Stock Exchange, Inc.
Entergy Louisiana, LLC	Mortgage Bonds, 7.6% Series due April 2032	New York Stock Exchange, Inc.
Entergy Mississippi, Inc.	Mortgage Bonds, 6.0% Series due November 2032	New York Stock Exchange, Inc.
	Mortgage Bonds, 7.25% Series due December 2032	New York Stock Exchange, Inc.

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

<u>Registrant</u>	<u>Title of Class</u>
Entergy Arkansas, Inc.	Preferred Stock, Cumulative, \$100 Par Value
	Preferred Stock, Cumulative, \$0.01 Par Value
Entergy Gulf States, Inc.	Preferred Stock, Cumulative, \$100 Par Value
Entergy Mississippi, Inc.	Preferred Stock, Cumulative, \$100 Par Value

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Entergy New Orleans, Inc.

Preferred Stock, Cumulative, \$100 Par Value

Indicate by check mark if the registrants are well-known seasoned issuers, as defined in Rule 405 of the Securities Act. Yes o No þ

Indicate by check mark if the registrants are not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o No þ

Indicate by check mark whether the registrants (1) have 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 registrants were required to file such reports), and (2) have been subject to such filing requirements for the past 90 days. Yes þ _ No o

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 the registrants' 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. []

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Securities Exchange Act of 1934.

	Large accelerated filer	Accelerated filer	Non-accelerated filer
Entergy Corporation	√		
Entergy Arkansas, Inc.			√
Entergy Gulf States, Inc.			√
Entergy Louisiana, LLC			√
Entergy Mississippi, Inc.			√
Entergy New Orleans, Inc.			√
System Energy Resources, Inc.			√

Indicate by check mark whether the registrants are shell companies (as defined in Rule 12b-2 of the Act.) Yes o No þ

System Energy Resources meets the requirements set forth in General Instruction I(1) of Form 10-K and is therefore filing this Form 10-K with reduced disclosure as allowed in General Instruction I(2). System Energy Resources is reducing its disclosure by not including Part III, Items 10 through 13 in its Form 10-K.

The aggregate market value of Entergy Corporation Common Stock, \$0.01 Par Value, held by non-affiliates as of the end of the second quarter of 2006, was \$14.7 billion based on the reported last sale price of \$70.75 per share for such stock on the New York Stock Exchange on June 30, 2006. Entergy Corporation is the sole holder of the common stock of Entergy Arkansas, Inc., Entergy Gulf States, Inc., Entergy Mississippi, Inc., Entergy New Orleans, Inc., and System Energy Resources, Inc. Entergy Corporation is also the sole holder of the common stock of Entergy Louisiana Holdings, Inc., which is the sole holder of the common membership interests in Entergy Louisiana, LLC.

DOCUMENTS INCORPORATED BY REFERENCE

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Portions of the Proxy Statement of Entergy Corporation to be filed in connection with its Annual Meeting of Stockholders, to be held May 4, 2007, are incorporated by reference into Parts I and III hereof.

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This combined Form 10-K is separately filed by Entergy Corporation and its six "Registrant Subsidiaries": Entergy Arkansas, Inc., Entergy Gulf States, Inc., Entergy Louisiana, LLC, Entergy Mississippi, Inc., Entergy New Orleans, Inc., and System Energy Resources, Inc. Information contained herein relating to any individual company is filed by such company on its own behalf. Each company makes representations only as to itself and makes no other

representations whatsoever as to any other company.

The report should be read in its entirety as it pertains to each respective registrant. No one section of the report deals with all aspects of the subject matter. Separate Item 6, 7, and 8 sections are provided for each registrant, except for the Notes to the financial statements. The Notes to the financial statements for all of the registrants are combined. All Items other than 6, 7, and 8 are combined for the registrants.

FORWARD-LOOKING INFORMATION

In this combined report and from time to time, Entergy Corporation, the Utility operating companies and System Energy, each makes statements as registrants concerning its expectations, beliefs, plans, objectives, goals, strategies, and future events or performance. Such statements are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Words such as "believes," "intends," "plans," "predicts" and "estimates" and similar expressions are intended to identify forward-looking statements but are not the only means to identify these statements. Although each of these registrants believes that these forward-looking statements and the underlying assumptions are reasonable, it cannot provide assurance that they will prove correct. Any forward-looking statement is based on information current as of the date of this combined report and speaks only as of the date on which such statement is made. Except to the extent required by the federal securities laws, these registrants undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

Forward-looking statements involve a number of risks and uncertainties. There are factors that could cause actual results to differ materially from those expressed or implied in the forward-looking statements, including those factors discussed in (a) Item 1A. Risk Factors, (b) Item 7. Management's Financial Discussion and Analysis, and (c) the following factors (in addition to others described elsewhere in this combined report and in subsequent securities filings):

- resolution of pending and future rate cases and negotiations, including various performance-based rate discussions and implementation of Texas legislation, and other regulatory proceedings, including those related to Entergy's System Agreement, Entergy's utility supply plan, recovery of storm costs, and recovery of fuel and purchased power costs
- Entergy's and its subsidiaries' ability to manage their operation and maintenance costs
- changes in utility regulation, including the beginning or end of retail and wholesale competition, the ability to recover net utility assets and other potential stranded costs, the implementation of the independent coordinator of transmission that includes Entergy's utility service territory, and the application of market power criteria by the FERC
- the economic climate, and particularly growth in Entergy's service territory
- variations in weather and the occurrence of hurricanes and other storms and disasters, including uncertainties associated with efforts to remediate the effects of Hurricanes Katrina and Rita and recovery of costs associated with restoration including Entergy's ability to obtain financial assistance from governmental authorities in connection with these storms
- the outcome of the Chapter 11 bankruptcy proceeding of Entergy New Orleans, and the impact of this proceeding on other Entergy companies
- the performance of Entergy's generating plants, and particularly the capacity factors at its nuclear generating facilities
- changes in the financial markets, particularly those affecting the availability of capital and Entergy's ability to refinance existing debt, execute its share repurchase program, and fund investments and acquisitions
- actions of rating agencies, including changes in the ratings of debt and preferred stock, changes in general corporate ratings, and changes in the rating agencies' ratings criteria
- changes in inflation, and interest rates

- Entergy's ability to develop and execute on a point of view regarding future prices of electricity, natural gas, and other energy-related commodities
- Entergy's ability to purchase and sell assets at attractive prices and on other attractive terms
- prices for power generated by Entergy's unregulated generating facilities, the ability to hedge, sell power forward or otherwise reduce the market price risk associated with those facilities, including the Non-Utility Nuclear plants, and the prices and availability of fuel and power Entergy must purchase for its utility customers, and Entergy's ability to meet credit support requirements for fuel and power supply contracts
- volatility and changes in markets for electricity, natural gas, uranium, and other energy-related commodities
- changes in regulation of nuclear generating facilities and nuclear materials and fuel, including possible shutdown of nuclear generating facilities, particularly those in the northeastern United States
- uncertainty regarding the establishment of interim or permanent sites for spent nuclear fuel storage and disposal
- resolution of pending or future applications for license extensions or modifications of nuclear generating facilities

FORWARD-LOOKING INFORMATION (Concluded)

- changes in law resulting from the new federal energy legislation, including the effects of PUHCA repeal
- changes in environmental, tax, and other laws, including requirements for reduced emissions of sulfur, nitrogen, carbon, mercury, and other substances
- advances in technology
- the potential effects of threatened or actual terrorism and war
- the effects of Entergy's strategies to reduce tax payments
- the effects of litigation and government investigations
- changes in accounting standards and corporate governance
- Entergy's ability to attract and retain talented management and directors

DEFINITIONS

Certain abbreviations or acronyms used in the text and notes are defined below:

<u>Abbreviation or Acronym</u>	<u>Term</u>
AEEC	Arkansas Electric Energy Consumers
AFUDC	Allowance for Funds Used During Construction
ALJ	Administrative Law Judge
ANO 1 and 2	Units 1 and 2 of Arkansas Nuclear One Steam Electric Generating Station (nuclear), owned by Entergy Arkansas
APSC	Arkansas Public Service Commission
Board	Board of Directors of Entergy Corporation
Cajun	Cajun Electric Power Cooperative, Inc.
capacity factor	Actual plant output divided by maximum potential plant output for the period
City Council or Council	Council of the City of New Orleans, Louisiana

CPI-U	Consumer Price Index - Urban
DOE	United States Department of Energy
EITF	FASB's Emerging Issues Task Force
Energy Commodity Services	Entergy's business segment that includes Entergy-Koch, LP and Entergy's non-nuclear wholesale assets business
Entergy	Entergy Corporation and its direct and indirect subsidiaries
Entergy Corporation	Entergy Corporation, a Delaware corporation
Entergy-Koch	Entergy-Koch, LP, a joint venture equally owned by subsidiaries of Entergy and Koch Industries, Inc.
Entergy Louisiana	Entergy Louisiana, LLC
EPA	United States Environmental Protection Agency
EPDC	Entergy Power Development Corporation, a wholly-owned subsidiary of Entergy Corporation
ERCOT	Electric Reliability Council of Texas
FASB	Financial Accounting Standards Board
FEMA	Federal Emergency Management Agency
FERC	Federal Energy Regulatory Commission
firm liquidated damages	Transaction that requires receipt or delivery of energy at a specified delivery point (usually at a market hub not associated with a specific asset); if a party fails to deliver or receive energy, the defaulting party must compensate the other party as specified in the contract
FSP	FASB Staff Position
Grand Gulf	Unit No. 1 of Grand Gulf Steam Electric Generating Station (nuclear), 90% owned or leased by System Energy
GWh	Gigawatt-hour(s), which equals one million kilowatt-hours
Independence	Independence Steam Electric Station (coal), owned 16% by Entergy Arkansas, 25% by Entergy Mississippi, and 7% by Entergy Power
IRS	Internal Revenue Service
ISO	Independent System Operator
kV	Kilovolt
kW	Kilowatt
kWh	Kilowatt-hour(s)

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DEFINITIONS (Continued)

<u>Abbreviation or Acronym</u>	<u>Term</u>
LDEQ	Louisiana Department of Environmental Quality
LPSC	Louisiana Public Service Commission
Mcf	1,000 cubic feet of gas
MMBtu	One million British Thermal Units

MPSC	Mississippi Public Service Commission
MW	Megawatt(s), which equals one thousand kilowatt(s)
MWh	Megawatt-hour(s)
Nelson Unit 6	Unit No. 6 (coal) of the Nelson Steam Electric Generating Station, owned 70% by Entergy Gulf States
Net debt ratio	Gross debt less cash and cash equivalents divided by total capitalization less cash and cash equivalents
Net MW in operation	Installed capacity owned or operated
Net revenue	Operating revenue net of fuel, fuel-related, and purchased power expenses; and other regulatory credits
Non-Utility Nuclear	Entergy's business segment that owns and operates five nuclear power plants and sells electric power produced by those plants to wholesale customers
NRC	Nuclear Regulatory Commission
NYPA	New York Power Authority
OASIS	Open Access Same Time Information Systems
PPA	Purchased power agreement
production cost	Cost in \$/MMBtu associated with delivering gas, excluding the cost of the gas
PRP	Potentially responsible party (a person or entity that may be responsible for remediation of environmental contamination)
PUCT	Public Utility Commission of Texas
PUHCA 1935	Public Utility Holding Company Act of 1935, as amended
PUHCA 2005	Public Utility Holding Company Act of 2005, which repealed PUHCA 1935, among other things
PURPA	Public Utility Regulatory Policies Act of 1978
Registrant Subsidiaries	Entergy Arkansas, Inc., Entergy Gulf States, Inc., Entergy Louisiana, LLC, Entergy Mississippi, Inc., Entergy New Orleans, Inc., and System Energy Resources, Inc.
Ritchie Unit 2	Unit 2 of the R.E. Ritchie Steam Electric Generating Station (gas/oil)
River Bend	River Bend Steam Electric Generating Station (nuclear), owned by Entergy Gulf States
SEC	Securities and Exchange Commission
SFAS	Statement of Financial Accounting Standards as promulgated by the FASB
SMEPA	South Mississippi Electric Power Agency, which owns a 10% interest in Grand Gulf
spark spread	Dollar difference between electricity prices per unit and natural gas prices after assuming a conversion ratio for the number of natural gas units necessary to generate one unit of electricity
System Agreement	Agreement, effective January 1, 1983, as modified, among the Utility operating companies relating to the sharing of generating capacity and other power resources
System Energy	System Energy Resources, Inc.
System Fuels	System Fuels, Inc.

<u>Abbreviation or Acronym</u>	<u>Term</u>
TWh	Terawatt-hour(s), which equals one billion kilowatt-hours
unit-contingent	Transaction under which power is supplied from a specific generation asset; if the specified generation asset is unavailable as a result of forced outage or unanticipated event or circumstance, the seller is not liable to the buyer for any damages resulting from the seller's failure to deliver power
unit-contingent with availability guarantees	Transaction under which power is supplied from a specific generation asset; if the specified generation asset is unavailable as a result of forced outage or unanticipated event or circumstance, the seller is not liable to the buyer for any damages resulting from the seller's failure to deliver power unless the actual availability over a specified period of time is below an availability threshold specified in the contract
Unit Power Sales Agreement	Agreement, dated as of June 10, 1982, as amended and approved by FERC, among Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, and System Energy, relating to the sale of capacity and energy from System Energy's share of Grand Gulf
UK	The United Kingdom of Great Britain and Northern Ireland
Utility	Entergy's business segment that generates, transmits, distributes, and sells electric power, with a small amount of natural gas distribution
Utility operating companies	Entergy Arkansas, Entergy Gulf States, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans
Waterford 3	Unit No. 3 (nuclear) of the Waterford Steam Electric Generating Station, 100% owned or leased by Entergy Louisiana
weather-adjusted usage	Electric usage excluding the effects of deviations from normal weather
White Bluff	White Bluff Steam Electric Generating Station, 57% owned by Entergy Arkansas

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ENTERGY'S BUSINESS

Entergy Corporation is an integrated energy company engaged primarily in electric power production and retail electric distribution operations. Entergy owns and operates power plants with approximately 30,000 MW of electric generating capacity, and Entergy is the second-largest nuclear power generator in the United States. Entergy delivers electricity to 2.6 million utility customers in Arkansas, Louisiana, Mississippi, and Texas. Entergy generated annual revenues of \$10.9 billion in 2006 and had approximately 13,800 employees as of December 31, 2006.

Entergy operates primarily through two business segments: Utility and Non-Utility Nuclear.

- **Utility**

generates, transmits, distributes, and sells electric power in a four-state service territory that includes portions of Arkansas, Mississippi, Texas, and Louisiana, including the City of New Orleans; and operates a small natural gas distribution business.

- **Non-Utility Nuclear**

owns and operates five nuclear power plants located in the northeastern United States and sells the electric power produced by those plants primarily to wholesale customers. This business also provides services to other nuclear power plant owners.

In addition to its two primary, reportable, operating segments, Entergy also operates the non-nuclear wholesale assets business. The non-nuclear wholesale assets business sells to wholesale customers the electric power produced by power plants that it owns while it focuses on improving performance and exploring sales or restructuring opportunities for its power plants. Such opportunities are evaluated consistent with Entergy's market-based point-of-view.

	Utility	Non-Utility Nuclear (In Thousands)	Entergy Consolidated (a)
2006			
Operating revenues	\$9,150,030	\$1,544,873	\$10,932,158
Operating expenses	\$7,852,754	\$1,082,743	\$9,126,798
Other income	\$155,651	\$99,449	\$348,587
Interest and other charges	\$428,662	\$47,424	\$577,805
Income taxes	\$333,105	\$204,659	\$443,044
Loss from discontinued operations	\$-	\$-	(\$496)
Net income	\$691,160	\$309,496	\$1,132,602
2005			
Operating revenues	\$8,526,943	\$1,421,547	\$10,106,247
Operating expenses	\$7,186,035	\$996,012	\$8,314,258
Other income	\$111,186	\$71,827	\$211,451
Interest and other charges	\$386,672	\$50,874	\$501,031
Income taxes	\$405,662	\$163,865	\$559,284
Loss from discontinued operations	\$-	\$-	(\$44,794)
Net income	\$659,760	\$282,623	\$898,331
2004			
Operating revenues	\$8,142,808	\$1,341,852	\$9,685,521
Operating expenses	\$6,795,146	\$978,687	\$8,035,349
Other income	\$108,925	\$78,141	\$125,999
Interest and other charges	\$406,315	\$53,657	\$501,301
Income taxes	\$406,864	\$142,620	\$365,305
Loss from discontinued operations	\$-	\$-	(\$41)
Net income	\$643,408	\$245,029	\$909,524

CASH FLOW INFORMATION

For the Years Ended December 31, 2006, 2005, and 2004

	Utility	Non-Utility Nuclear (In Thousands)	Entergy Consolidated (a)
2006			
Net cash flow provided by operating activities	\$2,564,009	\$833,318	\$3,419,415
Net cash flow used in investing activities	(\$1,564,509)	(\$450,219)	(\$1,899,149)
Net cash flow used in financing activities	(\$736,693)	(\$211,544)	(\$1,083,727)
2005			
Net cash flow provided by operating activities	\$973,692	\$551,263	\$1,467,808
Net cash flow used in investing activities	(\$1,709,175)	(\$368,497)	(\$1,992,608)
	\$646,588	(\$110,482)	\$496,390

Net cash flow provided by (used in)
financing activities

2004

Net cash flow provided by operating
activities \$2,207,876

\$414,518 \$2,929,319 Net cash flow used in investing activities (\$1,198,009) (\$386,023) (\$1,143,225) Net
cash flow used in financing activities (\$824,579) (\$37,894) (\$1,671,859) **FINANCIAL POSITION**

INFORMATION As of December 31, 2006 and 2005

Consolidated (a) (In Thousands) 2006				Utility	Non-Utility	Nuclear	Entergy
Current assets	\$2,400,212	\$820,613	\$3,325,434	Other property and investments	\$1,584,160	\$1,581,610	\$3,347,453
Property, plant and equipment - net	\$2,252,415	\$19,438,077	\$4,314,549	Deferred debits and other assets	\$1,990,160	\$543,384	\$2,465,130
Current liabilities	\$1,990,160	\$543,384	\$2,465,130	Non-current liabilities	\$4,062,682	\$1,433,300	\$1,473,450
Shareholders' equity	\$6,320,068	\$2,711,056	\$8,197,887	Current assets	\$4,062,682	\$1,433,300	\$1,473,450
Current assets	\$2,400,212	\$820,613	\$3,325,434	Property, plant and equipment - net	\$16,899,266	\$2,001,727	\$19,197,045
Property, plant and equipment - net	\$2,252,415	\$19,438,077	\$4,314,549	Deferred debits and other assets	\$19,997,020	\$6,667,871	\$2,114,898
Current liabilities	\$1,990,160	\$543,384	\$2,465,130	Non-current liabilities	\$19,997,020	\$6,667,871	\$2,114,898
Shareholders' equity	\$6,320,068	\$2,711,056	\$8,197,887	Current assets	\$3,188,548	\$699,299	\$3,887,847
Current assets	\$2,400,212	\$820,613	\$3,325,434	Property, plant and equipment - net	\$4,062,682	\$1,433,300	\$1,473,450
Property, plant and equipment - net	\$2,252,415	\$19,438,077	\$4,314,549	Deferred debits and other assets	\$19,997,020	\$6,667,871	\$2,114,898
Current liabilities	\$1,990,160	\$543,384	\$2,465,130	Non-current liabilities	\$16,254,896	\$2,254,827	\$18,509,723
Shareholders' equity	\$6,320,068	\$2,711,056	\$8,197,887	Current assets	\$3,188,548	\$699,299	\$3,887,847
Current assets	\$2,400,212	\$820,613	\$3,325,434	Property, plant and equipment - net	\$4,062,682	\$1,433,300	\$1,473,450
Property, plant and equipment - net	\$2,252,415	\$19,438,077	\$4,314,549	Deferred debits and other assets	\$19,997,020	\$6,667,871	\$2,114,898
Current liabilities	\$1,990,160	\$543,384	\$2,465,130	Non-current liabilities	\$16,254,896	\$2,254,827	\$18,509,723
Shareholders' equity	\$6,320,068	\$2,711,056	\$8,197,887	Current assets	\$3,188,548	\$699,299	\$3,887,847

(a) In addition to the two operating segments presented here, Entergy Consolidated also includes Entergy Corporation (parent company), other business activity, and intercompany eliminations, including the Energy Commodity Services business, the Competitive Retail Services business, and earnings on the proceeds of sales of previously-owned businesses. The Energy Commodity Services business was presented as a reportable segment prior to 2005, but it has not met the quantitative thresholds for a reportable segment since 2003, and with the sale of Entergy-Koch's businesses in 2004, management does not expect the Energy Commodity Services business to meet the quantitative thresholds in the foreseeable future. The 2004 information in the tables above has been restated to include the Energy Commodity Services business in the Entergy Consolidated column. As a result of the Entergy New Orleans bankruptcy filing, Entergy has discontinued the consolidation of Entergy New Orleans retroactive to January 1, 2005, and is reporting Entergy New Orleans results under the equity method of accounting.

The following shows the principal subsidiaries and affiliates within Entergy's business segments. Companies that file reports and other information with the SEC under the Securities Exchange Act of 1934 are identified in bold-faced type.

Entergy Corporation

Utility	Non-Utility Nuclear	Other Businesses	
Entergy Arkansas, Inc.	Entergy Nuclear Operations, Inc.	Energy Commodity Services	
Entergy Gulf States, Inc.	Entergy Nuclear Finance, Inc.		
Entergy Louisiana Holdings, Inc.	Entergy Nuclear Generation Co.	Entergy-Koch, LP	Non-Nuclear Wholesale Assets

E n t e r g y L o u i s i a n a , L L C	(Pilgrim) E n t e r g y N u c l e a r F i t z P a t r i c k L L C	(50% ownership)	
E n t e r g y M i s s i s s i p p i , I n c .	E n t e r g y N u c l e a r I n d i a n P o i n t 2 , L L C		E n t e r g y P o w e r D e v e l o p m e n t C o r p .
E n t e r g y N e w O r l e a n s , I n c .	E n t e r g y N u c l e a r I n d i a n P o i n t 3 , L L C		E n t e r g y A s s e t M a n a g e m e n t , I n c .
S y s t e m E n e r g y R e s o u r c e s , I n c .	E n t e r g y N u c l e a r V e r m o n t Y a n k e e , L L C		E n t e r g y P o w e r , I n c .
E n t e r g y O p e r a t i o n s , I n c .	E n t e r g y N u c l e a r , I n c .		
E n t e r g y S e r v i c e s , I n c .	E n t e r g y N u c l e a r F u e l s C o m p a n y		
S y s t e m F u e l s , I n c .	E n t e r g y N u c l e a r N e b r a s k a L L C		
	E n t e r g y N u c l e a r P o w e r M a r k e t i n g L L C		

Strategy

Entergy aspires continually to achieve industry-leading total shareholder returns in an environmentally responsible fashion by leveraging the scale and expertise inherent in its core nuclear and utility operations. Entergy's scope includes electricity generation, transmission and distribution as well as natural gas transportation and distribution. Entergy focuses on operational excellence with an emphasis on safety, reliability, customer service, sustainability, cost efficiency, and risk management. Entergy also focuses on portfolio management to make periodic buy, build, hold, or sell decisions based upon its analytically-derived points of view which are continuously updated as market conditions evolve.

Availability of SEC filings and other information on Entergy's website

Entergy's annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments are available without charge on its website, <http://www.shareholder.com/entergy/edgar.cfm>, as soon as reasonably practicable after they are filed electronically with the SEC. Entergy is providing the address to its Internet site solely for the information of investors. Entergy does not intend the address to be an active link or to otherwise incorporate the contents of the website into this report.

Part I, Item 1 is continued on page 165.

ENTERGY CORPORATION AND SUBSIDIARIES

REPORT OF MANAGEMENT

Management of Entergy Corporation and its subsidiaries has prepared and is responsible for the financial statements and related financial information included in this document. To meet this responsibility, management establishes and maintains a system of internal controls designed to provide reasonable assurance regarding the preparation and fair presentation of financial statements in accordance with generally accepted accounting principles. This system includes

communication through written policies and procedures, an employee Code of Entegrity, and an organizational structure that provides for appropriate division of responsibility and training of personnel. This system is also tested by a comprehensive internal audit program.

Entergy management assesses the effectiveness of Entergy's internal control over financial reporting on an annual basis. In making this assessment, management uses the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control - Integrated Framework. Management acknowledges, however, that all internal control systems, no matter how well designed, have inherent limitations and can provide only reasonable assurance with respect to financial statement preparation and presentation.

Entergy Corporation and its subsidiaries' independent registered public accounting firm, Deloitte & Touche LLP, has issued an attestation report on Entergy management's assessment of the effectiveness of Entergy's internal control over financial reporting as of December 31, 2006, which is included herein on pages 344 through 350.

In addition, the Audit Committee of the Board of Directors, composed solely of independent Directors, meets with the independent auditors, internal auditors, management, and internal accountants periodically to discuss internal controls, and auditing and financial reporting matters. The Audit Committee appoints the independent auditors annually, seeks shareholder ratification of the appointment, and reviews with the independent auditors the scope and results of the audit effort. The Audit Committee also meets periodically with the independent auditors and the chief internal auditor without management present, providing free access to the Audit Committee.

Based on management's assessment of internal controls using the COSO criteria, management believes that Entergy maintained effective internal control over financial reporting as of December 31, 2006. Management further believes that this assessment, combined with the policies and procedures noted above, provides reasonable assurance that Entergy's financial statements are fairly and accurately presented in accordance with generally accepted accounting principles.

J. WAYNE LEONARD

Chairman and Chief Executive Officer of Entergy Corporation

HUGH T. MCDONALD

Chairman, President, and Chief Executive Officer of Entergy Arkansas, Inc.

E. RENAE CONLEY

Chair of the Board, President, and Chief Executive Officer of Entergy Louisiana, LLC; President and Chief Executive Officer- Louisiana of Entergy Gulf States, Inc.

RODERICK K. WEST

President and Chief Executive Officer of Entergy New Orleans, Inc.

THEODORE H. BUNTING, JR.

Vice President and Chief Financial Officer of System Energy Resources, Inc.

LEO P. DENAULT

Executive Vice President and Chief Financial Officer of Entergy Corporation

JOSEPH F. DOMINO

Chairman of Entergy Gulf States, Inc., President and Chief Executive Officer - Texas of Entergy Gulf States, Inc.

CAROLYN C. SHANKS

Chairman, President, and Chief Executive Officer of Entergy Mississippi, Inc.

GARY J. TAYLOR

Chairman, President, and Chief Executive Officer of System Energy Resources, Inc.

JAY A. LEWIS

Vice President and Chief Financial Officer of Entergy Arkansas, Inc., Entergy Gulf States, Inc., Entergy Louisiana, LLC, Entergy Mississippi, Inc., and Entergy New Orleans, Inc.

MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS

Entergy operates primarily through two business segments: Utility and Non-Utility Nuclear.

- **Utility** generates, transmits, distributes, and sells electric power in a four-state service territory that includes portions of Arkansas, Mississippi, Texas, and Louisiana, including the City of New Orleans; and operates a small natural gas distribution business.
- **Non-Utility Nuclear** owns and operates five nuclear power plants located in the northeastern United States and sells the electric power produced by those plants primarily to wholesale customers. This business also provides services to other nuclear power plant owners.

In addition to its two primary, reportable, operating segments, Entergy also operates the non-nuclear wholesale assets business. The non-nuclear wholesale assets business sells to wholesale customers the electric power produced by power plants that it owns while it focuses on improving performance and exploring sales or restructuring opportunities for its power plants. Such opportunities are evaluated consistent with Entergy's market-based point-of-view.

Following are the percentages of Entergy's consolidated revenues and net income generated by its operating segments and the percentage of total assets held by them:

Segment	% of Revenue			% of Net Income			% of Total Assets		
	2006	2005	2004	2006	2005	2004	2006	2005	2004
Utility	84	84	84	61	73	71	81	82	81
Non-Utility Nuclear	14	14	14	27	31	27	17	16	16
Parent Company & Other Business Segments	2	2	2	12	(4)	2	2	2	3

Hurricane Katrina and Hurricane Rita

In August and September 2005, Hurricanes Katrina and Rita caused catastrophic damage to large portions of the Utility's service territory in Louisiana, Mississippi, and Texas, including the effect of extensive flooding that resulted from levee breaks in and around the greater New Orleans area. The storms and flooding resulted in widespread power outages, significant damage to electric distribution, transmission, and generation and gas infrastructure, and the loss of sales and customers due to mandatory evacuations and the destruction of homes and businesses. Total restoration costs through December 31, 2006 for the repair or replacement of the Utility's electric and gas facilities damaged by Hurricanes Katrina and Rita and for business continuity are \$1.48 billion (including \$38 million of AFUDC). The costs include \$828 million in construction expenditures and \$654 million recorded originally as regulatory assets. Entergy recorded regulatory assets in accordance with its accounting policies because management believes that recovery of these prudently incurred costs through some form of regulatory mechanism is probable, based on historic treatment of such costs in the Utility's service territories and communications with local regulators. These costs do not include other potential incremental losses, such as the inability to recover fixed costs scheduled for recovery through base rates, which base rate revenue was not received due to a loss of anticipated sales. For instance, at Entergy New Orleans, the Utility operating company that continues to experience a reduction in the level of cost recovery due to lost customers caused by Hurricane Katrina, Entergy estimates that lost net revenue due to Hurricane Katrina will total approximately \$194 million through 2007. In addition, Entergy estimates that the hurricanes caused \$38 million of uncollectible Utility customer receivables. Entergy estimates that its additional storm restoration spending, excluding Entergy New Orleans, will be approximately \$60 million.

Entergy New Orleans has spent approximately \$188 million on storm restoration through December 31, 2006, and estimates that it will ultimately spend approximately \$275 million. Entergy New Orleans also incurred \$22 million of uncollectible accounts receivable because of Hurricane Katrina. The storm restoration cost estimate includes approximately \$80 million in spending for accelerated rebuilding of the gas system in New Orleans that Entergy New Orleans expects will be necessary due to massive salt water intrusion into the system caused by the flooding in New Orleans. The salt water intrusion is expected to shorten the life of the gas system, making it necessary to rebuild that system over time, earlier than otherwise would be expected. The storm restoration cost estimate given above does not include the longer-term spending expected for the gas rebuild project. Entergy New Orleans currently estimates the additional longer-term costs to rebuild the gas system to be \$385 million, with the project extending for many years into the future.

Entergy is pursuing a broad range of initiatives to recover storm restoration and business continuity costs. Initiatives include obtaining reimbursement of certain costs covered by insurance, obtaining assistance through federal legislation for damage caused by Hurricanes Katrina and Rita, and, as noted above, pursuing recovery through existing or new rate mechanisms regulated by the FERC and local regulatory bodies, in combination with securitization. Entergy Gulf States, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans have filed with their respective retail regulators for recovery of storm restoration costs. The proceedings are discussed in Note 2 to the financial statements.

See Note 8 to the financial statements for a discussion of Entergy's non-nuclear property insurance program. Entergy is currently evaluating the amount of the covered losses for each of the affected Utility operating companies, working with insurance adjusters, and preparing proofs of loss for Hurricanes Katrina and Rita. There is an aggregation limit of \$1 billion for all parties insured by OIL, Entergy's primary insurer, for any one occurrence, and Entergy has been notified by OIL that it expects claims for both Hurricanes Katrina and Rita to materially exceed this limit. The Utility operating companies have received \$51.5 million through December 31, 2006 on their insurance claims. Entergy currently estimates that its remaining net insurance recoveries for the losses caused by the hurricanes, including the effect of the OIL aggregation limit being exceeded, will be approximately \$350 million. Entergy currently expects to receive payment for the majority of its estimated insurance recoveries related to Hurricanes Katrina and Rita through 2009.

Community Development Block Grants (CDBG)

In December 2005, the U.S. Congress passed the Katrina Relief Bill, a hurricane aid package that includes \$11.5 billion in Community Development Block Grants (for the states affected by Hurricanes Katrina, Rita, and Wilma) that allows state and local leaders to fund individual recovery priorities. The bill includes language that permits funding to be provided for infrastructure restoration.

Entergy Mississippi filed a request with the Mississippi Development Authority for CDBG funding for reimbursement of its Hurricane Katrina infrastructure restoration costs and received \$81 million in October 2006.

Entergy New Orleans, Entergy Louisiana, and Entergy Gulf States-Louisiana provided justification statements to state and local officials in March 2006 and presented revised justification statements to the Louisiana Recovery Authority (LRA) in September 2006. The statements include the estimated costs of Hurricanes Katrina and Rita damage, as well as for Entergy New Orleans a lost customer base component intended to help offset the need for storm-related rate increases. The statements include justification for CDBG funding of \$592 million for Entergy New Orleans, \$539 million for Entergy Louisiana, and \$183 million for Entergy Gulf States-Louisiana.

In October 2006, the LRA Board endorsed a resolution proposing to allocate \$200 million in CDBG funds to Entergy New Orleans to defray gas and electric utility system repair costs in an effort to provide rate relief for Entergy

New Orleans customers. The proposal was developed as an action plan amendment and published for public comment. State lawmakers approved the action plan in December 2006, and the U. S. Department of Housing and Urban Development approved it in February 2007. In addition, the City Council must review and certify the amount of Entergy New Orleans' eligible storm costs before an application can be filed with the LRA and CDBG funding can be released to Entergy New Orleans. Entergy

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New Orleans filed applications seeking City Council certification of \$210 million in storm-related costs incurred through December 2006. Entergy New Orleans has supplemented this request to include the estimated future cost of the gas system rebuild. In January 2007, the City Council passed a resolution in which it stated its intent to render a decision in the certification proceeding by March 2007.

Entergy New Orleans Bankruptcy

Because of the effects of Hurricane Katrina, on September 23, 2005, Entergy New Orleans filed a voluntary petition in the United States Bankruptcy Court for the Eastern District of Louisiana seeking reorganization relief under the provisions of Chapter 11 of the United States Bankruptcy Code (Case No. 05-17697). Entergy Corporation owns 100 percent of the common stock of Entergy New Orleans, has continued to supply general and administrative services through Entergy Services, and has provided debtor-in-possession financing to Entergy New Orleans. Uncertainties surrounding the nature, timing, and specifics of the bankruptcy proceedings, however, caused Entergy to deconsolidate Entergy New Orleans and reflect Entergy New Orleans' financial results under the equity method of accounting retroactive to January 1, 2005. Because Entergy owns all of the common stock of Entergy New Orleans, this change did not affect the amount of net income Entergy records from Entergy New Orleans' operations for any current or prior period, but did result in Entergy New Orleans' net income for 2005 and 2006 being presented as "Equity in earnings (loss) of unconsolidated equity affiliates" rather than its results being included in each individual income statement line item, as is the case for periods prior to 2005. Entergy has reviewed the carrying value of its equity investment in Entergy New Orleans to determine if an impairment has occurred as a result of the storm, the flood, the power outages, restoration costs, and changes in customer load. Entergy determined that no impairment has occurred because management believes that cost recovery is probable. Entergy will continue to assess the carrying value of its investment in Entergy New Orleans as developments occur in Entergy New Orleans' recovery efforts.

On February 5, 2007, Entergy New Orleans filed an amended plan of reorganization and a disclosure statement with the bankruptcy court. The bankruptcy court entered an order on February 13, 2007 that approves the adequacy of Entergy New Orleans' disclosure statement. The Unsecured Creditors' Committee also filed a plan of reorganization on February 5, 2007. The Unsecured Creditors' Committee's plan is similar in some respects to Entergy New Orleans' plan, but contains several differences. The significant differences are noted below. A hearing regarding confirmation for both plans of reorganization is scheduled for May 3 and 4, 2007.

Entergy New Orleans' plan of reorganization reflects its continuing effort to work with federal, state, and local authorities to resolve the bankruptcy in a manner that allows Entergy New Orleans' customers to be served by a

financially viable entity as required by law. The plan of reorganization provides full compensation to Entergy New Orleans' creditors whose claims are allowed by the bankruptcy court. Conditions precedent proposed in Entergy New Orleans' plan of reorganization before it can become effective include:

- A final confirmation order from the bankruptcy court approving the plan of reorganization;
- Receipt by Entergy New Orleans of insurance proceeds of at least \$50 million;
- Receipt by Entergy New Orleans of \$200 million in CDBG funding; and
- No material adverse change shall have occurred from and after the confirmation date of the plan of reorganization.

In addition, key factors that will continue to influence the timing and outcome of Entergy New Orleans' recovery efforts include the level of economic recovery of New Orleans and the number of customers that return to New Orleans, including the timing of their return. Entergy New Orleans currently estimates that approximately 95,000 electric customers and 65,000 gas customers have returned and are taking service. Prior to Hurricane Katrina, Entergy New Orleans had approximately 190,000 electric customers and 144,000 gas customers.

The Unsecured Creditors' Committee's plan does not contain the conditions precedent regarding receipt by Entergy New Orleans of insurance proceeds and CDBG funds. Instead, the Unsecured Creditors' Committee's plan proposes exit financing of up to \$150 million, with a maturity of up

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to 5 years, and with an estimated interest rate of 10.5%, increasing by 1% per year. Obtaining this exit financing is a condition precedent to the Unsecured Creditors' Committee's plan.

The bankruptcy judge set a date of April 19, 2006 by which creditors with prepetition claims against Entergy New Orleans, with certain exceptions, had to file their proofs of claim in the bankruptcy case. Approximately 560 claims, including amending claims, have been filed thus far in Entergy New Orleans' bankruptcy proceeding. Entergy New Orleans is currently analyzing the accuracy and validity of the claims filed, and is seeking withdrawal or modification of claims or objecting to claims with which it disagrees. Several of the filed claims have been withdrawn or disallowed by the bankruptcy court. Entergy New Orleans currently estimates that the prepetition claims that will be allowed in the bankruptcy case will approximate the prepetition liabilities currently recorded by Entergy New Orleans.

Entergy New Orleans' plan of reorganization proposes to pay the third-party prepetition accounts payable in full in cash and to issue three-year notes in satisfaction of the affiliate prepetition accounts payable, and proposes that its first mortgage bonds will remain outstanding with their current maturity dates and interest terms. The plan of reorganization proposes that Entergy New Orleans' preferred stock will also remain outstanding on its current dividend terms, with payment of unpaid preferred dividends in arrears. The Unsecured Creditors' Committee's plan is similar, but would pay the affiliate prepetition accounts payable in cash.

Entergy New Orleans' plan of reorganization proposes to pay interest from September 23, 2005 on the third-party and affiliate accounts payable at the Louisiana judicial rate of interest in 2005 (6%) and 2006 (8%), and at the Louisiana judicial rate of interest plus 1% thereafter. The Louisiana judicial rate of interest is 9.5% for 2007. Pursuant to an agreement with the first mortgage bondholders, Entergy New Orleans' plan of reorganization also proposes to pay the first mortgage bondholders an amount equal to the one year of interest from the bankruptcy petition date that the bondholders had waived previously in the bankruptcy proceeding. As approved by the bankruptcy court, Entergy

New Orleans has begun paying interest accruing after September 23, 2006 on its first mortgage bonds. In the fourth quarter 2006 Entergy New Orleans accrued for the interest from September 23, 2005 through December 2006 and for the proposed payment to the bondholders in the amount of the one year of waived interest.

Municipalization is one potential outcome of Entergy New Orleans' recovery effort that may be pursued by a stakeholder or stakeholders, even after Entergy New Orleans exits from bankruptcy. In June 2006, the Louisiana Legislature passed a law that establishes a governance structure for a public power authority, if municipalization of Entergy New Orleans' utility business is pursued. Entergy New Orleans' October 2006 settlement approved by the City Council allowing phased-in rate increases through 2008, discussed in "Significant Factors and Known Trends", provides that Entergy New Orleans will work with the City Council to seek an exception to the Stafford Act that will afford Stafford Act protections to Entergy New Orleans if another catastrophic event affects Entergy New Orleans. The Stafford Act provides for restoration funding from the federal government for municipal and cooperative utilities, but does not allow such funding for investor-owned utilities like Entergy New Orleans.

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Results of Operations

2006 Compared to 2005

Following are income statement variances for Utility, Non-Utility Nuclear, Parent & Other business segments, and Entergy comparing 2006 to 2005 showing how much the line item increased or (decreased) in comparison to the prior period:

	Utility	Non-Utility Nuclear	Parent & Other	Entergy
	(In Thousands)			
2005 Consolidated Net Income (Loss)	\$659,760	\$282,623	(\$44,052)	\$898,331
Net revenue (operating revenue less fuel expense, purchased power, and other regulatory charges (credits) - net)	195,681	114,028	3,952	313,661
Other operation and maintenance expenses	177,725	49,264	(13,831)	213,158
Taxes other than income taxes	38,662	8,489	(1,111)	46,040
Depreciation	19,780	13,215	(1,580)	31,415
Other income	44,465	27,622	65,049	137,136
Interest charges	41,990	(3,450)	38,234	76,774
Other expenses	3,146	6,465	66	9,677
Discontinued operations (net-of-tax)	-	-	44,298	44,298
Income taxes	(72,557)	40,794	(84,477)	(116,240)
2006 Consolidated Net Income	\$691,160	\$309,496	\$131,946	\$1,132,602

Refer to "**SELECTED FINANCIAL DATA - FIVE-YEAR COMPARISON OF ENTERGY CORPORATION AND SUBSIDIARIES**" which accompanies Entergy Corporation's financial statements in this report for further information with respect to operating statistics.

Net Revenue

Utility

Following is an analysis of the change in net revenue, which is Entergy's measure of gross margin, comparing 2006 to 2005.

	Amount (In Millions)
2005 net revenue	\$4,075.4
Base revenues/Attala costs	143.2
Fuel recovery	39.6
Pass-through rider revenue	35.5
Transmission revenue	20.8
Storm cost recovery	12.3
Volume/weather	10.6
Price applied to unbilled electric sales	(43.7)
Purchased power capacity	(34.5)
Other	11.9
2006 net revenue	\$4,271.1

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The base revenues variance resulted primarily from increases effective October 2005 in the Louisiana jurisdiction of Entergy Gulf States for the 2004 formula rate plan filing and the annual revenue requirement related to the purchase of power from the Perryville generating station, and increases in the Texas jurisdiction of Entergy Gulf States related to an incremental purchased capacity recovery rider that began in December 2005 and a transition to competition rider that began in March 2006. The Attala costs variance is due to the recovery of Attala power plant costs at Entergy Mississippi through the power management rider. The net income effect of the Attala cost recovery is partially offset by Attala costs in other operation and maintenance expenses, depreciation expense, and taxes other than income taxes.

The fuel recovery variance resulted primarily from adjustments of fuel clause recoveries at Entergy Gulf States - Louisiana and increased recovery in 2006 of fuel costs from retail and special rate customers.

The pass-through rider revenue variance is due to a change in 2006 in the accounting for city franchise tax revenues in Arkansas as directed by the APSC. The change results in an increase in rider revenue with a corresponding increase in taxes other than income taxes, resulting in no effect on net income.

The transmission revenue variance is primarily due to new transmission customers in 2006. Also contributing to the increase was an increase in rates effective June 2006.

The storm cost recovery variance is due to the return earned on the interim recovery of storm-related costs at Entergy Louisiana and Entergy Gulf States - Louisiana in 2006 as allowed by the LPSC. The storm cost recovery filings are discussed in Note 2 to the financial statements.

The volume/weather variance resulted from an increase of 1.7% in electricity usage primarily in the industrial sector. The increase was partially offset by the effect of less favorable weather on billed sales in the residential sector, compared to the same period in 2005, and a decrease in usage during the unbilled period.

The price applied to unbilled sales variance is due to the exclusion in 2006 of the fuel cost component in the calculation of the price applied to unbilled sales. Effective January 1, 2006, the fuel cost component is no longer included in the unbilled revenue calculation at Entergy Louisiana and the Louisiana jurisdiction of Entergy Gulf States, which is in accordance with regulatory treatment. See "**MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS - Critical Accounting Estimates**" herein.

The purchased power capacity variance is primarily due to higher capacity charges and new purchased power contracts in 2006. A portion of the variance is due to the amortization of deferred capacity costs and is offset in base revenues due to base rate increases implemented to recover incremental deferred and ongoing purchased power capacity charges, as discussed above.

Non-Utility Nuclear

Net revenue increased for Non-Utility Nuclear primarily due to higher pricing in its contracts to sell power. Also contributing to the increase in revenues was increased generation in 2006 due to power uprates completed in 2005 and 2006 at certain plants and fewer refueling outages in 2006. Following are key performance measures for Non-Utility Nuclear for 2006 and 2005:

	2006	2005
Net MW in operation at December 31	4,200	4,105
Average realized price per MWh	\$44.59	\$42.39
Generation in GWh for the period	34,655	33,539
Capacity factor for the period	95%	93%

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Other Operation and Maintenance Expenses

Other operation and maintenance expenses increased for the Utility from \$1.471 billion in 2005 to \$1.649 billion in 2006 primarily due to the following:

- an increase of \$52 million in payroll and benefits costs;
- an increase of \$20 million in nuclear costs as a result of higher NRC fees, security costs, labor-related costs, and a non-refueling plant outage at Entergy Gulf States in February 2006;
- an increase of \$16 million in customer service support costs due to an increase in contract costs and an increase in customer write-offs;
- the receipt in 2005 of proceeds of \$16 million from a settlement, which is discussed further in "**Significant Factors and Known Trends - Central States Compact Claim;**"
- an increase of \$16 million in fossil operating costs due to the purchase of the Attala plant in January 2006 and the Perryville plant coming online in July 2005;
- an increase of \$12 million related to storm reserves. This increase does not include costs associated with Hurricanes Katrina and Rita; and
- an increase of \$12 million due to a return to normal expense patterns in 2006 versus the deferral or capitalization of storm costs in 2005.

Other operation and maintenance expenses increased for Non-Utility Nuclear from \$588 million in 2005 to \$637 million in 2006 primarily due to the timing of refueling outages, increased benefit and insurance costs, and increased NRC fees.

Taxes Other Than Income Taxes

Taxes other than income taxes increased for the Utility from \$322 million in 2005 to \$361 million in 2006 primarily due to an increase in city franchise taxes in Arkansas due to a change in 2006 in the accounting for city franchise tax revenues as directed by the APSC. The change results in an increase in taxes other than income taxes with a corresponding increase in rider revenue, resulting in no effect on net income. Also contributing to the increase was higher franchise tax expense at Entergy Gulf States as a result of higher gross revenues in 2006 and a customer refund in 2005.

Other Income

Other income increased for the Utility from \$111 million in 2005 to \$156 million in 2006 primarily due to carrying charges recorded on storm restoration costs.

Other income increased for Non-Utility Nuclear primarily due to miscellaneous income of \$27 million (\$16.6 million net-of-tax) resulting from a reduction in the decommissioning liability for a plant as a result of a revised decommissioning cost study and changes in assumptions regarding the timing of when decommissioning of a plant will begin.

Other income increased for Parent & Other primarily due to a gain related to its Entergy-Koch investment of approximately \$55 million (net-of-tax) in the fourth quarter of 2006. In 2004, Entergy-Koch sold its energy trading and pipeline businesses to third parties. At that time, Entergy received \$862 million of the sales proceeds in the form of a cash distribution by Entergy-Koch. Due to the November 2006 expiration of contingencies on the sale of Entergy-Koch's trading business, and the corresponding release to Entergy-Koch of sales proceeds held in escrow, Entergy received additional cash distributions of approximately \$163 million during the fourth quarter of 2006 and recorded a gain of approximately \$55 million (net-of-tax). Entergy expects future cash distributions upon liquidation of the partnership will be less than \$35 million.

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Interest Charges

Interest charges increased for the Utility and Parent & Other primarily due to additional borrowing to fund the significant storm restoration costs associated with Hurricanes Katrina and Rita.

Discontinued Operations

In April 2006, Entergy sold the retail electric portion of the Competitive Retail Services business operating in the ERCOT region of Texas, and now reports this portion of the business as a discontinued operation. Earnings for 2005 were negatively affected by \$44.8 million (net-of-tax) of discontinued operations due to the planned sale. This amount includes a net charge of \$25.8 million (net-of-tax) related to the impairment reserve for the remaining net book value of the Competitive Retail Services business' information technology systems. Results for 2006 include an \$11.1 million gain (net-of-tax) on the sale of the retail electric portion of the Competitive Retail Services business operating in the ERCOT region of Texas.

Income Taxes

The effective income tax rates for 2006 and 2005 were 28.1% and 37.3%, respectively. The lower effective income tax rate in 2006 is primarily due to tax benefits, net of reserves, resulting from the tax capital loss recognized in connection with the liquidation of Entergy Power International Holdings, Entergy's holding company for Entergy-Koch, LP. Also contributing to the lower rate for 2006 is an IRS audit settlement that allowed Entergy to

release from its tax reserves all settled issues from 1996-1998. See Note 3 to the financial statements for a reconciliation of the federal statutory rate of 35.0% to the effective income tax rates, and for additional discussion regarding income taxes.

2005 Compared to 2004

Following are income statement variances for Utility, Non-Utility Nuclear, Parent & Other business segments, and Entergy comparing 2005 to 2004 showing how much the line item increased or (decreased) in comparison to the prior period:

	Utility	Non-Utility Nuclear (In Thousands)	Parent & Other	Entergy
2004 Consolidated Net Income	\$643,408	\$245,029	\$21,087	\$909,524
Net revenue (operating revenue less fuel expense, purchased power, and other regulatory charges (credits) - net)	(168,559)	57,496	(16,384)	(127,447)
Other operation and maintenance expenses	(98,636)	(7,839)	(39,651)	(146,126)
Taxes other than income taxes	(22,400)	2,182	(896)	(21,114)
Depreciation	(39,883)	9,680	(6,994)	(37,197)
Other income	2,261	(6,314)	89,505	85,452
Interest charges	(19,643)	(2,783)	22,156	(270)
Other expenses	(886)	(8,897)	(44)	(9,827)
Provision for asset impairments	-	-	(55,000)	(55,000)
Discontinued operations (net-of-tax)	-	-	(44,753)	(44,753)
Income taxes	(1,202)	21,245	173,936	193,979
2005 Consolidated Net Income (Loss)	\$659,760	\$282,623	(\$44,052)	\$898,331

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The uncertainties inherent in Entergy New Orleans' bankruptcy proceedings caused Entergy to deconsolidate Entergy New Orleans and reflect Entergy New Orleans' financial results under the equity method of accounting retroactive to January 1, 2005. Because Entergy owns all of the common stock of Entergy New Orleans, this change did not affect the amount of net income Entergy records resulting from Entergy New Orleans' operations for any current or prior period, but did result in Entergy New Orleans' net income for 2005 and 2006 being presented as "Equity in earnings (loss) of unconsolidated equity affiliates" rather than its results being included in each individual income statement line item, as is the case for 2004. Transactions in 2005 and 2006 between Entergy New Orleans and other Entergy subsidiaries are not eliminated in consolidation as they are in 2004. The variance explanations for 2005 compared to 2004 below reflect the 2004 results of operations of Entergy New Orleans as if it were deconsolidated in 2004, consistent with the 2005 presentation as "Equity in earnings (loss) of unconsolidated equity affiliates." Entergy's as reported consolidated results for 2004 and the amounts included in those consolidated results for Entergy New Orleans, which exclude inter-company items, are set forth in the table below.

For the Year Ended
December 31, 2004

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	Entergy Corporation and Subsidiaries (as reported)	Amounts required to deconsolidate Entergy New Orleans in 2004 *
	(In Thousands)	
Operating Revenues	\$9,685,521	(\$435,194)
Operating Expenses:		
Fuel, fuel-related expenses, and gas purchased for resale and purchased power	4,189,818	(206,240)
Other operation and maintenance	2,268,332	(102,451)
Taxes other than income taxes	403,635	(43,577)
Depreciation and amortization	893,574	(29,657)
Other regulatory credits - net	(90,611)	4,670
Other operating expenses	370,601	-
Total Operating Expenses	\$8,035,349	(\$377,255)
Other Income	\$125,999	(\$2,044)
Interest and Other Charges	\$501,301	(\$16,008)
Income from Continuing Operations Before Income Taxes	\$1,274,870	(\$18,798)
Income Taxes	\$365,305	(\$16,868)
Consolidated Net Income	\$909,524	\$-

* Reflects the entry necessary to deconsolidate Entergy New Orleans for 2004. The column includes intercompany eliminations.

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Net Revenue

Utility

Following is an analysis of the change in net revenue, which is Entergy's measure of gross margin, comparing 2005 to 2004.

	Amount (In Millions)
2004 net revenue (does not include \$233.6 from Entergy New Orleans)	\$4,010.3
Price applied to unbilled sales	40.8
Rate refund provisions	36.4
Volume/weather	3.6
2004 deferrals	(15.2)
Other	(0.5)
2005 net revenue	\$4,075.4

The price applied to unbilled sales variance resulted primarily from an increase in the fuel cost component included

in the price applied to unbilled sales. The increase in the fuel cost component is attributable to an increase in the market prices of natural gas and purchased power. See "**Critical Accounting Estimates - Unbilled Revenue**" and Note 1 to the financial statements for further discussion of the accounting for unbilled revenues.

The rate refund provisions variance is due primarily to accruals recorded in 2004 for potential rate action at Entergy Gulf States and Entergy Louisiana.

The volume/weather variance includes the effect of more favorable weather in 2005 compared to 2004 substantially offset by a decrease in weather-adjusted usage due to the effects of Hurricanes Katrina and Rita and a decrease in usage during the unbilled sales period.

The 2004 deferrals variance is due to the deferrals related to Entergy's voluntary severance program, in accordance with a stipulation with the LPSC staff. The deferrals are being amortized over a four-year period effective January 2004.

Non-Utility Nuclear

Net revenue increased for Non-Utility Nuclear primarily due to higher pricing in its contracts to sell power. Also contributing to the increase in revenues was increased generation in 2005 due to power uprates at several plants completed in 2004 and 2005 and fewer planned and unplanned outages in 2005. Following are key performance measures for Non-Utility Nuclear for 2005 and 2004:

	2005	2004
Net MW in operation at December 31	4,105	4,058
Average realized price per MWh	\$42.39	\$41.26
Generation in GWh for the year	33,539	32,524
Capacity factor for the year	93%	92%

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Other Operation and Maintenance Expenses

Other operation and maintenance expenses increased slightly for the Utility from \$1.467 billion in 2004 to \$1.471 billion in 2005. The variance includes the following:

- an increase of \$10 million in nuclear expenses for contract and material costs associated with maintenance outages and nuclear refueling outage pre-work;
- an increase of \$10 million in miscellaneous regulatory reserves;
- an increase of \$8 million in storm reserves (unrelated to Hurricanes Katrina and Rita);
- an increase of \$5 million in estimated loss provisions recorded for the bankruptcy of CashPoint, which managed a network of payment agents for the Utility operating companies;
- an increase of \$5 million in payroll and benefits costs which includes higher pension and post-retirement benefit costs substantially offset by incentive compensation true-ups;
- a decrease of \$18 million due to a shift in labor and material costs from normal maintenance work to storm restoration work; and
- a decrease of \$16 million related to proceeds received from the radwaste settlement, which is discussed further in "**Significant Factors and Known Trends - Central States Compact Claim.**"

Taxes Other Than Income Taxes

Taxes other than income taxes increased for the Utility from \$300.7 million in 2004 to \$321.9 million in 2005 primarily due to higher employment taxes and higher assessed values for ad valorem tax purposes in 2005.

Other Income

Other income decreased for the Utility from \$134 million in 2004 to \$111.2 million in 2005 primarily due to:

- a revision in 2004 to the estimated decommissioning cost liability for River Bend in accordance with a new decommissioning cost study that reflected a life extension for the plant. For the portion of River Bend not subject to cost-based ratemaking, the revised estimate resulted in the elimination of the asset retirement cost that had been recorded at the time of adoption of SFAS 143 with the remainder recorded as miscellaneous income of \$27.7 million;
- a decrease of \$26.3 million in Entergy New Orleans earnings, which is now reported as an unconsolidated equity affiliate for 2005 in the "Equity in earnings (loss) of unconsolidated equity affiliates" line on the Income Statement. The decrease in Entergy New Orleans' earnings is primarily a result of the effects of Hurricane Katrina, which caused lower net revenue, partially offset by lower other operation and maintenance expenses and lower interest charges; and
- a decrease of \$10.1 million at Entergy Gulf States due to a reduction in 2004 in the loss provision for an environmental clean-up site.

The decrease for the Utility was partially offset by an increase of \$35.3 million in interest and dividend income due to both the proceeds from the radwaste settlement, which is discussed further in "**Significant Factors and Known Trends - Central States Compact Claim,**" and increased interest on temporary cash investments.

Other income decreased slightly for Non-Utility Nuclear from \$78 million in 2004 to \$72 million in 2005. 2005 includes \$15.8 million net-of-tax resulting from a reduction in the decommissioning liability for a plant, and 2004 includes \$11.9 million net-of-tax resulting from a reduction in the decommissioning liability for a plant. Both of these reductions are discussed in Note 9 to the financial statements.

Other income increased for Parent & Other primarily because of a \$46.4 million loss in 2004 from Entergy's investment in Entergy-Koch, primarily resulting from Entergy-Koch's trading business reporting a loss from its operations in 2004. Miscellaneous income from proceeds of \$18.9 million from the sale of SO₂ allowances by the non-nuclear wholesale assets business also contributed to the increase.

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Provision for Asset Impairments and Discontinued Operations

Entergy recorded a \$55 million (\$36 million net-of-tax) charge in 2004 as a result of an impairment of the value of the Warren Power plant, which is owned in the non-nuclear wholesale assets business. Entergy concluded that the plant's value was impaired based on valuation studies prepared in connection with the Entergy Asset Management stock sale discussed below.

Earnings for Parent & Other in 2005 were negatively affected by \$44.8 million (net-of-tax) of discontinued operations due to the planned sale of the retail electric portion of Entergy's Competitive Retail Services business operating in the ERCOT region of Texas. This amount includes a net charge of \$25.8 million, net-of-tax, related to the impairment reserve for the remaining net book value of the Competitive Retail Services business' information technology systems.

Income Taxes

The effective income tax rates for 2005 and 2004 were 37.3% and 28.7%, respectively. The lower effective income tax rate in 2004 is primarily due to a tax benefit resulting from the sale in December 2004 of preferred stock and less than 1% of the common stock of Entergy Asset Management, an Entergy subsidiary. An Entergy subsidiary sold the stock to a third party for \$29.75 million. The sale resulted in a capital loss for tax purposes of \$370 million, producing a net tax benefit of \$97 million that Entergy recorded in the fourth quarter of 2004. See Note 3 to the financial statements for a reconciliation of the federal statutory rate of 35.0% to the effective income tax rates, and for additional discussion regarding income taxes.

Liquidity and Capital Resources

This section discusses Entergy's capital structure, capital spending plans and other uses of capital, sources of capital, and the cash flow activity presented in the cash flow statement.

Capital Structure

Entergy's capitalization is balanced between equity and debt, as shown in the following table. The decrease in the debt to capital percentage from 2005 to 2006 is the result of an increase in shareholders' equity, primarily due to an increase in retained earnings, partially offset by repurchases of common stock. The increase in the debt to capital percentage from 2004 to 2005 is the result of increased debt outstanding due to additional borrowings on Entergy Corporation's revolving credit facility, additional debt issuances, including Entergy Corporation's equity units issuance, along with a decrease in shareholders' equity, primarily due to repurchases of common stock.

	2006	2005	2004
Net debt to net capital at the end of the year	49.4%	51.5%	45.3%
Effect of subtracting cash from debt	2.9%	1.6%	2.1%
Debt to capital at the end of the year	52.3%	53.1%	47.4%

Net debt consists of debt less cash and cash equivalents. Debt consists of notes payable, capital lease obligations, preferred stock with sinking fund, and long-term debt, including the currently maturing portion. Capital consists of debt, shareholders' equity, and preferred stock without sinking fund. Net capital consists of capital less cash and cash equivalents. Entergy uses the net debt to net capital ratio in analyzing its financial condition and believes it provides useful information to its investors and creditors in evaluating Entergy's financial condition.

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Long-term debt, including the currently maturing portion, makes up substantially all of Entergy's total debt outstanding. Following are Entergy's long-term debt principal maturities and estimated interest payments as of December 31, 2006. To estimate future interest payments for variable rate debt, Entergy used the rate as of December 31, 2006. The figures below include payments on the Entergy Louisiana and System Energy sale-leaseback transactions, which are included in long-term debt on the balance sheet.

Long-term debt maturities and estimated interest payments	2007	2008	2009	2010-2011	after 2011
	(In Millions)				
Utility	\$453	\$1,154	\$582	\$1,389	\$7,219
Non-Utility Nuclear	100	36	36	71	192
Parent Company and Other Business Segments	144	410	396	1,765	-

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Total	\$697	\$1,600	\$1,014	\$3,225	\$7,411
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Note 5 to the financial statements provides more detail concerning long-term debt.

In May 2005, Entergy Corporation entered into a \$2 billion five-year revolving credit facility, which expires in May 2010. In December 2005, Entergy Corporation entered into a \$1.5 billion three-year revolving credit facility, which expires in December 2008. Entergy Corporation also has the ability to issue letters of credit against the total borrowing capacity of both the three-year and the five-year credit facilities.

Following is a summary of the borrowings outstanding and capacity available under these facilities as of December 31, 2006.

Facility	Capacity	Borrowings (In Millions)	Letters of Credit	Capacity Available
5-Year Facility	\$2,000	\$820	\$94	\$1,086
3-Year Facility	\$1,500	\$-	\$-	\$1,500

Entergy Corporation's credit facilities require it to maintain a consolidated debt ratio of 65% or less of its total capitalization. If Entergy fails to meet this debt ratio, or if Entergy or one of the Utility operating companies (other than Entergy New Orleans) default on other indebtedness or are in bankruptcy or insolvency proceedings, an acceleration of the credit facilities' maturity dates may occur.

Capital lease obligations, including nuclear fuel leases, are a minimal part of Entergy's overall capital structure, and are discussed further in Note 10 to the financial statements. Following are Entergy's payment obligations under those leases:

	2007	2008	2009	2010-2011	after 2011
	(In Millions)				
Capital lease payments, including nuclear fuel leases	\$153	\$186	\$-	\$-	\$2

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Notes payable includes borrowings outstanding on credit facilities with original maturities of less than one year. Entergy Arkansas, Entergy Gulf States, and Entergy Mississippi each have 364-day credit facilities available as follows:

Company	Expiration Date	Amount of Facility	Amount Drawn as of Dec. 31, 2006
Entergy Arkansas	April 2007	\$85 million	-
Entergy Gulf States	February 2011	\$50 million (a)	-
Entergy Mississippi	May 2007	\$30 million (b)	-
Entergy Mississippi	May 2007	\$20 million (b)	-

(a) The credit facility allows Entergy Gulf States to issue letters of credit against the borrowing capacity of the facility. As of December 31, 2006, \$1.4 million in letters of credit had been issued.

(b)

Borrowings under the Entergy Mississippi facilities may be secured by a security interest in its accounts receivable.

Operating Lease Obligations and Guarantees of Unconsolidated Obligations

Entergy has a minimal amount of operating lease obligations and guarantees in support of unconsolidated obligations. Entergy's guarantees in support of unconsolidated obligations are not likely to have a material effect on Entergy's financial condition or results of operations. Following are Entergy's payment obligations as of December 31, 2006 on non-cancelable operating leases with a term over one year:

	2007	2008	2009 (In Millions)	2010-2011	after 2011
Operating lease payments	\$97	\$80	\$78	\$123	\$144

The operating leases are discussed more thoroughly in Note 10 to the financial statements.

Summary of Contractual Obligations of Consolidated Entities

Contractual Obligations	2007	2008-2009	2010-2011 (In Millions)	after 2011	Total
Long-term debt (1)	\$697	\$2,614	\$3,225	\$7,411	\$13,947
Capital lease payments (2)	\$153	\$186	\$-	\$2	\$341
Operating leases (2)	\$97	\$158	\$123	\$144	\$522
Purchase obligations (3)	\$1,414	\$2,127	\$1,754	\$3,690	\$8,985

- (1) Includes estimated interest payments. Long-term debt is discussed in Note 5 to the financial statements.
- (2) Capital lease payments include nuclear fuel leases. Lease obligations are discussed in Note 10 to the financial statements.
- (3) Purchase obligations represent the minimum purchase obligation or cancellation charge for contractual obligations to purchase goods or services. Almost all of the total are fuel and purchased power obligations.

In addition to these contractual obligations, in 2007, Entergy expects to contribute \$176 million to its pension plans, including Entergy New Orleans' contribution of \$44 million, and \$66 million to other postretirement plans, including Entergy New Orleans' contribution of \$5 million.

Capital Funds Agreement

Pursuant to an agreement with certain creditors, Entergy Corporation has agreed to supply System Energy with sufficient capital to:

- maintain System Energy's equity capital at a minimum of 35% of its total capitalization (excluding short-term debt);
- permit the continued commercial operation of Grand Gulf;
- pay in full all System Energy indebtedness for borrowed money when due; and
- enable System Energy to make payments on specific System Energy debt, under supplements to the

agreement assigning System Energy's rights in the agreement as security for the specific debt.

Capital Expenditure Plans and Other Uses of Capital

Following are the amounts of Entergy's planned construction and other capital investments by operating segment for 2007 through 2009, excluding Entergy New Orleans:

Planned construction and capital investments	2007	2008	2009
		(In Millions)	
Maintenance Capital:			
Utility	\$776	\$763	\$762
Non-Utility Nuclear	97	78	82
Parent and Other	12	3	1
	885	844	845
Capital Commitments:			
Utility	406	985	482
Non-Utility Nuclear	447	172	219
	853	1,157	701
Total	\$1,738	\$2,001	\$1,546

Entergy New Orleans' planned capital expenditures for the years 2007-2009 total \$110 million, and in addition Entergy New Orleans expects for the years 2007-2009 to pay \$109 million for capital investments related to Hurricane Katrina restoration and its gas rebuild project, of which \$55 million is expected to be spent in 2007.

Maintenance Capital refers to amounts Entergy plans to spend on routine capital projects that are necessary to support reliability of its service, equipment, or systems and to support normal customer growth.

Capital Commitments refers to non-routine capital investments for which Entergy is either contractually obligated, has Board approval, or otherwise expects to make to satisfy regulatory or legal requirements. Amounts reflected in this category include the following:

- The potential construction or purchase of additional generation supply sources within the Utility's service territory through Entergy's supply plan initiative.
- The pending Palisades acquisition, which is discussed below.
- The pending \$66 million Entergy Gulf States purchase of and investment in the Calcasieu plant, a 322 MW simple-cycle gas-fired power plant.
- Transmission improvements and upgrades designed to provide improved transmission flexibility in the Entergy System.
- Nuclear dry cask spent fuel storage and license renewal projects at certain nuclear sites.
- Environmental compliance spending.
- NYPA value sharing costs.

The planned construction and capital investment amounts given above include minimal amounts for initial development costs for potential new nuclear development at the Grand Gulf and River Bend sites in the Utility, including licensing and design activities. This project is in the early stages, and several issues remain to be addressed over time before significant capital would be committed to this project. From time to time, Entergy considers other capital investments as potentially being necessary or desirable in the future. Because no contractual obligation,

commitment, or Board approval exists to pursue these investments, they are not included in Entergy's planned construction and capital investments. These potential investments are also subject to evaluation and approval in accordance with Entergy's policies before amounts may be spent.

In July 2006, Entergy's Non-Utility Nuclear business reached an agreement to purchase Consumers Energy Company's 798 MW Palisades nuclear energy plant located near South Haven, Michigan for \$380 million. The NRC recently renewed until 2031 the Palisades' operating license. Entergy's Non-Utility Nuclear business will acquire the plant, nuclear fuel, and other assets. In the near-term, Entergy intends to finance the acquisition through borrowings under Entergy Corporation's revolving credit facilities. As part of the purchase, Entergy's Non-Utility Nuclear business also executed a 15-year purchased power agreement with Consumers Energy for 100% of the plant's output, excluding any future uprates. Entergy's Non-Utility Nuclear business will assume responsibility for eventual decommissioning of the plant. Consumers Energy will retain \$200 million of the projected \$566 million Palisades decommissioning trust fund balance, and Entergy may return approximately \$100 million more of the trust fund to Consumers Energy depending upon a pending tax ruling. Also as part of the transaction, Consumers Energy will pay Entergy's Non-Utility Nuclear business \$30 million to accept responsibility for spent fuel at the decommissioned Big Rock nuclear plant, which is located near Charlevoix, Michigan. Management expects to close the transaction in the second quarter 2007, pending the approvals of the NRC, the FERC, the Michigan Public Service Commission, and other regulatory agencies.

Estimated capital expenditures are subject to periodic review and modification and may vary based on the ongoing effects of business restructuring, regulatory constraints, environmental regulations, business opportunities, market volatility, economic trends, and the ability to access capital.

The planned construction and capital investments given above do not include the costs associated with the potential interconnection between Entergy Gulf States and ERCOT that is discussed in Note 2 to the financial statements. These potential costs are currently estimated to be approximately \$1 billion. The planned construction and capital investments given above also do not include the potential replacement of the Waterford 3 steam generators, which could be scheduled as early as 2011. Routine inspections of the Waterford 3 steam generators during the fall 2006 refueling outage identified degradation of certain tube spacer supports in the steam generators that required repair beyond that anticipated prior to the refueling outage inspections. Corrective measures were successfully implemented to permit continued operation of the steam generators. Future inspections of the steam generators will be scheduled to address this degradation mechanism and could result in additional planned outages, pending discussions with the NRC regarding this issue. Entergy will continue to manage steam generator component life in accordance with industry standard practices.

Dividends and Stock Repurchases

Declarations of dividends on Entergy's common stock are made at the discretion of the Board. Among other things, the Board evaluates the level of Entergy's common stock dividends based upon Entergy's earnings, financial strength, and future investment opportunities. At its January 2007 meeting, the Board declared a dividend of \$0.54 per share, which is the same quarterly dividend that Entergy has paid since the fourth quarter 2004. Entergy paid \$449 million in 2006 and \$454 million in 2005 in cash dividends on its common stock.

In accordance with Entergy's stock-based compensation plan, Entergy periodically grants stock options to its key employees, which may be exercised to obtain shares of Entergy's common stock. According to the plan, these shares can be newly issued shares, treasury stock, or shares purchased on the open market. Entergy's management has been authorized by the Board to repurchase on the open market shares up to an amount sufficient to fund the exercise of

grants under the plans. In addition to this authority, the Board approved a program under which Entergy was

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authorized to repurchase up to \$1.5 billion of its common stock through 2006. Entergy completed the \$1.5 billion program in the fourth quarter 2006. In 2006, Entergy repurchased 6,672,000 shares of common stock under both programs for a total purchase price of \$584 million.

On January 29, 2007, the Board approved a new repurchase program under which Entergy is authorized to repurchase up to \$1.5 billion of its common stock, which Entergy expects to complete over the next two years.

Debtor-in-Possession Credit Agreement

On September 26, 2005, Entergy New Orleans, as borrower, and Entergy Corporation, as lender, entered into the Debtor-in-Possession (DIP) credit agreement, a debtor-in-possession credit facility to provide funding to Entergy New Orleans during its business restoration efforts. On December 9, 2005, the bankruptcy court issued its final order approving the DIP Credit Agreement. The credit facility provides for up to \$200 million in loans. The facility enables Entergy New Orleans to request funding from Entergy Corporation, but the decision to lend money is at the sole discretion of Entergy Corporation. As of December 31, 2006, Entergy New Orleans had \$52 million of outstanding borrowings under the DIP credit agreement.

Borrowings under the DIP credit agreement are due in full, and the agreement will terminate, at the earliest of (i) August 23, 2007, (ii) the acceleration of the loans and the termination of the DIP credit agreement in accordance with its terms, (iii) the date of the closing of a sale of all or substantially all of Entergy New Orleans' assets pursuant to either section 363 of the United States Bankruptcy Code or a confirmed plan of reorganization, or (iv) the effective date of a plan of reorganization in Entergy New Orleans' bankruptcy case.

As security for Entergy Corporation as the lender, the terms of the December 9, 2005 bankruptcy court order provide that all borrowings by Entergy New Orleans under the DIP Credit Agreement are: (i) entitled to superpriority administrative claim status pursuant to section 364(c)(1) of the Bankruptcy Code; (ii) secured by a perfected first priority lien on all property of Entergy New Orleans pursuant to sections 364(c)(2) and 364(d) of the Bankruptcy Code, except on any property of Entergy New Orleans subject to valid, perfected, and non-avoidable liens of the lender on Entergy New Orleans' \$15 million credit facility that existed as of the date Entergy New Orleans filed its bankruptcy petition; and (iii) secured by a perfected junior lien pursuant to section 364(c)(3) of the Bankruptcy Code on all property of Entergy New Orleans subject to valid, perfected, and non-avoidable liens in favor of the lender on Entergy New Orleans' \$15 million credit facility that existed as of the date Entergy New Orleans filed its bankruptcy petition.

The interest rate on borrowings under the DIP credit agreement will be the average interest rate of borrowings outstanding under Entergy Corporation's \$2 billion revolving credit facility, which was approximately 5.7% per annum at December 31, 2006.

Sources of Capital

Entergy's sources to meet its capital requirements and to fund potential investments include:

- internally generated funds;
- cash on hand (\$1.02 billion as of December 31, 2006);
- securities issuances;
- bank financing under new or existing facilities; and
- sales of assets.

Circumstances such as weather patterns, fuel and purchased power price fluctuations, and unanticipated expenses, including unscheduled plant outages and storms, could affect the timing and level of internally generated funds in the future. In the following section, Entergy's cash flow activity for the previous three years is discussed.

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Provisions within the Articles of Incorporation or pertinent indentures and various other agreements relating to the long-term debt and preferred stock of certain of Entergy Corporation's subsidiaries restrict the payment of cash dividends or other distributions on their common and preferred stock. As of December 31, 2006, Entergy Arkansas and Entergy Mississippi had restricted retained earnings unavailable for distribution to Entergy Corporation of \$396.4 million and \$121.6 million, respectively. All debt and common and preferred equity issuances by the Registrant Subsidiaries require prior regulatory approval and their preferred equity and debt issuances are also subject to issuance tests set forth in corporate charters, bond indentures, and other agreements. The Registrant Subsidiaries have sufficient capacity under these tests to meet foreseeable capital needs, except for Entergy New Orleans. As stated in the conditions precedent to the effectiveness of its proposed plan of reorganization described above, Entergy New Orleans believes that it requires the receipt of CDBG funds and insurance proceeds to meet its capital requirements resulting from the effects of Hurricane Katrina.

After the repeal of PUHCA 1935, effective February 8, 2006, the FERC, under the Federal Power Act, and not the SEC, has jurisdiction over authorizing securities issuances by the Utility operating companies and System Energy (except securities with maturities longer than one year issued by (a) Entergy Arkansas, which are subject to the jurisdiction of the APSC and (b) Entergy New Orleans, which are currently subject to the jurisdiction of the bankruptcy court). Under PUHCA 2005 and the Federal Power Act, no approvals are necessary for Entergy Corporation to issue securities. Under a savings provision in PUHCA 2005, each of the Utility operating companies and System Energy may rely on the financing authority in its existing PUHCA 1935 SEC order or orders through December 31, 2007 or until the SEC authority is superseded by FERC authorization. The FERC has issued an order (FERC Short-Term Order) approving the short-term borrowing limits of the Utility operating companies (except Entergy New Orleans) and System Energy through March 31, 2008. Entergy Gulf States and Entergy Louisiana, LLC have obtained long-term financing authorization from the FERC. Entergy New Orleans may rely on existing SEC PUHCA 1935 orders for its short-term financing authority, subject to bankruptcy court approval. In addition to borrowings from commercial banks, the FERC Short-Term Order authorized the Registrant Subsidiaries (except Entergy New Orleans which is authorized by an SEC PUHCA 1935 order) to continue as participants in the Entergy System money pool. The money pool is an intercompany borrowing arrangement designed to reduce Entergy's subsidiaries' dependence on external short-term borrowings. Borrowings from the money pool and external short-term borrowings combined may not exceed authorized limits. As of December 31, 2006, Entergy's subsidiaries' aggregate money pool and external short-term borrowings authorized limit was \$2.0 billion, the aggregate outstanding borrowing from the money pool was \$251.6 million, and Entergy's subsidiaries had no outstanding short-term borrowing from external sources. To the extent that the Registrant Subsidiaries wish to rely on SEC financing orders under PUHCA 1935, there are capitalization and investment grade ratings conditions that must be satisfied in connection with security issuances, other than money pool borrowings. See Note 4 to the financial statements for further discussion of Entergy's short-term borrowing limits.

Cash Flow Activity

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As shown in Entergy's Statements of Cash Flows, cash flows for the years ended December 31, 2006, 2005, and 2004 were as follows:

	2006	2005 (In Millions)	2004
Cash and cash equivalents at beginning of period	\$583	\$620	\$507
Effect of deconsolidating Entergy New Orleans in 2005	-	(8)	-
Cash flow provided by (used in):			
Operating activities	3,419	1,468	2,929
Investing activities	(1,899)	(1,992)	(1,143)
Financing activities	(1,084)	496	(1,672)
Effect of exchange rates on cash and cash equivalents	(3)	(1)	(1)
Net increase (decrease) in cash and cash equivalents	433	(29)	113
Cash and cash equivalents at end of period	\$1,016	\$583	\$620

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Operating Cash Flow Activity

2006 Compared to 2005

Entergy's cash flow provided by operating activities increased by \$1,952 million in 2006 compared to 2005 primarily due to the following activity:

- Utility provided \$2,564 million in cash from operating activities in 2006 compared to providing \$964 million in 2005 primarily due to increased recovery of fuel costs, the receipt of an income tax refund (discussed below), a decrease in storm restoration spending, and the effect in 2005 of a \$90 million refund paid to customers in Louisiana, partially offset by an increase of \$136 million in pension funding payments.
- Non-Utility Nuclear provided \$833 million in cash from operating activities in 2006 compared to providing \$551 million in 2005 primarily due to an increase in net revenue and the receipt of an income tax refund (discussed below).

Entergy Corporation received a \$344 million income tax refund (including \$71 million attributable to Entergy New Orleans) as a result of net operating loss carryback provisions contained in the Gulf Opportunity Zone Act of 2005. The Gulf Opportunity Zone Act was enacted in December 2005. The Act contains provisions that allow a public utility incurring a net operating loss as a result of Hurricane Katrina to carry back the casualty loss portion of the net operating loss ten years to offset previously taxed income. The Act also allows a five-year carry back of the portion of the net operating loss attributable to Hurricane Katrina repairs expense and first year depreciation deductions, including 50% bonus depreciation, on Hurricane Katrina capital expenditures. In accordance with Entergy's intercompany tax allocation agreement, \$273 million of the refund was distributed to the Utility (including Entergy New Orleans) in April 2006, with the remainder distributed primarily to Non-Utility Nuclear.

2005 Compared to 2004

Entergy's cash flow provided by operating activities decreased by \$1,461 million in 2005 compared to 2004 primarily due to the following activity:

- The Utility provided \$964 million in cash from operating activities compared to providing \$2,208 million in 2004. The decrease resulted primarily from restoration spending and lost net revenue caused by Hurricanes Katrina and Rita. Changes in the timing of fuel cost recovery compared to the prior period due to higher natural gas prices, which caused an increase in deferred fuel cost balances, also contributed to the decrease in cash from operating activities. Also contributing to the decrease in the Utility segment were increases in income tax payments and in pension plan contributions, and a \$90 million refund to customers in the Louisiana jurisdiction made as a result of an LPSC-approved settlement.
- Entergy received dividends from Entergy-Koch of \$529 million in 2004 and did not receive any dividends from Entergy-Koch in 2005.
- Offsetting the decreases in those two businesses, the Non-Utility Nuclear business provided \$551 million in cash from operating activities compared to providing \$415 million in 2004. The increase resulted primarily from lower intercompany income tax payments and increases in generation and contract pricing that led to an increase in revenues.

Investing Activities

2006 Compared to 2005

Net cash used in investing activities decreased slightly in 2006 compared to 2005 and was affected by the following activity:

- The proceeds from the sale of the retail electric portion of the Competitive Retail Services business operating in the ERCOT region of Texas and the sale of the non-nuclear wholesale asset business' remaining interest in a power development project.

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- Entergy Mississippi purchased the 480 MW Attala power plant in January 2006 for \$88 million and Entergy Louisiana purchased the 718 MW Perryville power plant in June 2005 for \$162 million.
- Liquidation of other temporary investments net of purchases provided \$188 million in 2005. Entergy had no activity in other temporary investments in 2006.
- The Utility used \$390 million in 2005 for other regulatory investments as a result of fuel cost under-recovery. See Note 1 to the financial statements for discussion of the accounting treatment of these fuel cost under-recoveries.

2005 Compared to 2004

Net cash used in investing activities increased by \$849 million in 2005 compared to 2004 primarily due to the following activity:

- Construction expenditures were \$47 million higher in 2005 than in 2004, including an increase of \$147 million in the Utility business and a decrease of \$82 million in the Non-Utility Nuclear business. Utility construction expenditures in 2005 include \$302 million caused by Hurricanes Katrina and Rita.
- The non-nuclear wholesale assets business realized \$75 million in net proceeds from sales of portions of three of its power plants in 2004.
- Entergy Louisiana purchased the 718 MW Perryville power plant in June 2005 for \$162 million.
- Entergy received net returns of invested capital from Entergy-Koch of \$49 million in 2005 compared to \$284 million in 2004 after the sale by Entergy-Koch of its trading and pipeline businesses. This activity is reported in the "Decrease in other investments" line in the cash flow statement.
- Approximately \$60 million of the cash collateral for a letter of credit that secured the installment obligations owed to NYPA for the acquisition of the FitzPatrick and Indian Point 3 nuclear power plants was released to Entergy in 2004.
- The Utility used \$390 million in 2005 and \$54 million in 2004 for other regulatory investments as a result of fuel cost under-recovery. See Note 1 to the financial statements for discussion of the accounting treatment of these fuel cost under-recoveries.

Offsetting these factors was the following:

- The non-nuclear wholesale assets business received a return of invested capital of \$34 million in 2005 from the Top Deer wind power joint venture after Top Deer obtained debt financing.

Financing Activities

2006 Compared to 2005

Net cash used in financing activities was \$1,084 million in 2006 compared to net cash flow provided by financing activities of \$496 million in 2005. Following is a description of the significant financing activity affecting this comparison:

- Entergy Louisiana Holdings, Inc. redeemed all \$100.5 million of its outstanding preferred stock in June 2006.
- Entergy Corporation increased the net borrowings on its credit facilities by \$35 million in 2006 and increased the net borrowings by \$735 million in 2005. See Note 4 to the financial statements for a description of the Entergy Corporation credit facilities.
- Net issuances of long-term debt by the Utility provided \$50 million in 2006 and provided \$462 million in 2005. See Note 5 to the financial statements for the details of long-term debt.
- Entergy Corporation repurchased \$584 million of its common stock in 2006 and \$878 million of its common stock in 2005.

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2005 Compared to 2004

Financing activities provided \$496 million of cash in 2005 compared to using \$1,672 million of cash in 2004 primarily due to the following activity:

- Net issuances of long-term debt by the Utility segment provided \$462 million of cash in 2005 compared to retirements of long-term debt net of issuances using \$345 million in 2004. See Note 5 to the financial statements for the details of long-term debt outstanding at December 31, 2005.

- Entergy Corporation increased the net borrowings on its credit facility by \$735 million in 2005 compared to \$50 million during 2004. See Note 4 to the financial statements for a description of the Entergy Corporation credit facility.
- Entergy Corporation repurchased \$878 million of its common stock in 2005 compared to \$1,018 million in 2004.
- Entergy Corporation issued \$500 million of long-term notes in connection with its equity units offering in December 2005.
- Entergy Louisiana, LLC issued \$100 million of preferred membership interests in December 2005.

Significant Factors and Known Trends

Following are discussions of significant factors and known trends affecting Entergy's business, including rate regulation and fuel-cost recovery, federal regulation, and market and credit risk sensitive instruments.

State and Local Rate Regulation and Fuel-Cost Recovery

The rates that the Utility operating companies and System Energy charge for their services significantly influence Entergy's financial position, results of operations, and liquidity. These companies are closely regulated and the rates charged to their customers are determined in regulatory proceedings. Governmental agencies, including the APSC, the City Council, the LPSC, the MPSC, the PUCT, and the FERC, are primarily responsible for approval of the rates charged to customers. The status of material retail rate proceedings is summarized below and described in more detail in Note 2 to the consolidated financial statements.

Company	Authorized ROE	Pending Proceedings/Events
Entergy Arkansas	11.0%	<ul style="list-style-type: none"> • Base rates have been in effect since 1998. Entergy Arkansas filed a rate case in August 2006 requesting a general base rate increase of \$150 million (using an ROE of 11.25%), as well as recovery of FERC-allocated costs pursuant to the FERC decision on the System Agreement. Entergy Arkansas also requested a capacity management rider to recover incremental capacity costs. A procedural schedule has been established with a hearing in April 2007 with new rates expected to be effective in June 2007. • In December 2005, Entergy Arkansas provided notice of its intent to terminate participation in the System Agreement following a final order from the FERC establishing terms under which Entergy Arkansas may be required to make payments to other Utility operating companies to achieve rough production cost equalization. • Entergy Arkansas completed recovery in January 2006 of transition to competition costs through an \$8.5 million transition cost recovery rider that has been in effect since October 2004.

Entergy Gulf States-Texas

10.95%

- Base rates are currently set at rates approved by the PUCT in June 1999.
- In June 2005, a Texas law was enacted that provides for a base rate freeze until mid-2008, but allows Entergy Gulf States to seek before then recovery of certain incremental purchased power capacity costs and recover reasonable and necessary transition to competition costs. An \$18 million annual capacity rider was implemented effective December 2005. A \$14.5 million annual transition cost recovery rider was implemented effective March 2006, which the PUCT approved in June 2006. The transition cost recovery rider is for a 15-year period.
- In December 2006, the PUCT approved the recovery of \$353 million (net of expected insurance proceeds of \$66 million) in storm cost recovery expenses plus carrying charges. Entergy Gulf States will file a semi-annual report with the PUCT to reflect any additional insurance proceeds or other government grant money received, which would be applied against the storm cost recovery balance. In February 2007, the PUCT voted to approve securitization of the \$353 million in storm cost recovery expenses, but it also offset the securitization amount by \$31.6 million, which the PUCT Commissioners determined was the net present value of the accumulated deferred income tax benefits related to the storm costs. The PUCT further voted to impose certain caps on the amount of qualified transaction costs that can be included in the total securitization amount. The PUCT is expected to issue a financing order authorizing the issuance of securitization bonds by early-March 2007, and Entergy Gulf States intends to implement rates to recover revenues to pay the securitization bonds by mid-2007.

Entergy Gulf States-Louisiana

9.9%-11.4%

- A three-year formula rate plan is in place with an ROE mid-point of 10.65% for the initial three-year term of the plan. Entergy Gulf States made its first formula rate plan filing in June 2005 for the test year ending

December 31, 2004.

- In May 2006, Entergy Gulf States made its formula rate plan filing with the LPSC for the 2005 test year. Entergy Gulf States implemented a \$17.2 million increase, subject to refund, effective September 2006 for 1) recovery of \$6.7 million of LPSC-approved incremental deferred and ongoing capacity costs and 2) \$10.5 million of interim storm cost recovery pursuant to an LPSC order. The filing reflects an 11.1% return on common equity which is within the authorized bandwidth.
- In May 2006, Entergy Gulf States completed the \$6 million interim recovery of storm costs through the fuel adjustment clause pursuant to an LPSC order. Beginning in September 2006, interim recovery of \$0.85 million per month was instituted via the formula rate plan. Interim recovery will continue until a final decision is reached by the LPSC with respect to Entergy Gulf States' supplemental and amending storm cost recovery application, which was filed in July 2006. Entergy Gulf States supplemented that filing on February 28, 2007, and seeks to recover \$219 million in storm-related costs and to build an \$87 million storm reserve. The February 2007 filing also seeks authority to securitize the storm cost recovery and storm reserve amounts. Hearings are expected to begin in April 2007.

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Entergy Louisiana

9.45%-
11.05%

- A three-year formula rate plan is in place with an ROE mid-point of 10.25% for the initial three-year term of the plan. Entergy Louisiana made its first formula rate plan filing under this plan in May 2006 based on a 2005 test year.
- In May 2006, Entergy Louisiana made its formula rate plan filing with the LPSC for the 2005 test year. Entergy Louisiana implemented a \$143.4 million increase, subject to refund, effective September 2006 for 1) ongoing and deferred incremental capacity costs of \$119.2 million and 2) \$24.2 million of interim storm cost recovery pursuant to an LPSC order. In response to an LPSC Staff report, Entergy Louisiana subsequently reduced rates by \$0.5 million annually, effective October 2006, to reflect issues and errors identified by the staff with which Entergy Louisiana agrees. The modified filing reflects a 9.56% return on common equity, which is within the authorized bandwidth, and a reduction in the collection of ongoing and deferred incremental capacity costs to \$118.7 million. Entergy Louisiana and the LPSC Staff are working to resolve outstanding issues.
- In April 2006, Entergy Louisiana completed the \$14 million interim recovery of storm costs through the fuel adjustment clause pursuant to an LPSC order. Beginning in September 2006, interim recovery of \$2 million per month was instituted via the formula rate plan. Interim recovery will continue until a final decision is

reached by the LPSC with respect to Entergy Louisiana's supplemental and amending storm cost recovery application, which was filed in July 2006. Entergy Louisiana supplemented that filing on February 28, 2007, and seeks to recover \$561 million in storm-related costs and to build a \$141 million storm reserve. The February 2007 filing also seeks authority to securitize the storm cost recovery and storm reserve amounts. Hearings are expected to begin in April 2007.

Entergy Mississippi

9.7%-
12.4%

- An annual formula rate plan is in place. In April 2006, Entergy Mississippi submitted its annual scheduled formula rate plan filing with the MPSC reflecting a return on equity of 9.35%, resulting in a deficiency. The MPSC has approved a settlement providing for a \$1.8 million rate increase, which was implemented in August 2006.
- The MPSC approved the purchase of the 480MW Attala power plant and the investment cost recovery through its power management rider. As a consequence of the events surrounding Entergy Mississippi's ongoing efforts to recover storm restoration costs associated with Hurricane Katrina, in October 2006, the MPSC approved a revision to Entergy Mississippi's power management rider. The revision has the effect of allowing Entergy Mississippi to recover the annual ownership costs of the Attala plant until such time as there has been a resolution of Entergy Mississippi's recovery of its storm restoration costs and a general rate case can be filed.
- In October 2006, the Mississippi Development Authority approved for payment and Entergy Mississippi received \$81 million in CDBG funding for Hurricane Katrina costs. The MPSC then issued a financing order authorizing the issuance of \$48 million of state bonds, with \$8 million for the remainder of Entergy Mississippi's certified Hurricane Katrina restoration costs not funded by CDBG and \$40 million for the increase in Entergy Mississippi's storm damage reserve.

Entergy New Orleans

10.75% -Electric; 10.75% -Gas

- In October 2006, the City Council approved a settlement agreement that calls for a phased-in rate increase to ensure Entergy New Orleans' ability to focus on restoration of electric and gas systems. When fully implemented by January 1, 2008, electric base rates will increase by \$3.9 million. Recovery of all Grand Gulf costs through the fuel adjustment clause will continue. Gas base rates increased by \$4.75 million in November 2006, and will increase an additional \$1.5 million in March 2007 and an additional \$4.75 million in November 2007. The settlement calls for Entergy New Orleans to file a base rate case by July 31, 2008. The settlement agreement discontinues the formula rate plan and the generation performance-based plan but permits Entergy New Orleans to file an application to seek authority to implement formula rate plan mechanisms no sooner than six months following the effective date of the implementation of the base rates resulting from the July 31, 2008 base rate case. Any storm costs in excess of CDBG funding and insurance proceeds will be addressed in that base rate case. The settlement also authorizes a \$75 million storm reserve for damage from future storms, which will be created over a ten-year period through a storm reserve rider beginning in March 2007.
- In October 2006, the Louisiana Recovery Authority (LRA) Board endorsed a resolution proposing to allocate \$200 million in CDBG funds to Entergy New Orleans to defray gas and electric utility system repair costs in an effort to provide rate relief for Entergy New Orleans customers. The action plan was approved by state lawmakers in December 2006 and by the U. S. Department of Housing and Urban Development in February 2007. In addition, the City Council must review and certify the storm costs before an application can be filed with the LRA and CDBG funds can be released to Entergy New Orleans. The City Council has stated its intent to complete its certification by March 2007.

System Energy

10.94%

- ROE approved by July 2001 FERC order. No cases pending before FERC.

In addition to the regulatory scrutiny connected with base rate proceedings, the Utility operating companies' fuel and purchased power costs recovered from customers are subject to regulatory scrutiny. The Utility operating companies' significant fuel and purchased power cost proceedings are described in Note 2 to the financial statements.

Federal Regulation

The FERC regulates wholesale rates (including Entergy Utility intrasystem sales pursuant to the System Agreement) and interstate transmission of electricity, as well as rates for System Energy's sales of capacity and energy from Grand Gulf to Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans pursuant to the Unit Power Sales Agreement.

System Agreement Proceedings

The Utility operating companies historically have engaged in the coordinated planning, construction, and operation of generating and bulk transmission facilities under the terms of the System Agreement, which is a rate schedule that has been approved by the FERC. The LPSC has been pursuing litigation involving the System Agreement at the FERC. The proceeding includes challenges to the allocation of costs as defined by the System Agreement and raises questions of imprudence by the Utility operating companies in their execution of the System Agreement.

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In June 2005, the FERC issued a decision in the System Agreement litigation, and essentially affirmed its decision in a December 2005 order on rehearing. The FERC decision concluded, among other things, that:

- The System Agreement no longer roughly equalizes total production costs among the Utility operating companies.
- In order to reach rough production cost equalization, the FERC will impose a bandwidth remedy by which each company's total annual production costs would have to be within +/- 11% of Entergy System average total annual production costs.
- In calculating the production costs for this purpose under the FERC's order, output from the Vidalia hydroelectric power plant will not reflect the actual Vidalia price for the year but is priced at that year's average price paid by Entergy Louisiana for the exchange of electric energy under Service Schedule MSS-3 of the System Agreement, thereby reducing the amount of Vidalia costs reflected in the comparison of the Utility operating companies' total production costs.
- The remedy ordered by FERC calls for no refunds and will be effective based on calendar year 2006 production costs with the first potential reallocation payments, if required, to be made in 2007.

The FERC's decision would reallocate total production costs of the Utility operating companies whose relative total production costs expressed as a percentage of Entergy System average production costs are outside an upper or lower bandwidth. This would be accomplished by payments from Utility operating companies whose production costs are more than 11% below Entergy System average production costs to Utility operating companies whose production costs are more than the Entergy System average production cost, with payments going first to those Utility operating companies whose total production costs are farthest above the Entergy System average.

An assessment of the potential effects of the FERC's decision requires assumptions regarding the future total production cost of each Utility operating company, which assumptions include the mix of solid fuel and gas-fired generation available to each company and the costs of natural gas and purchased power. Entergy Louisiana, Entergy Gulf States, and Entergy Mississippi are more dependent upon gas-fired generation sources than Entergy Arkansas or Entergy New Orleans. Of these, Entergy Arkansas is the least dependent upon gas-fired generation sources. Therefore, increases in natural gas prices likely will increase the amount by which Entergy Arkansas' total production costs are below the average total production costs of the Utility operating companies.

Considerable uncertainty exists regarding future gas prices. For purposes of the August 2006 Entergy Arkansas general base rate case filing discussed above in "State and Local Rate Regulation," an assessment of the potential effects of the FERC's June 2005 order, as amended by its December 2005 order on rehearing, was calculated on the basis of a 2006 test year, using a 2006 gas price that consisted of a non-weighted average of twelve months of gas prices calculated as follows: January through May 2006 were actual, volume-weighted monthly averages of day-ahead cash prices as reported by Energy Intelligence Natural Gas Week; the June 2006 price was the First of the Month Index price as reported by Platts Inside FERC's Gas Market Report; the July 2006 price was the 5/31/06 NYMEX Henry Hub settlement price; and August through December 2006 were 30 calendar-day rolling averages as of May 31, 2006 of forward NYMEX Henry Hub gas contracts. For example, the August 2006 price was an average of all the daily NYMEX settlement prices for the August 2006 contract for each trading day from the period 5/2/06 - 5/31/06 inclusive. A similar calculation was made using the daily settlements of the September 2006 through December 2006 NYMEX contracts to arrive at those monthly prices. This resulted in an average annual gas price of \$7.49/mmBtu. If an annual average gas price of \$7.49/mmBtu occurred for 2006 as assumed, the following potential annual production cost reallocation among the Utility operating companies could result:

	Annual Payments or (Receipts) (In Millions)
Entergy Arkansas	\$284
Entergy Gulf States	(\$197)
Entergy Louisiana	(\$59)
Entergy Mississippi	(\$28)
Entergy New Orleans	\$0

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If the actual, annual, average natural gas price deviates by \$1/mmBtu up or down from the price assumed above, it is expected that Entergy Arkansas' annual payments will change in the same direction by approximately \$70 to \$80 million.

The LPSC, APSC, MPSC, and the AEEC have appealed the FERC decision to the Court of Appeals for the D.C. Circuit. Entergy and the City of New Orleans have intervened in the various appeals. The parties to the proceeding reached agreement on a proposed briefing schedule that would result in the completion of briefing during the first half of 2007. The proposed briefing schedule has been submitted to the Court of Appeals.

Management believes that any changes in the allocation of production costs resulting from the FERC's decision and related retail proceedings should result in similar rate changes for retail customers. The timing of recovery of these costs in rates could be the subject of additional proceedings before Entergy's retail regulators. Although the outcome and timing of the FERC and other proceedings cannot be predicted at this time, Entergy does not believe that the ultimate resolution of these proceedings will have a material effect on its financial condition or results of operations.

Entergy's Utility Operating Companies' Compliance Filing

In April 2006, the Utility operating companies filed with the FERC its compliance filing to implement the provisions of the FERC's decision. The filing amends the System Agreement to provide for the calculation of production costs, average production costs, and payments/receipts among the Utility operating companies to the extent required to maintain rough production cost equalization pursuant to the FERC's decision. The FERC accepted the compliance filing in November 2006, with limited modifications. In accordance with the FERC's order, the first payments/receipts would be based on calendar year 2006 production costs, with any payments/receipts among the Utility operating

companies to be made in seven monthly installments commencing in June 2007. Various parties have filed requests for rehearing of the FERC's order accepting the compliance filing. Among other things, the LPSC requests rehearing of the FERC's decision to have the first payments commence in June 2007, rather than earlier; to not require interest on the unpaid balance, and the FERC's decision with regard to the re-pricing of energy from the Vidalia hydroelectric project for purposes of calculating production cost disparities. Various Arkansas parties request rehearing of the FERC's decision (1) to require payments be made over seven months, rather than 12; (2) on the application of the +/- 11% bandwidth; and (3) the FERC's decision to reject various accounting allocations proposed by the Utility operating companies. The Utility operating companies filed a revised compliance plan on December 18, 2006 implementing the provisions of the FERC's November order.

APSC System Agreement Investigation

Citing its concerns that the benefits of its continued participation in the current form of the System Agreement have been seriously eroded, in December 2005, Entergy Arkansas submitted its notice that it will terminate its participation in the current System Agreement effective 96 months from December 19, 2005 or such earlier date as authorized by the FERC. Entergy Arkansas indicated, however, that a properly structured replacement agreement could be a viable alternative. The APSC had previously commenced an investigation, in 2004, into whether Entergy Arkansas' continued participation in the System Agreement is in the best interests of its customers. In June 2006 the APSC issued an order in its investigation requiring Entergy Arkansas President Hugh McDonald to file testimony in response to several questions involving details of what action Entergy Arkansas or Entergy has taken to ensure that Entergy Arkansas' customers are protected from additional costs including those related to the following areas: construction of new generating plants located outside of Arkansas, costs of the Entergy New Orleans bankruptcy, and costs associated with restoration of facilities damaged by Hurricanes Katrina and Rita. Mr. McDonald was also directed to describe actions taken since December 19, 2005 to encourage or persuade the FERC to authorize Entergy Arkansas to exit the Entergy System Agreement sooner than 96 months, and to describe current and future actions related to development of a replacement system agreement. Responsive testimony was filed with the APSC in July and August 2006. A public hearing for the purpose of cross-examination of Mr. McDonald on his testimony and for questioning by the APSC was also conducted in July 2006. There is no further procedural schedule set in this investigation at this time.

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The APSC also commenced investigations concerning Entergy Louisiana's Vidalia purchased power contract and Entergy Louisiana's then pending acquisition of the Perryville power plant. Entergy Arkansas has provided information to the APSC in these investigations and no further activity has occurred in them.

APSC Complaint at the FERC

In June 2006, the APSC filed a complaint with the FERC against Entergy Services as the representative of Entergy Corporation and the Utility operating companies, pursuant to Sections 205, 206 and 207 of the Federal Power Act (FPA). The APSC complaint states, "the purpose of the complaint is to institute an investigation into the prudence of Entergy's practices affecting the wholesale rates that flow through its System Agreement." The complaint requests, among other things, that the FERC disallow any costs found to be imprudent, with a refund effective date to be set at the earliest possible time. Specific areas of requested investigation include:

- The Utility operating companies' transmission expansion and planning process, including the construction, or lack thereof, of economic transmission upgrades;
- The Utility operating companies' wholesale purchasing practices, including the potential savings due to integration of independent power producers into their economic dispatch;

- The Utility operating companies' alleged failure to retire their aging, inefficient gas- and oil-fired generation; and
- The alleged failure to construct or acquire coal capacity for the generation portfolio of Entergy Louisiana.

The complaint also requests that the FERC exercise its authority under Section 207 of the FPA to investigate the adequacy of Entergy's transmission system and direct it to make all necessary upgrades to ensure that its transmission facilities provide reliable, adequate and economic service.

In July 2006, the Utility operating companies submitted their answer to the APSC complaint. In their answer, the Utility operating companies acknowledge that while the FERC is the appropriate forum to consider the issues raised in the APSC's complaint, the APSC has provided no probative evidence supporting its allegations and has not met the standards under the FPA to have a matter set for hearing. Under the FPA standards, the APSC must create "serious doubt" as to the propriety of the challenged actions. As indicated in the Utility operating companies' answer, the APSC complaint does not raise a "serious doubt" but instead largely relies on unsupported assertions, many of which have been investigated in other proceedings. In those limited instances when the APSC complaint references "evidence" in an attempt to support its request for a hearing, the "evidence" to which it refers in fact does nothing to support its position but, rather, shows that the Utility operating companies have acted prudently. As further indicated in the Utility operating companies' answer, following the issuance of the FERC's System Agreement decision, all of the production costs of the Utility operating companies are now inputs to a formula rate that will result in bandwidth payments among the Utility operating companies in order to roughly equalize production costs. The Utility operating companies' answer further explains that based on well-established Supreme Court precedent, the FERC has exclusive jurisdiction over all inputs that will be included in the System Agreement bandwidth formula rates filed in compliance with the FERC's System Agreement decision and retail regulators are preempted from taking any action that disturbs the FERC's findings with respect to these production cost inputs and the FERC-determined allocation of production costs among the Utility operating companies. The Utility operating companies believe that their conduct with respect to these issues has been prudent and will vigorously defend such conduct.

Several parties have intervened in the proceeding, including the MPSC, the LPSC, and the City Council. The LPSC's answer and comments in response to the APSC complaint ask the FERC to investigate whether Entergy Arkansas' withdrawal from the System Agreement is fair, just, and reasonable. In September 2006, the Utility operating companies, the APSC, and other intervenors in the proceeding filed responses to the answers and comments submitted by the various intervenors in July 2006. In their responses, the APSC and the LPSC, among others, argue that the FERC need not address at this time its jurisdiction over the matters raised by the complaint and further that the retail regulators are not preempted from exercising jurisdiction over those same production costs that are being considered in the proceeding. In October 2006, the Utility operating companies filed an answer to the other parties' September 2006 comments. In the October 2006 answer, the Utility operating companies explain,

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among other things, that the FERC must address the jurisdictional issues raised by the parties to the proceeding and that the LPSC's and APSC's view concerning jurisdiction and preemption are inconsistent with federal law and regulation.

LPSC System Agreement Complaint at the FERC

On December 18, 2006, the LPSC filed a complaint requesting the FERC "immediately institute a proceeding to determine whether, and on what terms, [Entergy Arkansas] may withdraw" from the System Agreement. The complaint alleges that "safeguards must be adopted to ensure that the remaining operating companies and their customers are protected from adverse effects of the termination attempt of [Entergy Arkansas]." The LPSC requests that the FERC (1) investigate the effect that Entergy Arkansas' notice of termination will have on the rates, charges, and billings under the System Agreement and the capacity and production costs of the remaining Utility operating companies and adopt remedies that are just and reasonable; and (2) provide for the continuation of the bandwidth payments by Entergy Arkansas, require Entergy Arkansas provide "generating capacity or wholesale power contracts to Entergy Louisiana and Entergy Gulf States-Louisiana sufficient to satisfy the rough production cost equalization requirements established in the System Agreement orders, or require "hold harmless protection be put in place to prevent any harm to [Entergy Louisiana] and [Entergy Gulf States-Louisiana] as a result of the impact of [Entergy Arkansas'] termination." The LPSC complaint further urges the FERC to find that "Entergy controls the actions of [Entergy Arkansas] and is responsible for and liable for any damages caused and remedies required due to [Entergy Arkansas'] termination." The Utility operating companies filed a response to the LPSC complaint on January 31, 2007 explaining that the System Agreement explicitly provides each Utility operating company the unilateral right to terminate its participation in the System Agreement upon 96 months written notice to the other Utility operating companies. This right is absolute and unambiguous and is not conditioned or limited in any way, as the LPSC's complaint would suggest. The unilateral right to terminate has been in the System Agreement at least since 1973 and the agreement has been litigated before the FERC by the LPSC on numerous occasions. At no point has the LPSC raised this issue nor has the FERC determined the termination provision to be unjust or unreasonable.

MPSC System Agreement Inquiry

In response to an inquiry from the MPSC, Entergy Mississippi advised the MPSC of its view that it would be premature to decide at this time whether to terminate Entergy Mississippi's participation in the current System Agreement. Entergy Mississippi indicated that it would report to the MPSC during the first quarter of 2007 regarding its continuing evaluation of the issues concerning Entergy Mississippi's participation in the current System Agreement.

Independent Coordinator of Transmission

In 2000, the FERC issued an order encouraging utilities to voluntarily place their transmission facilities under the control of independent RTOs (regional transmission organizations) by December 15, 2001. The FERC issued this order after previously requiring that utilities file an open access transmission tariff to implement the federal mandate to offer unused transmission capacity to the wholesale power marketplace on a nondiscriminatory basis. Delays in implementing the FERC RTO order have occurred due to a variety of reasons, including the fact that utility companies, other stakeholders, and federal and state regulators continue to work to resolve various issues related to the establishment of such RTOs.

In November 2006, after years of filings, orders, technical conferences, and proceedings at the FERC, the Utility operating companies installed the Southwest Power Pool (SPP) as their Independent Coordinator of Transmission (ICT). The installation does not transfer control of Entergy's transmission system to the ICT, but rather vests with the ICT responsibility for:

- granting or denying transmission service on the Utility operating companies' transmission system.
- administering the Utility operating companies' OASIS node for purposes of processing and evaluating transmission service requests and ensuring compliance with the Utility operating companies' obligation to post transmission-related information.

- developing a base plan for the Utility operating companies' transmission system that will result in the ICT making the determination on whether costs of transmission upgrades should be rolled into the Utility operating companies' transmission rates or directly assigned to the customer requesting or causing an upgrade to be constructed. This should result in a transmission pricing structure that ensures that the Utility operating companies' retail native load customers are required to pay for only those upgrades necessary to reliably serve their needs.
- serving as the reliability coordinator for the Entergy transmission system.
- overseeing the operation of the weekly procurement process (WPP).
- evaluating interconnection-related investments already made on the Entergy System for purposes of determining the future allocation of the uncredited portion of these investments, pursuant to a detailed methodology. The ICT agreement also clarifies the rights that customers receive when they fund a supplemental upgrade.

The initial term of the ICT is four years, and Entergy is precluded from terminating the ICT prior to the end of the four-year period. A transmission users group has been established that will provide input directly to the ICT. If there is a dispute between the ICT and Entergy concerning transmission service requests, transmission planning, and interconnection requests, the ICT's position will prevail during the pendency of the dispute resolution. In its April 2006 order approving Entergy's ICT proposal, the FERC stated that the WPP must be operational within approximately 14 months of the FERC order or the FERC may reevaluate all approvals to proceed with the ICT.

After the FERC issued its April 2006 order approving the ICT proposal, the Utility operating companies made their compliance filing with the FERC in May 2006, including the executed ICT agreement with SPP. Several parties filed protests regarding the compliance filing. In October 2006, the FERC accepted the Utility operating companies' compliance filing, with modification, and directed the Utility operating companies to install SPP as the ICT within 30 days of the order. As stated above, SPP was installed as the ICT in November 2006. The Utility operating companies filed a request for clarification with respect to two provisions of the FERC order accepting the compliance filing and several other parties have filed for rehearing of the FERC's order. The Utility operating companies submitted a revised compliance filing implementing the provisions of the FERC's October 2006 order. In addition to the requests for rehearing on the FERC's order accepting the compliance filing, certain parties have submitted requests for rehearing of the various FERC orders approving the ICT proposal. These requests for rehearing are also pending before the FERC.

On October 30, 2006, the Utility operating companies filed revisions to their Open Access Transmission Tariff ("OATT") with the FERC to establish a mechanism to recover from their wholesale transmission customers the (1) costs incurred to develop or join an RTO and to develop the ICT; and (2) the on-going costs that will be incurred under the ICT agreement. Several parties intervened opposing the proposed tariff revisions. On December 22, 2006 the FERC accepted for filing Entergy's proposed tariff revisions, and set them for hearing and settlement procedures. In its Order, the FERC concluded that the Utility operating companies "should be allowed the opportunity to recover its start up costs associated with its formation of the ICT and its participation in prior failed attempts to form an RTO," but that the proposed tariffs raised issues of fact that are more properly addressed through hearing and settlement procedures. Settlement discussions with the intervenors are currently ongoing.

In March 2004, the APSC initiated a proceeding to review Entergy's proposal and compare the benefits of such a proposal to the alternative of Entergy joining the Southwest Power Pool RTO. The APSC sought comments from all

interested parties on this issue. Various parties, including the APSC General Staff, filed comments opposing the ICT proposal. A public hearing has not been scheduled by the APSC at this time, although Entergy Arkansas has responded to various APSC data requests. In May 2004, Entergy Mississippi filed a petition for review with the MPSC requesting MPSC support for the ICT proposal. A hearing in that proceeding was held in August 2004. Entergy New Orleans appeared before the Utility Committee of the City Council in June 2005 to provide information on the ICT proposal. Entergy Louisiana and Entergy Gulf States filed an application with the LPSC requesting that the LPSC find that the ICT proposal is a prudent and appropriate course of action. A hearing in the LPSC proceeding on the ICT proposal was held in October 2005, and the LPSC voted to approve the ICT proposal in July 2006.

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Available Flowgate Capacity (AFC) Proceeding

On March 22, 2005, the FERC issued an order that holds Entergy's AFC hearing in abeyance pending action on Entergy's ICT filing. The order holding the hearing in abeyance further indicated that it would cancel the hearing when the ICT begins to perform its functions. On December 18, 2006, the Utility operating companies filed with the FERC a request to cancel the AFC hearing now that the ICT had been installed and assumed its responsibilities. One intervenor opposed the cancellation of the AFC hearing and other intervenors filed requesting that the FERC clarify that if the motion to cancel the hearing is granted, that such cancellation "does not affect the continuing obligation of Entergy to provide transmission meeting the standard of good utility practice."

FERC Investigations

In 2005, the Utility operating companies notified the FERC's Office of Market Oversight and Investigations (FERC enforcement) that certain historic data related to the hourly AFC models was inadvertently lost due to errors in the implementation of a data archiving process. The data at issue is hourly AFC data for the nine-month period April 27, 2004 through January 31, 2005. Subsequently, the Utility operating companies notified FERC enforcement that: (1) Entergy had identified certain instances in which transmission service either was granted when there was insufficient transmission capacity or was not granted when there was sufficient transmission capacity; and (2) Entergy had failed to timely post to Entergy's OASIS site certain curtailment and schedule information. Entergy cooperated fully and timely in the investigation of these instances. In January 2007, the FERC approved a settlement agreement between the Utility operating companies and the FERC enforcement staff resolving all issues arising out of or related to these issues. The Order accepting the Stipulation and Consent Agreement indicates that the matters "were generally the result of low-level employees' inadvertent actions, done without the knowledge or acquiescence of senior management. The matters did not reflect undue preference or undue discrimination and resulted in little or no quantifiable harm." Pursuant to the Stipulation and Consent Agreement, Entergy agreed to pay a \$2 million civil penalty and to make a \$1 million payment to the Nike/Entergy Green Schools for New Orleans Partnership. Additionally, the Stipulation and Consent Agreement required the establishment of a compliance plan that includes independent auditing provisions.

Following the notification of the potential loss by the Utility operating companies of AFC data, a separate, non-public investigation was initiated by the FERC to review the Utility operating companies' record retention policies and practices. In October 2006, the FERC enforcement issued an audit report addressing the Utility operating companies' compliance with the FERC's records retention regulations. The audit report notes the following: (i) one instance where the Utility operating companies' treatment of a contract failed to comply with a FERC-imposed record retention period and notification requirement; (ii) one instance where the Utility operating companies temporarily lost an individual record but were subsequently able to reproduce it; (iii) four instances where records were retained for the full period required by the FERC, but may have been inadvertently lost prior to a retention period required by a different agency or the Utility operating companies' internal retention requirements; and (iv) a limited number of instances where the Utility operating companies' internal policies could be improved. The findings and recommendations in the audit report, which were agreed to by the Utility operating companies, represent a consensual

resolution of the audit. Although these findings are not indicative of any significant areas of non-compliance, the Utility operating companies believe that the audit staff's recommendations will improve the records retention program and therefore agreed to implement the audit staff's recommendations.

The FERC is currently reviewing certain wholesale sales and purchases involving EPMC that occurred during the 1998-2001 time period. EPMC was an Entergy subsidiary engaged in non-regulated wholesale marketing and trading activities prior to the formation of Entergy-Koch. Entergy is working with the FERC investigation staff to provide information regarding these transactions.

Interconnection Orders

The Utility operating companies (except Entergy New Orleans) have been parties to several proceedings before the FERC in which independent generation entities (GenCos) are seeking a refund of monies that the GenCos had previously paid to the Entergy companies for

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facilities necessary to connect their generation facilities to Entergy's transmission system. In some of these cases the Utility operating companies filed rehearing requests that challenged the FERC's decision to grant the GenCos a refund of such amounts. Recently, the FERC issued orders that denied the Utility operating companies' rehearing requests, thereby upholding the refund of monies to the GenCos that was previously directed by the FERC. These recent findings retained Entergy's obligation to refund approximately \$124.0 million, including interest, in expenses and tax obligations previously paid by the GenCos, including \$35.7 million for Entergy Arkansas, \$32.5 million for Entergy Gulf States, \$32.6 million for Entergy Louisiana, and \$23.2 million for Entergy Mississippi. \$56.4 million of this amount has been refunded to date, including approximately \$22.3 million for Entergy Arkansas, \$3.3 million for Entergy Gulf States, \$21.9 million for Entergy Louisiana, and \$8.9 million for Entergy Mississippi.

The FERC has also recently denied rehearing of an order that directed Entergy Mississippi to refund to SMEPA the expense it incurred in constructing certain facilities necessary for the interconnection of its Silver Creek generating unit to Entergy's transmission system. Although Entergy Mississippi does not yet know the total expense and tax obligation associated with these SMEPA facilities, such amount is estimated at approximately \$10 million.

The FERC has also recently issued an order granting one of the complaints that have been pending before the FERC concerning other GenCos' requests that they receive refunds for certain facilities necessary for their interconnections with the Utility operating companies. The order requires Entergy Gulf States to refund approximately \$5.4 million to the GenCo. This refund, along with those referenced above, has been and will continue to be primarily provided in the form of credits against transmission charges over time as the GenCos take transmission service from Entergy.

The Utility operating companies (except Entergy New Orleans) continue to be subject to several pending, but not acted upon, complaints where GenCos are seeking additional refunds from the Utility operating companies. While these matters concern the same issues addressed by the FERC in the cases described above, the FERC has not yet acted in these dockets, in which approximately \$49.4 million in expenses previously paid by the GenCos is in dispute, including \$26.8 million for Entergy Arkansas, \$6.2 million for Entergy Gulf States, \$8.0 million for Entergy Louisiana, and \$8.4 million for Entergy Mississippi.

To the extent the Utility operating companies have been ordered to provide refunds, or may in the future be ordered to provide additional refunds, the majority of these costs will qualify for inclusion in the Utility operating companies' rates. The recovery of these costs is not automatic, however, especially at the retail level, where the majority of the cost recovery would occur. With respect to the facilities for which FERC has ordered refunds, the Utility operating companies intend to request the ICT to evaluate the classification of facilities that have produced the refunds. Any reclassification by the ICT could reduce the amount of refunds not yet credited against transmission charges.

Market-based Rate Authority

On May 5, 2005, the FERC instituted a proceeding under Section 206 of the FPA to investigate whether Entergy satisfies the FERC's transmission market power and affiliate abuse/reciprocal dealing standards for the granting of market-based rate authority, and established a refund effective date pursuant to the provisions of Section 206, for purposes of the additional issues set for hearing. However, the FERC decided to hold that investigation in abeyance pending the outcomes of the ICT proceeding and Entergy's affiliate purchased power agreements proceeding. On June 6, 2005, Entergy sought rehearing of the May 5 Order and that request for rehearing is pending.

On July 22, 2005, Entergy notified the FERC that it was withdrawing its request for market-based rate authority for sales within its control area. Instead, the Utility operating companies and their affiliates will transact at cost-based rates for wholesale sales within the Entergy control area. On November 1, 2005, Entergy submitted proposed cost-based rates for both the Utility operating companies and Entergy's non-regulated entities that sell at wholesale within the Entergy control area. The Utility operating companies' cost-based rates were accepted for filing by the FERC, however, the non-regulated entities' cost-based rate filing was set for hearing and settlement procedures. A settlement in principle has been reached between

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the non-regulated entities and the FERC Staff concerning this issue. Separately, the FERC accepted for filing Entergy Gulf States' proposed cost-based rates for wholesale sales to three separate municipalities. Additionally, Entergy reserves its right to request market-based rate authority for sales within its control area in the future. The relinquishment of market-based rates for sales within the Entergy control area is not expected to have a material effect on the financial results of Entergy.

Energy Policy Act of 2005

The Energy Policy Act of 2005 became law in August 2005. The legislation contains electricity provisions that, among other things:

- Repealed PUHCA 1935, through enactment of PUHCA 2005, effective February 8, 2006; PUHCA 2005 and/or related amendments to Section 203(a) of the Federal Power Act (a) remove various limitations on Entergy Corporation as a registered holding company under PUHCA 1935; (b) require the maintenance and retention of books and records by certain holding company system companies for inspection by the FERC and state commissions, as appropriate; and (c) effectively leave to the jurisdiction of the FERC (or state or local regulatory bodies, as appropriate) (i) the issuance by an electric utility of securities; (ii) (A) the disposition of jurisdictional FERC electric facilities by an electric utility; (B) the acquisition by an electric utility of securities of an electric utility; (C) the acquisition by an electric utility of electric generating facilities (in each of the cases in (A), (B) and

(C) only in transactions in excess of \$10 million); (iv) electric public utility mergers; and (v) the acquisition by an electric public utility holding company of securities of an electric public utility company or its holding company in excess of \$10 million or the merger of electric public utility holding company systems. PUHCA 2005 and the related FERC rule-making also provide a savings provision which permits continued reliance on certain PUHCA 1935 rules and orders after the repeal of PUHCA 1935.

- Codifies the concept of participant funding or cost causation, a form of cost allocation for transmission interconnections and upgrades, and allows the FERC to apply participant funding in all regions of the country. Participant funding helps ensure that a utility's native load customers only bear the costs that are necessary to provide reliable transmission service to them and not bear costs imposed by generators (the participants) who seek to deliver power to other regions.
- Provides financing benefits, including loan guarantees and production tax credits, for new nuclear plant construction, and reauthorizes the Price-Anderson Act, the law that provides an umbrella of insurance protection for the payment of public liability claims in the event of a major nuclear power plant incident.
- Revises current tax law treatment of nuclear decommissioning trust funds by allowing regulated and non-regulated taxpayers to make deductible contributions to fund the entire amount of estimated future decommissioning costs.
- Provides a more rapid tax depreciation schedule for transmission assets to encourage investment.
- Creates mandatory electricity reliability guidelines with enforceable penalties to help ensure that the nation's power transmission grid is kept in good repair and that disruptions in the electricity system are minimized. Entergy already voluntarily complies with National Electricity Reliability Council standards, which are similar to the guidelines mandated by the Energy Policy Act of 2005.
- Establishes conditions for the elimination of the Public Utility Regulatory Policy Act's (PURPA) mandatory purchase obligation from qualifying facilities.
- Significantly increased the FERC's authorization to impose criminal and civil penalties for violations of the provisions of the Federal Power Act.

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Market and Credit Risk Sensitive Instruments

Market risk is the risk of changes in the value of commodity and financial instruments, or in future operating results or cash flows, in response to changing market conditions. Entergy holds commodity and financial instruments that are exposed to the following significant market risks:

- The commodity price risk associated with Entergy's Non-Utility Nuclear business.
- The interest rate and equity price risk associated with Entergy's investments in decommissioning trust funds, particularly in the Non-Utility Nuclear business. See Note 17 to the financial statements for details regarding Entergy's decommissioning trust funds.
- The interest rate risk associated with changes in interest rates as a result of Entergy's issuances of debt. Entergy manages its interest rate exposure by monitoring current interest rates and its debt outstanding in relation to total capitalization. See Notes 4 and 5 to the financial statements for the details of Entergy's debt outstanding.

Entergy's commodity and financial instruments are also exposed to credit risk. Credit risk is the risk of loss from nonperformance by suppliers, customers, or financial counterparties to a contract or agreement. Credit risk also includes potential demand on liquidity due to collateral requirements within supply or sales agreements.

Commodity Price Risk

Power Generation

The sale of electricity from the power generation plants owned by Entergy's Non-Utility Nuclear business, unless otherwise contracted, is subject to the fluctuation of market power prices. Entergy's Non-Utility Nuclear business has entered into PPAs and other contracts to sell the power produced by its power plants at prices established in the PPAs. Entergy continues to pursue opportunities to extend the existing PPAs and to enter into new PPAs with other parties. Following is a summary of the amount of the Non-Utility Nuclear business' output that is currently sold forward under physical or financial contracts:

	2007	2008	2009	2010	2011
Non-Utility Nuclear (including pending Palisades acquisition)					
:					
Percent of planned generation sold forward:					
Unit-contingent	43%	45%	36%	23%	23%
Unit-contingent with guarantee of availability	45%	36%	28%	22%	7%
(1)					
Firm liquidated damages	7%	4%	0%	0%	0%
Total	95%	85%	64%	45%	30%
Planned generation (TWh)	38	41	41	41	41
Average contracted price per MWh	\$49	\$53	\$57	\$53	\$47

- (1) A sale of power on a unit contingent basis coupled with a guarantee of availability provides for the payment to the power purchaser of contract damages, if incurred, in the event the seller fails to deliver power as a result of the failure of the specified generation unit to generate power at or above a specified availability threshold. All of Entergy's outstanding guarantees of availability provide for dollar limits on Entergy's maximum liability under such guarantees.

The Vermont Yankee acquisition included a 10-year PPA under which the former owners will buy most of the power produced by the plant, which is through the expiration in 2012 of the current operating license for the plant. The PPA includes an adjustment clause under which the prices specified in the PPA will be adjusted downward monthly, beginning in November 2005, if power market prices drop below PPA prices, which has not happened thus far and is not expected in the foreseeable future.

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Non-Utility Nuclear's purchase of the Fitzpatrick and Indian Point 3 plants from NYPA included value sharing agreements with NYPA. Under the value sharing agreements, to the extent that the average annual price of the energy sales from each of the two plants exceeds specified strike prices, the Non-Utility Nuclear business will pay 50% of the amount exceeding the strike prices to NYPA. These payments, if required, will be recorded as adjustments to the purchase price of the plants. The annual energy sales subject to the value sharing agreements are limited to the lesser of actual generation or generation assuming an 85% capacity factor based on the plants' capacities at the time of the purchase. The value sharing agreements are effective through 2014. The strike prices for Fitzpatrick range from \$37.51/MWh in 2005 increasing by approximately 3.5% each year to \$51.30/MWh in 2014, and the strike prices for Indian Point 3 range from \$42.26/MWh in 2005 increasing by approximately 3.5% each year to \$57.77/MWh in 2014.

Non-Utility Nuclear calculated that no payment was owed to NYPA under the value sharing agreements for 2005. On November 1, 2006, NYPA filed a demand for arbitration claiming that \$90.5 million was due to NYPA under these agreements for 2005. Non-Utility Nuclear has filed a motion in New York State court to determine whether NYPA's claim should be decided by a court as opposed to by an arbitrator. Regardless of whether a court or an arbitrator decides NYPA's claim, Non-Utility Nuclear disagrees with NYPA's interpretation of the value sharing agreements, believes it has meritorious defenses to NYPA's claims, and intends to litigate those claims vigorously.

Some of the agreements to sell the power produced by Entergy's Non-Utility Nuclear power plants contain provisions that require an Entergy subsidiary to provide collateral to secure its obligations under the agreements. The Entergy subsidiary will be required to provide collateral based upon the difference between the current market and contracted power prices in the regions where Non-Utility Nuclear sells power. The primary form of collateral to satisfy these requirements would be an Entergy Corporation guaranty. Cash and letters of credit are also acceptable forms of collateral. At December 31, 2006, based on power prices at that time, Entergy had in place as collateral \$810 million of Entergy Corporation guarantees for wholesale transactions, including \$88 million of guarantees that support letters of credit. The assurance requirement associated with Non-Utility Nuclear is estimated to increase by an amount up to \$303 million if gas prices increase \$1 per MMBtu in both the short- and long-term markets. In the event of a decrease in Entergy Corporation's credit rating to below investment grade, Entergy will be required to replace Entergy Corporation guarantees with cash or letters of credit under some of the agreements.

In addition to selling the power produced by its plants, the Non-Utility Nuclear business sells installed capacity to load-serving distribution companies in order for those companies to meet requirements placed on them by the ISO in their area. Following is a summary of the amount of the Non-Utility Nuclear business' installed capacity that is currently sold forward, and the blended amount of the Non-Utility Nuclear business' planned generation output and installed capacity that is currently sold forward:

	2007	2008	2009	2010	2011
Non-Utility Nuclear (including pending Palisades acquisition)					
:					
Percent of capacity sold forward:					
Bundled capacity and energy contracts	21%	27%	27%	27%	26%
Capacity contracts	66%	39%	26%	9%	3%
Total	87%	66%	53%	36%	29%
Planned net MW in operation (average for 2007 to reflect pending Palisades acquisition during the year)	4,732	4,998	4,998	4,998	4,998
Average capacity contract price per kW per month	\$1.7	\$1.4	\$1.3	\$1.7	\$2.0
<u>Blended Capacity and Energy (based on revenues)</u>					
% of planned generation and capacity sold forward	93%	80%	60%	39%	23%
Average contract revenue per MWh	\$50	\$54	\$58	\$53	\$47

As of December 31, 2006, approximately 97% of Non-Utility Nuclear's counterparty exposure from energy and capacity contracts is with counterparties with investment grade credit ratings.

Entergy continually monitors industry trends in order to determine whether asset impairments or other losses could result from a decline in value, or cancellation, of merchant power projects, and records provisions for impairments and losses accordingly. As discussed in "**Results of Operations**" above, in 2004 Entergy determined that the value of the Warren Power plant owned by the non-nuclear wholesale assets business was impaired, and recorded the appropriate provision for the loss.

Central States Compact Claim

The Low-Level Radioactive Waste Policy Act of 1980 holds each state responsible for disposal of low-level radioactive waste originating in that state, but allows states to participate in regional compacts to fulfill their responsibilities jointly. Arkansas and Louisiana participate in the Central Interstate Low-Level Radioactive Waste Compact (Central States Compact or Compact). Commencing in early 1988, Entergy Arkansas, Entergy Gulf States, and Entergy Louisiana made a series of contributions to the Central States Compact to fund the Central States

Compact's development of a low-level radioactive waste disposal facility to be located in Boyd County, Nebraska. In December 1998, Nebraska, the host state for the proposed Central States Compact disposal facility, denied the compact's license application for the proposed disposal facility. Several parties, including the commission that governs the compact (the Compact Commission), filed a lawsuit against Nebraska seeking damages resulting from Nebraska's denial of the proposed facility's license. After a trial, the U.S. District Court concluded that Nebraska violated its good faith obligations regarding the proposed waste disposal facility and rendered a judgment against Nebraska in the amount of \$151 million. In August 2004, Nebraska agreed to pay the Compact \$141 million in settlement of the judgment. In July 2005, the Compact Commission decided to distribute a substantial portion of the proceeds from the settlement to the nuclear power generators that had contributed funding for the Boyd County facility, including Entergy Arkansas, Entergy Gulf States, and Entergy Louisiana. On August 1, 2005, Nebraska paid \$145 million, including interest, to the Compact, and the Compact distributed from the settlement proceeds \$23.6 million to Entergy Arkansas, \$19.9 million to Entergy Gulf States, and \$19.4 million to Entergy Louisiana. The proceeds caused an increase in pre-tax earnings of \$28.7 million.

Critical Accounting Estimates

The preparation of Entergy's financial statements in conformity with generally accepted accounting principles requires management to apply appropriate accounting policies and to make estimates and judgments that can have a significant effect on reported financial position, results of operations, and cash flows. Management has identified the following accounting policies and estimates as critical because they are based on assumptions and measurements that involve a high degree of uncertainty, and the potential for future changes in the assumptions and measurements that could produce estimates that would have a material effect on the presentation of Entergy's financial position or results of operations.

Nuclear Decommissioning Costs

Entergy owns a significant number of nuclear generation facilities in both its Utility and Non-Utility Nuclear business units. Regulations require Entergy to decommission its nuclear power plants after each facility is taken out of service, and money is collected and deposited in trust funds during the facilities' operating lives in order to provide for this obligation. Entergy conducts periodic decommissioning cost studies to estimate the costs that will be incurred to decommission the facilities. The following key assumptions have a significant effect on these estimates:

- Cost Escalation Factors

- Entergy's decommissioning revenue requirement studies include an assumption that decommissioning costs will escalate over present cost levels by annual factors ranging from approximately CPI-U to 5.5%. A 50 basis point change in this assumption could change the ultimate cost of decommissioning a facility by as much as 11%.

- Timing

- In projecting decommissioning costs, two assumptions must be made to estimate the timing of plant decommissioning. First, the date of the plant's retirement must be estimated. The expiration of the plant's operating license is typically used for this purpose, but the assumption may be made that the plant will be relicensed and operate for some time beyond the original license term. Second, an assumption must be

- made whether decommissioning will begin immediately upon plant retirement, or whether the plant will be held in "safestore" status for later decommissioning, as permitted by applicable regulations. While the effect of these assumptions cannot be determined with precision, assuming either license extension or use of a "safestore" status can possibly change the present value of these obligations. Future revisions to appropriately reflect changes needed to the estimate of decommissioning costs will affect net income, only to the extent that the estimate of any reduction in the liability exceeds the amount of the undepreciated asset retirement cost at the date of the revision, for unregulated portions of Entergy's business. Any increases in the liability recorded due to such changes are capitalized and depreciated over the asset's remaining economic life in accordance with SFAS 143.
- Spent Fuel Disposal
 - Federal regulations require the DOE to provide a permanent repository for the storage of spent nuclear fuel, and legislation has been passed by Congress to develop this repository at Yucca Mountain, Nevada. Until this site is available, however, nuclear plant operators must provide for interim spent fuel storage on the nuclear plant site, which can require the construction and maintenance of dry cask storage sites or other facilities. The costs of developing and maintaining these facilities can have a significant effect (as much as 16% of estimated decommissioning costs). Entergy's decommissioning studies may include cost estimates for spent fuel storage. However, these estimates could change in the future based on the timing of the opening of the Yucca Mountain facility, the schedule for shipments to that facility when it is opened, or other factors.
- Technology and Regulation

- To date, there is limited practical experience in the United States with actual decommissioning of large nuclear facilities. As experience is gained and technology changes, cost estimates could also change. If regulations regarding nuclear decommissioning were to change, this could have a potentially significant effect on cost estimates. The effect of these potential changes is not presently determinable. Entergy's decommissioning cost studies assume current technologies and regulations.

In the third quarter of 2004, Entergy Gulf States recorded a revision to its estimated decommissioning cost liability in accordance with a new decommissioning cost study for River Bend that reflected an expected life extension for the plant. The revised estimate resulted in a \$116.8 million reduction in decommissioning liability, along with a \$31.3 million reduction in utility plant, a \$40.1 million reduction in the related regulatory asset, and a regulatory liability of \$17.7 million. For the portion of River Bend not subject to cost-based ratemaking, the revised estimate resulted in the elimination of the asset retirement cost that had been recorded at the time of adoption of SFAS 143 with the remainder recorded as miscellaneous income of \$27.7 million (\$17 million net-of-tax).

In the third quarter of 2004, Entergy's Non-Utility Nuclear business recorded a reduction of \$20.3 million in its decommissioning cost liability to reflect changes in assumptions regarding the timing of when the decommissioning of a plant will begin. Entergy considered the assumptions as part of recent studies evaluating the economic effect of the plant in its region. The revised estimate resulted in miscellaneous income of \$20.3 million (\$11.9 million net-of-tax).

In the first quarter of 2005, Entergy's Non-Utility Nuclear business recorded a reduction of \$26.0 million in its decommissioning cost liability in conjunction with a new decommissioning cost study as a result of revised decommissioning costs and changes in assumptions regarding the timing of the decommissioning of a plant. The revised estimate resulted in miscellaneous income of \$26.0 million (\$15.8 million net-of-tax), reflecting the excess of the reduction in the liability over the amount of undepreciated assets.

In the second quarter of 2005, Entergy Louisiana recorded a revision to its estimated decommissioning cost liability in accordance with a new decommissioning cost study for Waterford 3 that reflected an expected life extension for the

plant. The revised estimate resulted in a \$153.6 million reduction in its decommissioning liability, along with a \$49.2 million reduction in utility plant and a \$104.4 million reduction in the related regulatory asset.

In the third quarter of 2005, Entergy Arkansas recorded a revision to its estimated decommissioning cost liability for ANO 2 in accordance with the receipt of approval by the NRC of Entergy Arkansas' application for a life extension for the unit. The revised estimate resulted in an \$87.2 million

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reduction in its decommissioning liability, along with a corresponding reduction in the related regulatory asset.

In the third quarter of 2005, System Energy recorded a revision to its estimated decommissioning cost liability in accordance with a new decommissioning cost study for Grand Gulf. The revised estimate resulted in a \$41.4 million reduction in the decommissioning cost liability for Grand Gulf, along with a \$39.7 million reduction in utility plant and a \$1.7 million reduction in the related regulatory asset.

In the third quarter of 2006, Entergy's Non-Utility Nuclear business recorded a reduction of \$27 million in decommissioning liability for a plant as a result of a revised decommissioning cost study and changes in assumptions regarding the timing of when decommissioning of the plant will begin. The revised estimate resulted in miscellaneous income of \$27 million (\$16.6 million net-of-tax), reflecting the excess of the reduction in the liability over the amount of undepreciated asset retirement cost recorded at the time of adoption of SFAS 143.

Unbilled Revenue

As discussed in Note 1 to the consolidated financial statements, Entergy records an estimate of the revenues earned for energy delivered since the latest customer billing. Each month the estimated unbilled revenue amounts are recorded as revenue and a receivable, and the prior month's estimate is reversed. The difference between the estimate of the unbilled receivable at the beginning of the period and the end of the period is the amount of unbilled revenue recognized during the period. The estimate recorded is primarily based upon an estimate of customer usage during the unbilled period and the billed price to customers in that month, including fuel price. Therefore, revenue recognized may be affected by the estimated price and usage at the beginning and end of each period and fuel price fluctuations, in addition to changes in certain components of the calculation. Effective January 1, 2006, Entergy Louisiana and the Louisiana portion of Entergy Gulf States reclassified the fuel component of unbilled accounts receivable to deferred fuel and will no longer include the fuel component in the unbilled calculation, which is in accordance with regulatory treatment.

Impairment of Long-lived Assets

Entergy has significant investments in long-lived assets in all of its segments, and Entergy evaluates these assets against the market economics and under the accounting rules for impairment whenever there are indications that impairments may exist. This evaluation involves a significant degree of estimation and uncertainty, and these estimates are particularly important in Entergy's Utility business and the non-nuclear wholesale assets business. In the Utility business, portions of River Bend and Grand Gulf are not included in rate base, which could reduce the revenue that would otherwise be recovered for the applicable portions of those units' generation. In the non-nuclear wholesale assets business, Entergy's investments in merchant generation assets are subject to impairment if adverse market

conditions arise.

In order to determine if Entergy should recognize an impairment of a long-lived asset that is to be held and used, accounting standards require that the sum of the expected undiscounted future cash flows from the asset be compared to the asset's carrying value. If the expected undiscounted future cash flows exceed the carrying value, no impairment is recorded; if such cash flows are less than the carrying value, Entergy is required to record an impairment charge to write the asset down to its fair value. If an asset is held for sale, an impairment is required to be recognized if the fair value (less costs to sell) of the asset is less than its carrying value.

These estimates are based on a number of key assumptions, including:

- Future power and fuel prices

- Electricity and gas prices have been very volatile in recent years, and this volatility is expected to continue. This volatility necessarily increases the imprecision inherent in the long-term forecasts of commodity prices that are a key determinant of estimated future cash flows.

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- Market value of generation assets

- Valuing assets held for sale requires estimating the current market value of generation assets. While market transactions provide evidence for this valuation, the market for such assets is volatile and the value of individual assets is impacted by factors unique to those assets.

- Future operating costs

- Entergy assumes relatively minor annual increases in operating costs. Technological or regulatory changes that have a significant impact on operations could cause a significant change in these assumptions.

In the fourth quarter of 2005, Entergy recorded a charge of \$39.8 million (\$25.8 million net-of-tax) as a result of the impairment of the Competitive Retail Services business' information technology systems. Entergy decided to divest the retail electric portion of the Competitive Retail Services business operating in the ERCOT region of Texas and, in connection with that decision, management evaluated the carrying amount of the Competitive Retail Services business' information technology systems and determined that an impairment provision should be recorded.

In the fourth quarter of 2004, Entergy recorded a charge of approximately \$55 million (\$36 million net-of-tax) as a result of an impairment of the value of the Warren Power plant. Entergy concluded that the value of the plant, which is owned in the non-nuclear wholesale assets business, was impaired. Entergy reached this conclusion based on valuation studies prepared in connection with the Entergy Asset Management stock sale discussed above in "**Results of Operations.**"

Qualified Pension and Other Postretirement Benefits

Entergy sponsors qualified, defined benefit pension plans which cover substantially all employees. Additionally, Entergy currently provides postretirement health care and life insurance benefits for substantially all employees who reach retirement age while still working for Entergy. Entergy's reported costs of providing these benefits, as described

in Note 11 to the consolidated financial statements, are impacted by numerous factors including the provisions of the plans, changing employee demographics, and various actuarial calculations, assumptions, and accounting mechanisms. Because of the complexity of these calculations, the long-term nature of these obligations, and the importance of the assumptions utilized, Entergy's estimate of these costs is a critical accounting estimate for the Utility and Non-Utility Nuclear segments.

Assumptions

Key actuarial assumptions utilized in determining these costs include:

- Discount rates used in determining the future benefit obligations;
- Projected health care cost trend rates;
- Expected long-term rate of return on plan assets; and
- Rate of increase in future compensation levels.

Entergy reviews these assumptions on an annual basis and adjusts them as necessary. The falling interest rate environment and worse-than-expected performance of the financial equity markets in previous years have impacted Entergy's funding and reported costs for these benefits. In addition, these trends have caused Entergy to make a number of adjustments to its assumptions.

In selecting an assumed discount rate to calculate benefit obligations, Entergy reviews market yields on high-quality corporate debt and matches these rates with Entergy's projected stream of benefit payments. Based on recent market trends, Entergy increased its discount rate used to calculate benefit obligations from 5.9% in 2005 to 6.00% in 2006. Entergy's assumed discount rate used to calculate the 2004 benefit obligations was 6.00%. Entergy reviews actual recent cost trends and projected future trends in establishing health care cost trend rates. Based on this review, Entergy's health care cost trend rate assumption used in calculating the December 31, 2006 accumulated postretirement benefit obligation was a 10% increase in health care costs in 2007 gradually decreasing each successive year, until it reaches a 4.5% annual increase in health care costs in 2012 and beyond.

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In determining its expected long-term rate of return on plan assets, Entergy reviews past long-term performance, asset allocations, and long-term inflation assumptions. Entergy targets an asset allocation for its pension plan assets of roughly 65% equity securities, 31% fixed-income securities and 4% other investments. The target allocation for Entergy's other postretirement benefit assets is 51% equity securities and 49% fixed-income securities. Entergy's expected long-term rate of return on plan assets used to calculate benefit obligations was 8.5% in 2006, 2005 and 2004. The assumed rate of increase in future compensation levels used to calculate benefit obligations was 3.25% in 2006, 2005 and 2004.

Cost Sensitivity

The following chart reflects the sensitivity of qualified pension cost to changes in certain actuarial assumptions (dollars in thousands):

Actuarial Assumption	Change in Assumption	Impact on 2006 Qualified Pension Cost Increase/(Decrease)	Impact on Qualified Projected Benefit Obligation
Discount rate	(0.25%)	\$11,746	\$110,087
Rate of return on plan assets	(0.25%)	\$5,311	-

Rate of increase in compensation	0.25%	\$6,034	\$33,326
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The following chart reflects the sensitivity of postretirement benefit cost to changes in certain actuarial assumptions (dollars in thousands):

Actuarial Assumption	Change in Assumption	Impact on 2006 Postretirement Benefit Cost Increase/(Decrease)	Impact on Accumulated Postretirement Benefit Obligation
Health care cost trend	0.25%	\$5,294	\$25,774
Discount rate	(0.25%)	\$3,510	\$31,008

Each fluctuation above assumes that the other components of the calculation are held constant.

Accounting Mechanisms

In September 2006, FASB issued SFAS 158, "Employer's Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment of FASB Statements Nos. 87, 88, 106 and 132(R)," to be effective December 31, 2006. SFAS 158 requires an employer to recognize in its balance sheet the funded status of its benefit plans. Refer to Note 11 to the financial statements for a further discussion of SFAS 158 and Entergy's funded status.

In accordance with SFAS No. 87, "Employers' Accounting for Pensions," Entergy utilizes a number of accounting mechanisms that reduce the volatility of reported pension costs. Differences between actuarial assumptions and actual plan results are deferred and are amortized into expense only when the accumulated differences exceed 10% of the greater of the projected benefit obligation or the market-related value of plan assets. If necessary, the excess is amortized over the average remaining service period of active employees.

Additionally, Entergy accounts for the effect of asset performance on pension expense over a twenty-quarter phase-in period through a "market-related" value of assets calculation. Since the market-related value of assets recognizes investment gains or losses over a twenty-quarter period, the future value of assets will be impacted as previously deferred gains or losses are recognized.

Entergy's qualified pension accumulated benefit obligation at December 31, 2005 exceeded plan assets. As a result, Entergy was required to recognize an additional minimum pension liability as prescribed by SFAS 87. At December 31, 2005, Entergy's qualified pension plans' additional

minimum pension liability was \$406 million (\$382 million net of related pension assets). Other comprehensive income was \$15 million at December 31, 2005, after reductions for the unrecognized prior service cost, amounts recoverable in rates, and taxes. Net income for 2005 and 2004 was not affected. In accordance with SFAS 158, the additional minimum pension liability has been replaced in 2006 with the recording of the funded status of the defined benefit and other postretirement benefit plans.

Costs and Funding

In 2006, Entergy's total qualified pension cost was \$131 million. Entergy anticipates 2007 qualified pension cost to decrease to \$128 million (including Entergy New Orleans' cost of \$2.8 million) due to an increase in the discount rate (from 5.90% to 6.00%) and 2006 actual return on plan assets greater than 8.5%. Pension funding was \$318 million for 2006, including the 2005 contribution of \$107 million that was delayed until 2006 as a result of the Katrina Emergency Tax Relief Act. Entergy's contributions to the pension trusts are projected to be \$176 million in 2007, including Entergy New Orleans' contribution of \$44 million.

The Pension Protection Act of 2006 was signed by the President on August 17, 2006. The intent of the legislation is to require companies to fund 100% of their pension liability; and then for companies to fund, on a going-forward basis, an amount generally estimated to be the amount that the pension liability increases each year due to an additional year of service by the employees eligible for pension benefits. The legislation requires that funding shortfalls be eliminated by companies over a seven-year period, beginning in 2008. The Pension Protection Act also extended the provisions of the Pension Funding Equity Act that would have expired in 2006 had the Pension Protection Act not been enacted, which increased the allowed discount rate used to calculate the pension funding liability.

Total postretirement health care and life insurance benefit costs for Entergy in 2006 were \$90 million, including \$28 million in savings due to the estimated effect of future Medicare Part D subsidies. Entergy expects 2007 postretirement health care and life insurance benefit costs to be \$88 million (including Entergy New Orleans' costs of \$5 million). This includes a projected \$26 million in savings due to the estimated effect of future Medicare Part D subsidies. The decrease in postretirement health care and life insurance benefit costs is due to the increase in the discount rate (from 5.9% to 6.00%) and plan amendments in the Non-Utility Nuclear plans.

Other Contingencies

As a company with multi-state domestic utility operations and a history of international investments, Entergy is subject to a number of federal, state, and international laws and regulations and other factors and conditions in the areas in which it operates, which potentially subject it to environmental, litigation, and other risks. Entergy periodically evaluates its exposure for such risks and records a reserve for those matters which are considered probable and estimable in accordance with generally accepted accounting principles.

Environmental

Entergy must comply with environmental laws and regulations applicable to the handling and disposal of hazardous waste. Under these various laws and regulations, Entergy could incur substantial costs to restore properties consistent with the various standards. Entergy conducts studies to determine the extent of any required remediation and has recorded reserves based upon its evaluation of the likelihood of loss and expected dollar amount for each issue. Additional sites could be identified which require environmental remediation for which Entergy could be liable. The amounts of environmental reserves recorded can be significantly affected by the following external events or conditions:

- Changes to existing state or federal regulation by governmental authorities having jurisdiction over air quality, water quality, control of toxic substances and hazardous and solid wastes, and other environmental matters.

- The identification of additional sites or the filing of other complaints in which Entergy may be asserted to be a potentially responsible party.
- The resolution or progression of existing matters through the court system or resolution by the EPA.

Litigation

Entergy has been named as defendant in a number of lawsuits involving employment, ratepayer, and injuries and damages issues, among other matters. Entergy periodically reviews the cases in which it has been named as defendant and assesses the likelihood of loss in each case as probable, reasonably estimable, or remote and records reserves for cases which have a probable likelihood of loss and can be estimated. Notes 2 and 8 to the financial statements include more detail on ratepayer and other lawsuits and management's assessment of the adequacy of reserves recorded for these matters. Given the environment in which Entergy operates, and the unpredictable nature of many of the cases in which Entergy is named as a defendant, however, the ultimate outcome of the litigation Entergy is exposed to has the potential to materially affect the results of operations of Entergy, or its operating company subsidiaries.

Sales Warranty and Tax Reserves

Entergy's operations, including acquisitions and divestitures, require Entergy to evaluate risks such as the potential tax effects of a transaction, or warranties made in connection with such a transaction. Entergy believes that it has adequately assessed and provided for these types of risks, where applicable. Any reserves recorded for these types of issues, however, could be significantly affected by events such as claims made by third parties under warranties, additional transactions contemplated by Entergy, or completion of reviews of the tax treatment of certain transactions or issues by taxing authorities. Tax reserves not expected to reverse within the next year are reflected as non-current taxes accrued in the financial statements. Entergy does not expect a material adverse effect on earnings from these matters.

New Accounting Pronouncements

FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes" (FIN 48) was issued in July 2006 and is effective for Entergy in the first quarter of 2007. FIN 48 establishes a "more-likely-than-not" recognition threshold that must be met before a tax benefit can be recognized in the financial statements. If a tax deduction is taken on a tax return, but does not meet the more-likely-than-not recognition threshold, an increase in income tax liability, above what is payable on the tax return, is required to be recorded. Additional disclosure in the footnotes to the financial statements will also be required for such liabilities. Entergy does not expect that the adoption of FIN 48 will materially affect its financial position, results of operations, or cash flows. Entergy expects that the cumulative effect of the adoption of FIN 48 will result in a reduction to consolidated retained earnings at January 1, 2007 in the range of \$3 million to \$5 million.

In September 2006 the FASB issued Statement of Financial Accounting Standards No. 157, "Fair Value Measurements" (SFAS 157), which defines fair value, establishes a framework for measuring fair value in GAAP, and expands disclosures about fair value measurements. SFAS 157 generally does not require any new fair value measurements. However, in some cases, the application of SFAS 157 in the future may change Entergy's practice for measuring and disclosing fair values under other accounting pronouncements that require or permit fair value measurements. SFAS 157 is effective for Entergy in the first quarter 2008 and will be applied prospectively. Entergy is currently evaluating SFAS 157 and its potential future impacts on its financial position, results of operations, and cash flows.

In February 2007 the FASB issued Statement of Financial Accounting Standards No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities" (SFAS 159), which permits entities to choose to measure many financial

instruments and certain other items at fair value. SFAS 159 is effective for Entergy in the first quarter 2008, and because SFAS 159 was recently issued Entergy's evaluation is in its initial stages.

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**ENTERGY CORPORATION AND SUBSIDIARIES
SELECTED FINANCIAL DATA - FIVE-YEAR COMPARISON**

	2006	2005	2004	2003	2002
	(In Thousands, Except Percentages and Per Share Amounts)				
Operating revenues	\$10,932,158	\$10,106,247	\$9,685,521	\$9,032,714	\$8,299,052
Income from continuing operations	\$1,133,098	\$943,125	\$909,565	\$804,273(1)	\$609,915
Earnings per share from continuing operations					
Basic	\$5.46	\$4.49	\$4.01	\$3.55	\$2.73
Diluted	\$5.36	\$4.40	\$3.93	\$3.48	\$2.68
Dividends declared per share	\$2.16	\$2.16	\$1.89	\$1.60	\$1.34
Return on common equity	14.21%	11.20%	10.70%	11.21%	7.85%
Book value per share, year-end	\$40.45	\$37.31	\$38.25	\$38.02	\$35.24
Total assets	\$31,082,731	\$30,857,657	\$28,310,777	\$28,527,388	\$27,504,366
Long-term obligations (2)	\$8,996,620	\$9,013,448	\$7,180,291	\$7,497,690	\$7,488,919

(1) Before cumulative effect of accounting changes.

(2) Includes long-term debt (excluding currently maturing debt), preferred stock with sinking fund, and noncurrent capital lease obligations.

	2006	2005	2004	2003	2002
	(Dollars In Millions)				
Utility Electric Operating					
Revenues:					
Residential	\$3,193	\$2,912	\$2,842	\$2,683	\$2,440
Commercial	2,318	2,041	2,045	1,882	1,673
Industrial	2,630	2,419	2,311	2,082	1,850
Governmental	155	141	200	195	179
Total retail	8,296	7,513	7,398	6,842	6,142
Sales for resale (1)	612	656	390	371	330
Other	155	278	145	184	174
Total	\$9,063	\$8,447	\$7,933	\$7,397	\$6,646
Utility Billed Electric					
Energy Sales (GWh):					
Residential	31,665	31,569	32,897	32,817	32,581
Commercial	25,079	24,401	26,468	25,863	25,354
Industrial	38,339	37,615	40,293	38,637	41,018
Governmental	1,580	1,568	2,568	2,651	2,678
Total retail	96,663	95,153	102,226	99,968	101,631
Sales for resale (1)	10,803	11,459	8,623	9,248	9,828
Total	107,466	106,612	110,849	109,216	111,459

(1) Includes sales to Entergy New Orleans, which was deconsolidated in 2006 and 2005. See Note 18 to the financial statements.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders
Entergy Corporation and Subsidiaries:

We have audited the accompanying consolidated balance sheets of Entergy Corporation and Subsidiaries (the "Corporation") as of December 31, 2006 and 2005, and the related consolidated statements of income; of retained earnings, comprehensive income, and paid-in capital; and of cash flows for each of the three years in the period ended December 31, 2006. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). 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, such consolidated financial statements present fairly, in all material respects, the financial position of Entergy Corporation and Subsidiaries as of December 31, 2006 and 2005, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2006, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 11 to the consolidated financial statements, in 2006 the Corporation adopted the provisions of Statement of Financial Accounting Standards No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans - an amendment of FASB Statements No. 87, 88, 106, and 132(R)*.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of the Corporation's internal control over financial reporting as of December 31, 2006, based on the criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 26, 2007 expressed an unqualified opinion on management's assessment of the effectiveness of the Corporation's internal control over financial reporting and an unqualified opinion on the effectiveness of the Corporation's internal control over financial reporting.

DELOITTE & TOUCHE LLP

New Orleans, Louisiana
February 26, 2007

**ENTERGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME**

	For the Years Ended December 31,		
	2006	2005	2004
	(In Thousands, Except Share Data)		
OPERATING REVENUES			
Domestic electric	\$9,063,135	\$8,446,830	\$7,932,577
Natural gas	84,230	77,660	208,499
Competitive businesses	1,784,793	1,581,757	1,544,445
TOTAL	10,932,158	10,106,247	9,685,521
OPERATING EXPENSES			
Operating and Maintenance:			

Fuel, fuel-related expenses, and gas purchased for resale	3,144,073	2,176,015	2,488,208
Purchased power	2,138,237	2,521,247	1,701,610
Nuclear refueling outage expenses	169,567	162,653	166,072
Provisions for asset impairments and restructuring charges	-	-	55,000
Other operation and maintenance	2,335,364	2,122,206	2,268,332
Decommissioning	145,884	143,121	149,529
Taxes other than income taxes	428,561	382,521	403,635
Depreciation and amortization	887,792	856,377	893,574
Other regulatory credits - net	(122,680)	(49,882)	(90,611)
TOTAL	9,126,798	8,314,258	8,035,349
OPERATING INCOME	1,805,360	1,791,989	1,650,172
OTHER INCOME			
Allowance for equity funds used during construction	39,894	45,736	39,582
Interest and dividend income	198,835	150,479	109,635
Equity in earnings (loss) of unconsolidated equity affiliates	93,744	985	(78,727)
Miscellaneous - net	16,114	14,251	55,509
TOTAL	348,587	211,451	125,999
INTEREST AND OTHER CHARGES			
Interest on long-term debt	498,451	440,334	463,384
Other interest - net	75,502	64,646	40,133
Allowance for borrowed funds used during construction	(23,931)	(29,376)	(25,741)
Preferred dividend requirements and other	27,783	25,427	23,525
TOTAL	577,805	501,031	501,301
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	1,576,142	1,502,409	1,274,870
Income taxes	443,044	559,284	365,305
INCOME FROM CONTINUING OPERATIONS	1,133,098	943,125	909,565
LOSS FROM DISCONTINUED OPERATIONS (net of income tax expense (benefit) of \$67 , (\$24,051), and \$603, respectively)	(496)	(44,794)	(41)
CONSOLIDATED NET INCOME	\$1,132,602	\$898,331	\$909,524
Basic earnings (loss) per average common share:			
Continuing operations	\$5.46	\$4.49	\$4.01
Discontinued operations	-	(\$0.21)	-
Basic earnings per average common share	\$5.46	\$4.27	\$4.01
Diluted earnings (loss) per average common share:			
Continuing operations	\$5.36	\$4.40	\$3.93
Discontinued operations	-	(\$0.21)	-
Diluted earnings per average common share	\$5.36	\$4.19	\$3.93
Dividends declared per common share	\$2.16	\$2.16	\$1.89

Basic average number of common shares outstanding	207,456,838	210,141,887	226,863,758
Diluted average number of common shares outstanding	211,452,455	214,441,362	231,193,686

See Notes to Financial Statements.

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**ENTERGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS**

	For the Years Ended December 31,		
	2006	2005	2004
	(In Thousands)		
OPERATING ACTIVITIES			
Consolidated net income	\$1,132,602	\$898,331	\$909,524
Adjustments to reconcile consolidated net income to net cash flow provided by operating activities:			
Reserve for regulatory adjustments	36,352	(82,033)	33,533
Other regulatory credits - net	(122,680)	(49,882)	(90,611)
Depreciation, amortization, and decommissioning	1,035,153	1,001,852	1,045,122
Deferred income taxes, investment tax credits, and non-current taxes accrued	738,643	487,804	352,094
Equity in earnings (loss) of unconsolidated equity affiliates - net of dividends	4,436	4,315	608,141
Provisions for asset impairments and restructuring charges	-	39,767	55,000
Changes in working capital:			
Receivables	408,042	(367,351)	(210,419)
Fuel inventory	13,097	(83,125)	(16,769)
Accounts payable	(83,884)	303,194	95,306
Taxes accrued	(835)	(33,306)	(1,581)
Interest accrued	5,975	15,133	5,269
Deferred fuel	582,947	(236,801)	213,627
Other working capital accounts	64,479	(45,653)	41,008
Provision for estimated losses and reserves	39,822	(3,704)	(18,041)
Changes in other regulatory assets	(127,305)	(311,934)	48,626
Other	(307,429)	(68,799)	(140,510)
Net cash flow provided by operating activities	3,419,415	1,467,808	2,929,319

INVESTING ACTIVITIES

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Construction/capital expenditures	(1,586,016)	(1,458,086)	(1,410,610)
Allowance for equity funds used during construction	39,894	45,736	39,582
Nuclear fuel purchases	(326,248)	(314,414)	(238,170)
Proceeds from sale/leaseback of nuclear fuel	135,190	184,403	109,988
Proceeds from sale of assets and businesses	77,159	-	75,430
Payment for purchase of plant	(88,199)	(162,075)	-
Investment in nonutility properties	-	-	(6,420)
Decrease in other investments	(6,353)	9,905	383,498
Purchases of other temporary investments	-	(1,591,025)	(1,629,500)
Liquidation of other temporary investments	-	1,778,975	1,676,350
Proceeds from nuclear decommissioning trust fund sales	777,584	944,253	679,466
Investment in nuclear decommissioning trust funds	(884,123)	(1,039,824)	(769,273)
Other regulatory investments	(38,037)	(390,456)	(53,566)
Net cash flow used in investing activities	(1,899,149)	(1,992,608)	(1,143,225)

See Notes to Financial Statements.

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ENTERGY CORPORATION AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF CASH FLOWS							
For the Years Ended December 31, 2006 2005 2004 (In Thousands)							
FINANCING ACTIVITIES			Proceeds from the issuance of:			Long-term debt 1,837,713	
4,302,570	3,653,478	Preferred stock 73,354	127,995	-	Common stock and treasury stock	70,455	
106,068	170,237	Retirement of long-term debt (1,804,373)	(2,689,206)	(4,022,548)	Repurchase of common stock (584,193)	(878,188)	(1,017,996)
(3,450)	(3,450)	Changes in credit line borrowings - net (15,000)	39,850	(154)	Dividends paid:		
		Common stock (448,954)	(453,508)	(427,901)	Preferred stock (28,848)	(25,472)	(23,525)
		Net cash flow provided by (used in) financing activities			(1,083,727)	496,390	(1,671,859)
		exchange rates on cash and cash equivalents			(3,207)	(602)	(1,882)
		cash and cash equivalents			433,332	(29,012)	112,353
		beginning of period			582,820	619,786	507,433
		Orleans on cash and cash equivalents - (7,954)			-	-	-
		\$1,016,152	\$582,820	\$619,786	SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
		Cash paid/(received) during the period for:			Interest - net of amount capitalized		
		\$526,424	\$461,345	\$477,768	Income taxes (\$147,435)	\$116,072	\$28,241

See Notes to Financial Statements.

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CONSOLIDATED BALANCE SHEETS
ASSETS

	2006	December 31, (In Thousands)	2005
CURRENT ASSETS			
Cash and cash equivalents:			
Cash	\$117,379		\$221,773
Temporary cash investments - at cost, which approximates market	898,773		361,047
Total cash and cash equivalents	1,016,152		582,820
Note receivable - Entergy New Orleans DIP loan	51,934		90,000
Notes receivable	699		3,227
Accounts receivable:			
Customer	410,512		629,717
Allowance for doubtful accounts	(19,348)		(30,805)
Other	487,264		459,152
Accrued unbilled revenues	249,165		477,570
Total receivables	1,127,593		1,535,634
Deferred fuel costs	-		543,927
Accumulated deferred income taxes	11,680		-
Fuel inventory - at average cost	193,098		206,195
Materials and supplies - at average cost	604,998		610,932
Deferred nuclear refueling outage costs	147,521		164,152
Prepayments and other	171,759		325,795
TOTAL	3,325,434		4,062,682
OTHER PROPERTY AND INVESTMENTS			
Investment in affiliates - at equity	229,089		296,784
Decommissioning trust funds	2,858,523		2,606,765
Non-utility property - at cost (less accumulated depreciation)	212,726		228,833
Other	47,115		81,535
TOTAL	3,347,453		3,213,917
PROPERTY, PLANT AND EQUIPMENT			
Electric	30,713,284		29,161,027
Property under capital lease	730,182		727,565
Natural gas	92,787		86,794
Construction work in progress	786,147		1,524,085
Nuclear fuel under capital lease	269,485		271,615
Nuclear fuel	561,291		436,646
TOTAL PROPERTY, PLANT AND EQUIPMENT	33,153,176		32,207,732
Less - accumulated depreciation and amortization	13,715,099		13,010,687

PROPERTY, PLANT AND EQUIPMENT - NET	19,438,077	19,197,045
DEFERRED DEBITS AND OTHER ASSETS		
Regulatory assets:		
SFAS 109 regulatory asset - net	740,110	735,221
Other regulatory assets	2,768,352	2,133,724
Deferred fuel costs	168,122	120,489
Long-term receivables	19,349	25,572
Goodwill	377,172	377,172
Other	898,662	991,835
TOTAL	4,971,767	4,384,013
TOTAL ASSETS	\$31,082,731	\$30,857,657

See Notes to Financial Statements.

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**ENTERGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
LIABILITIES AND SHAREHOLDERS' EQUITY**

	December 31,	
	2006	2005
	(In Thousands)	
CURRENT LIABILITIES		
Currently maturing long-term debt	\$181,576	\$103,517
Notes payable	25,039	40,041
Accounts payable	1,122,596	1,655,787
Customer deposits	248,031	222,206
Taxes accrued	187,324	188,159
Accumulated deferred income taxes	-	143,409
Interest accrued	160,831	154,855
Deferred fuel costs	73,031	-
Obligations under capital leases	153,246	130,882
Pension and other postretirement liabilities	41,912	-
Other	271,544	473,510
TOTAL	2,465,130	3,112,366
NON-CURRENT LIABILITIES		
Accumulated deferred income taxes and taxes accrued	5,820,700	5,282,759
Accumulated deferred investment tax credits	358,550	376,550
Obligations under capital leases	188,033	175,005
Other regulatory liabilities	449,237	408,667

Decommissioning and asset retirement cost liabilities	2,023,846	1,923,971
Transition to competition	79,098	79,101
Regulatory reserves	219	18,624
Accumulated provisions	88,902	144,880
Pension and other postretirement liabilities	1,410,433	1,118,964
Long-term debt	8,798,087	8,824,493
Preferred stock with sinking fund	10,500	13,950
Other	847,196	1,184,082
TOTAL	20,074,801	19,551,046

Commitments and Contingencies

Preferred stock without sinking fund	344,913	445,974
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SHAREHOLDERS' EQUITY

Common stock, \$.01 par value, authorized 500,000,000 shares; issued 248,174,087 shares in 2006 and in 2005	2,482	2,482
Paid-in capital	4,827,265	4,817,637
Retained earnings	6,113,042	5,433,931
Accumulated other comprehensive loss	(100,512)	(343,819)
Less - treasury stock, at cost (45,506,311 shares in 2006 and 40,644,602 shares in 2005)	2,644,390	2,161,960
TOTAL	8,197,887	7,748,271

TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY

\$31,082,731	\$30,857,657
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See Notes to Financial Statements.

**ENTERGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF RETAINED EARNINGS, COMPREHENSIVE INCOME, AND
PAID-IN CAPITAL**

	For the Years Ended December 31,		
	2006	2005	2004
	(In Thousands)		
RETAINED EARNINGS			

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Retained Earnings - Beginning of period	\$5,433,931		\$4,989,826		\$4,502,508	
Add:						
Consolidated net income	1,132,602	\$1,132,602	898,331	\$898,331	909,524	\$909,524
Adjustment for change in accounting method	-		-		5,524	
Total	1,132,602		898,331		915,048	
Deduct:						
Dividends declared on common stock	448,572		453,657		427,740	
Capital stock and other expenses	4,919		569		(10)	
Total	453,491		454,226		427,730	
Retained Earnings - End of period	\$6,113,042		\$5,433,931		\$4,989,826	