ENTERGY CORP /DE/
Form 10-K
February 29, 2008

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, 2007

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 or Organization, Address of Principal Executive Offices, Telephone Number, and IRS Employer Identification No. | Commission File Number | Registrant, State of Incorporation or Organization, Address of Principal Executive Offices, Telephone Number, and IRS Employer Identification No. |
|---|---|---|---|
| 1-11299 | ENTERGY CORPORATION<br>(a Delaware corporation)<br>639 Loyola Avenue<br>New Orleans, Louisiana 70113<br>Telephone (504) 576-4000<br>72-1229752 | 1-31508 | ENTERGY MISSISSIPPI, INC.<br>(a Mississippi corporation)<br>308 East Pearl Street<br>Jackson, Mississippi 39201<br>Telephone (601) 368-5000<br>64-0205830 |
| 1-10764 | ENTERGY ARKANSAS, INC.<br>(an Arkansas corporation)<br>425 West Capitol Avenue<br>Little Rock, Arkansas 72201<br>Telephone (501) 377-4000<br>71-0005900 | 0-5807 | ENTERGY NEW ORLEANS, INC.<br>(a Louisiana corporation)<br>1600 Perdido Street, Building 529<br>New Orleans, Louisiana 70112<br>Telephone (504) 670-3620<br>72-0273040 |
| 333-148557 | ENTERGY GULF STATES LOUISIANA, L.L.C.<br>(a Louisiana limited liability company)<br>446 North Boulevard<br>Baton Rouge, Louisiana 70802<br>Telephone (800) 368-3749 | 1-9067 | SYSTEM ENERGY RESOURCES, INC.<br>(an Arkansas corporation)<br>Echelon One<br>1340 Echelon Parkway<br>Jackson, Mississippi 39213 |

| | |
|---|---|
| 74-0662730 | Telephone (601) 368-5000<br>72-0752777 |

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:

| Registrant | Title of Class | Name of Each Exchange on Which Registered |
|---|---|---|
| Entergy Corporation | Common Stock, $0.01 Par Value - 193,173,374 | New York Stock Exchange, Inc.<br>Chicago Stock Exchange, Inc. |
| | shares outstanding at January 31, 2008 | New York Stock Exchange, Inc. |
| | Equity Units, 7.625% | |
| 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. (each of these series were redeemed in December 2007 and Form 25s were filed with the SEC on January 14, 2008) | 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:

| Registrant | Title of Class |
|---|---|
| Entergy Arkansas, Inc. | Preferred Stock, Cumulative, $100 Par Value<br>Preferred Stock, Cumulative, $0.01 Par Value |

| | |
|---|---|
| Entergy Gulf States, Inc. (each series of this class of preferred stock was redeemed in December 2007 and a Form 15 was filed with the SEC on December 31, 2007) | Preferred Stock, Cumulative, $100 Par Value |
| Entergy Mississippi, Inc. | Preferred Stock, Cumulative, $100 Par Value |
| 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 | No |
|---|---|---|
| Entergy Corporation | √ | |
| Entergy Arkansas, Inc. | | √ |
| Entergy Gulf States Louisiana, L.L.C. | | √ |
| Entergy Louisiana, LLC | | √ |
| Entergy Mississippi, Inc. | | √ |
| Entergy New Orleans, Inc. | | √ |
| System Energy Resources, Inc. | | √ |

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 | No |
|---|---|---|
| Entergy Corporation | | √ |
| Entergy Arkansas, Inc. | | √ |
| Entergy Gulf States Louisiana, L.L.C. | √ | |
| Entergy Louisiana, LLC | | √ |
| Entergy Mississippi, Inc. | | √ |
| Entergy New Orleans, Inc. | | √ |
| System Energy Resources, Inc. | √ | |

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, a non-accelerated filer, or a smaller reporting company. See definition of "accelerated filer," "large accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Securities Exchange Act of 1934.

| | Large accelerated filer | Accelerated filer | Non-accelerated filer | Smaller reporting company |
|---|---|---|---|---|
| Entergy Corporation | √ | | | |
| Entergy Arkansas, Inc. | | | √ | |
| Entergy Gulf States Louisiana, L.L.C. | | | √ | |
| 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 2007, was $21.0 billion based on the reported last sale price of $107.35 per share for such stock on the New York Stock Exchange on June 29, 2007. Entergy Corporation is the sole holder of the common stock of Entergy Arkansas, Inc., Entergy Mississippi, Inc., Entergy New Orleans, Inc., and System Energy Resources, Inc. Entergy Corporation is 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. Entergy Corporation is the sole holder of the common stock of EGS Holdings, Inc., which is the sole holder of the common membership interests in Entergy Gulf States Louisiana, L.L.C.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Proxy Statement of Entergy Corporation to be filed in connection with its Annual Meeting of Stockholders, to be held May 2, 2008, are incorporated by reference into Parts I and III hereof.

TABLE OF CONTENTS

This combined Form 10-K is separately filed by Entergy Corporation and its six "Registrant Subsidiaries": Entergy Arkansas, Inc., Entergy Gulf States Louisiana, L.L.C., 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 reporting company. 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 reporting company, except for the Notes to the financial statements. The Notes to the financial statements for all of the reporting companies are combined. All Items other than 6, 7, and 8 are combined for the reporting companies.

FORWARD-LOOKING INFORMATION

In this combined report and from time to time, Entergy Corporation and the Registrant Subsidiaries each makes statements as a reporting company 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," "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 reporting companies 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 reporting companies 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 or incorporated by reference in (a) Item 1A. Risk Factors, (b) 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 restructuring 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
- 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 operations of the independent coordinator of transmission that includes Entergy's utility service territory, and the application of more stringent transmission reliability requirements or market power criteria by the FERC
- changes in regulation of nuclear generating facilities and nuclear materials and fuel, including possible shutdown of nuclear generating facilities, particularly those in the Non-Utility Nuclear business
- resolution of pending or future applications for license extensions or modifications of nuclear generating facilities
- the performance of Entergy's generating plants, and particularly the capacity factors at its nuclear generating facilities
- Entergy's ability to develop and execute on a point of view regarding future prices of electricity, natural gas, and other energy-related commodities
- 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 law resulting from federal energy legislation
- changes in environmental, tax, and other laws, including requirements for reduced emissions of sulfur, nitrogen, carbon, mercury, and other substances
- uncertainty regarding the establishment of interim or permanent sites for spent nuclear fuel and nuclear waste storage and disposal
- 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
- Entergy's and its subsidiaries' ability to manage their operation and maintenance costs
- Entergy's ability to purchase and sell assets at attractive prices and on other attractive terms

FORWARD-LOOKING INFORMATION (Concluded)

- the economic climate, and particularly growth in Entergy's service territory
- the effects of Entergy's strategies to reduce tax payments
- 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
- the effect of litigation and government investigations
- advances in technology
- the potential effects of threatened or actual terrorism and war
- Entergy's ability to attract and retain talented management and directors
- changes in accounting standards and corporate governance
- and the following transactional factors (in addition to others described elsewhere in this and in subsequent securities filings): (i) risks inherent in the contemplated Non-Utility Nuclear spin-off, joint venture and related transactions (including the level of debt incurred by the spun-off company and the terms and costs related thereto); (ii) legislative and regulatory actions; and (iii) conditions of the capital markets during the periods covered by the forward-looking statements. Entergy Corporation cannot provide any assurances that the spin-off or any of the proposed transactions related thereto will be completed, nor can it give assurances as to the terms on which such transactions will be consummated. The transaction is subject to certain conditions precedent, including regulatory approvals and the final approval by the Board.

DEFINITIONS

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

| Abbreviation or Acronym | Term |
|---|---|
| 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 Gulf States, Inc. | Predecessor company for financial reporting purposes to Entergy Gulf States Louisiana that included the assets and business operations of both Entergy Gulf States Louisiana and Entergy Texas |
| Entergy Gulf States Louisiana | Entergy Gulf States Louisiana, L.L.C., a company created in connection with the jurisdictional separation of Entergy Gulf States, Inc. and the successor company to Entergy Gulf States, Inc. for financial reporting purposes. The term is also used to refer to the Louisiana jurisdictional business of Entergy Gulf States, Inc., as the context requires. |
| Entergy-Koch | Entergy-Koch, LP, a joint venture equally owned by subsidiaries of Entergy and Koch Industries, Inc. |
| Entergy Texas | Entergy Texas, Inc., a company created in connection with the jurisdictional separation of Entergy Gulf States, Inc. The term is also used to refer to the Texas jurisdictional business of Entergy Gulf States, Inc., as the context requires. |
| 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 |



DEFINITIONS (Continued)

| | |
|---|---|
| ISO | Independent System Operator |
| kV | Kilovolt |
| kW | Kilowatt |
| kWh | Kilowatt-hour(s) |
| 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, 70% of which is co-owned by Entergy Gulf States Louisiana (57.5%) and Entergy Texas (42.5%) |
| 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 |
| Non-Utility Nuclear | Entergy's business segment that owns and operates six 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 Louisiana, L.L.C., 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 Louisiana |
| 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. |



DEFINITIONS (Concluded)

| Abbreviation or Acronym | Term |
|---|---|
| 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 asset is unavailable, the seller is not liable to the buyer for any damages |
| 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 Louisiana, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, and Entergy Texas |
| 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 |

ENTERGY'S BUSINESS

Entergy 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 2.7 million utility customers in Arkansas, Louisiana, Mississippi, and Texas. Entergy generated annual revenues of $11.5 billion in 2007 and had approximately 14,300 employees as of December 31, 2007.

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 six nuclear power plants located in the northern 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. As discussed further in "**Management's Financial Discussion and Analysis**," in November 2007, the Board approved a plan to pursue a separation of the Non-Utility Nuclear business from Entergy through a tax-free spin-off of Non-Utility Nuclear to Entergy shareholders. Entergy is targeting third quarter 2008 as the effective date for the spin-off transaction to be completed.

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.

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**OPERATING INFORMATION**
**For the Years Ended December 31, 2007, 2006, and 2005**

| | Utility | Non-Utility Nuclear (In Thousands) | Entergy Consolidated (a) |
|---|---|---|---|
| **2007** | | | |
| Operating revenues | $9,255,075 | $2,029,666 | $11,484,398 |
| Operating expenses | $7,910,659 | $1,312,577 | $9,428,030 |
| Other income | $164,383 | $87,256 | $255,055 |
| Interest and other charges | $444,067 | $34,738 | $662,157 |
| Income taxes | $382,025 | $230,407 | $514,417 |
| Net income | $682,707 | $539,200 | $1,134,849 |
| **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 |

**CASH FLOW INFORMATION**
**For the Years Ended December 31, 2007, 2006, and 2005**

| | Utility | Non-Utility Nuclear (In Thousands) | Entergy Consolidated (a) |
|---|---|---|---|
| **2007** | | | |
| Net cash flow provided by operating activities | $1,807,769 | $879,940 | $2,559,770 |
| Net cash flow used in investing activities | ($1,219,214) | ($883,397) | ($2,098,458) |
| Net cash flow provided by (used in) financing activities | ($368,909) | $47,705 | ($221,586) |
| **2006** | | | |
| Net cash flow provided by operating activities | $2,592,433 | $833,318 | $3,447,839 |
| Net cash flow used in investing activities | ($1,592,933) | ($450,219) | ($1,927,573) |
| 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) |
| Net cash flow provided by (used in) financing activities | $646,588 | ($110,482) | $496,390 |

**FINANCIAL POSITION INFORMATION**
**As of December 31, 2007 and 2006**

| | Utility | Non-Utility Nuclear (In Thousands) | Entergy Consolidated (a) |
|---|---|---|---|
| **2007** | | | |
| Current assets | $2,821,336 | $1,009,453 | $3,958,247 |

| | | | |
|---|---|---|---|
| Other property and investments | $1,579,688 | $1,935,432 | $3,689,395 |
| Property, plant and equipment - net | $17,363,142 | $3,365,131 | $20,974,270 |
| Deferred debits and other assets | $4,409,993 | $704,468 | $5,021,090 |
| Current liabilities | $2,561,564 | $476,772 | $3,256,754 |
| Non-current liabilities | $17,053,293 | $3,064,919 | $22,523,577 |
| Shareholders' equity | $6,559,302 | $3,472,793 | $7,862,671 |
| **2006** | | | |
| 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 | $16,939,438 | $2,252,415 | $19,438,077 |
| Deferred debits and other assets | $4,314,549 | $715,092 | $4,971,767 |
| Current liabilities | $1,990,160 | $543,384 | $2,465,130 |
| Non-current liabilities | $16,928,131 | $2,115,289 | $20,419,714 |
| Shareholders' equity | $6,320,068 | $2,711,056 | $8,197,887 |

(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 non-nuclear wholesale assets business, the Competitive Retail Services business, and earnings on the proceeds of sales of previously-owned businesses. As a result of the Entergy New Orleans bankruptcy filing, Entergy discontinued the consolidation of Entergy New Orleans retroactive to January 1, 2005, and reported Entergy New Orleans' results under the equity method of accounting for 2006 and 2005. On May 7, 2007, the bankruptcy judge entered an order confirming Entergy New Orleans' plan of reorganization. With confirmation of the plan of reorganization, Entergy reconsolidated Entergy New Orleans in the second quarter of 2007, retroactive to January 1, 2007.



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 | |
| EGS Holdings, Inc. | Entergy Nuclear Finance, LLC | | |
| Entergy Gulf States Louisiana, L.L.C. | Entergy Nuclear Generation Co. (Pilgrim) | Entergy-Koch, LP (50% ownership) | Non-Nuclear Wholesale Assets |
| Entergy Louisiana Holdings, Inc | Entergy Nuclear FitzPatrick LLC | | |
| Entergy Louisiana, | Entergy Nuclear Indian Point 2, LLC | | Entergy Power Development Corp. |

| | | |
|---|---|---|
| LLC | | |
| Entergy Mississippi, Inc. | Entergy Nuclear Indian Point 3, LLC | Entergy Asset Management, Inc. |
| Entergy New Orleans, Inc. | Entergy Nuclear Palisades, LLC | Entergy Power, Inc. |
| Entergy Texas, Inc. | Entergy Nuclear Vermont Yankee, LLC | |
| System Energy Resources, Inc. | Entergy Nuclear, Inc. | |
| Entergy Operations, Inc. | Entergy Nuclear Fuels Company | |
| Entergy Services, Inc. | Entergy Nuclear Nebraska LLC | |
| System Fuels, Inc. | Entergy Nuclear Power Marketing LLC | |

## Strategy

Entergy aspires 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 updated as market conditions evolve.

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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 173.



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 the effectiveness of Entergy's internal control over financial reporting as of December 31, 2007, which is included herein on pages 352 through 358.

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, 2007. 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

LEO P. DENAULT
Executive Vice President and Chief Financial 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; Chair of the Board, President, and Chief Executive Officer of Entergy Gulf States Louisiana, L.L.C.

CAROLYN C. SHANKS
Chair of the Board, President, and Chief Executive Officer of Entergy Mississippi, Inc.

RODERICK K. WEST
Chairman, President, and Chief Executive Officer of Entergy New Orleans, Inc.

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

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

JAY A. LEWIS
Vice President and Chief Financial Officer of Entergy Arkansas, Inc., Entergy Gulf States Louisiana, L.L.C., Entergy Louisiana, LLC, Entergy Mississippi, Inc., Entergy New Orleans, Inc., and Entergy Texas, Inc.

ENTERGY CORPORATION AND SUBSIDIARIES

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 six nuclear power plants located in the northern 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:

| | % of Revenue | | | % of Net Income | | | % of Total Assets | | |
|---|---|---|---|---|---|---|---|---|---|
| Segment | 2007 | 2006 | 2005 | 2007 | 2006 | 2005 | 2007 | 2006 | 2005 |
| Utility | 80 | 84 | 84 | 60 | 61 | 73 | 78 | 81 | 82 |
| Non-Utility Nuclear | 18 | 14 | 14 | 48 | 27 | 31 | 21 | 17 | 16 |
| Parent Company & Other Business Segments | 2 | 2 | 2 | (8) | 12 | (4) | 1 | 2 | 2 |

Plan to Pursue Separation of Non-Utility Nuclear

In November 2007, the Board approved a plan to pursue a separation of the Non-Utility Nuclear business from Entergy through a tax-free spin-off of Non-Utility Nuclear to Entergy shareholders. SpinCo, the term used to identify the new company that is yet to be named, will be a new, separate, and publicly-traded company. In addition, under the plan, SpinCo and Entergy are expected to enter into a nuclear services business joint venture, with 50% ownership by SpinCo and 50% ownership by Entergy. The nuclear services business board of directors will be comprised of equal membership from both Entergy and SpinCo and may include independent directors.

Upon completion of the spin-off, Entergy Corporation's shareholders will own 100% of the common equity in both SpinCo and Entergy. Entergy expects that SpinCo's business will be substantially comprised of Non-Utility Nuclear's assets, including its six nuclear power plants, and Non-Utility Nuclear's power marketing operation. Entergy Corporation's remaining business will primarily be comprised of the Utility business. The nuclear services business joint venture is expected to operate the nuclear assets owned by SpinCo. The nuclear services business is also expected to offer nuclear services to third parties, including decommissioning, plant relicensing, and plant operation support services, including the services currently provided for the Cooper Nuclear Station in Nebraska.

Entergy Nuclear Operations, Inc., the current NRC-licensed operator of the Non-Utility Nuclear plants, filed an application in July 2007 with the NRC seeking indirect transfer of control of the operating licenses for the six Non-Utility Nuclear power plants, and supplemented that application in December 2007 to incorporate the planned business separation. Entergy Nuclear Operations, Inc. will remain the operator of those plants after the separation. Entergy Operations, Inc., the current NRC-licensed operator of Entergy's five Utility nuclear plants, will remain a wholly-owned subsidiary of Entergy and will continue to be the operator of the Utility nuclear plants. In the December 2007 supplement to the NRC application, Entergy Nuclear Operations provided additional information regarding the spin-off transaction, organizational structure, technical and financial qualifications, and general corporate information. The NRC published a notice in the Federal Register establishing a period for the public to submit a request for hearing or petition to intervene in a hearing proceeding. The NRC notice period expired on February 5, 2008 and two petitions to intervene in the hearing proceeding were filed before the deadline. Each of the petitions opposes the NRC's approval of the license transfer on various grounds, including contentions that the approval request is not adequately supported regarding the basis for the proposed structure, the adequacy of decommissioning funding, and the adequacy of financial qualifications. Entergy will submit answers to the petitions, and the NRC or a presiding officer designated by the NRC will determine whether a hearing will be granted. If a hearing is granted, the NRC is expected to issue a procedural schedule providing for limited discovery, written testimony and a legislative-type hearing. The NRC will continue to review the application and prepare a Safety Evaluation Report.

On January 28, 2008, Entergy Nuclear Vermont Yankee and Entergy Nuclear Operations, Inc. requested approval from the Vermont Public Service Board for the indirect transfer of control, consent to pledge assets, guarantees and assignments of contracts, amendment to certificate of public good to reflect name change, and replacement of guaranty and substitution of a credit support agreement for Vermont Yankee. A prehearing conference scheduled for February 27, 2008 was postponed due to weather.

On January 28, 2008, Entergy Nuclear FitzPatrick, Entergy Nuclear Indian Point 2, Entergy Nuclear Indian Point 3, Entergy Nuclear Operations, and corporate affiliate NewCo (also referred to as SpinCo) filed a petition with the New York Public Service Commission (NYPSC) requesting a declaratory ruling regarding corporate reorganization or in the alternative an order approving the transaction and an order approving debt financing. Petitioners also requested confirmation that the corporate reorganization will not have an effect on Entergy Nuclear FitzPatrick's, Entergy Nuclear Indian Point 2's, Entergy Nuclear Indian Point 3's, and Entergy Nuclear Operations, Inc.' status as lightly regulated entities in New York, given that they will continue to be competitive wholesale generators. The deadline for parties to file comments or request intervention is April 7, 2008.

Pursuant to Federal Power Act Section 203, on February 21, 2008, an application was filed with the FERC requesting approval for the indirect disposition and transfer of control of jurisdictional facilities of a public utility. The review of the filing by FERC will be focused on determining that the transaction will have no adverse effects on competition, wholesale or retail rates and on federal and state regulation. Also, the FERC will seek to determine that the transaction will not result in cross-subsidization by a regulated utility or the pledge or encumbrance of utility assets for the benefit of a non-utility associate company.

Subject to market terms and conditions and pursuant to the plan, SpinCo is expected to execute approximately $4.5 billion of debt financing in connection with the separation. Anticipated uses of the proceeds are for SpinCo to retain $0.5 billion for working capital and for Entergy to retain $4 billion. Entergy expects to use $2.5 billion for share repurchases and $1.5 billion for debt reduction.

Entergy is targeting third quarter 2008 as the effective date for the spin-off and nuclear services business joint venture transactions to be completed. Entergy expects the transactions to qualify for tax-free treatment for U.S. federal income tax purposes for both Entergy and its shareholders. Final terms of the transactions and spin-off completion are subject to several conditions including the final approval of the Board. As Entergy pursues completion of the separation and establishment of the nuclear services business joint venture, Entergy will continue to consider possible modifications to and variations upon the transaction structure, including a sponsored spin-off, a partial initial public offering preceding the spin-off, or the addition of a third-party joint venture partner.

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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. Entergy has pursued 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 pursuing recovery through existing or new rate mechanisms regulated by the FERC and local regulatory bodies.

Insurance Claims

See Note 8 to the financial statements for a discussion of Entergy's conventional property insurance program. Entergy has received a total of $134.5 million as of December 31, 2007 on its Hurricane Katrina and Hurricane Rita insurance claims, including $69.5 million that Entergy received in the second quarter 2007 in settlement of its Hurricane Katrina claim with one of its two excess insurers. In the third quarter 2007, Entergy filed a lawsuit in the U.S. District Court for the Eastern District of Louisiana against its other excess insurer on the Hurricane Katrina claim. At issue in the lawsuit is whether any policy exclusions limit the extent of coverage provided by that insurer.

There was an aggregation limit of $1 billion for all parties insured by the primary insurer for any one occurrence at the time of the Hurricane Katrina and Hurricane Rita losses, and the primary insurer notified Entergy that it expects claims for Hurricane Katrina and Hurricane Rita to materially exceed this limit. Entergy currently estimates that its remaining net insurance recoveries for the losses caused by the hurricanes, including the effects of the primary insurance aggregation limit being exceeded and the litigation against the excess insurer, will be approximately $270 million. Entergy currently expects to receive payment for the majority of its estimated insurance recovery related to Hurricane Katrina and Hurricane Rita through 2009.

Community Development Block Grants

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 (CDBG) (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.

New Orleans

In March 2006, Entergy New Orleans provided a justification statement to state and local officials in connection with its pursuit of CDBG funds to mitigate Hurricane Katrina restoration costs that otherwise would be borne by customers. The statement included all the estimated costs of Hurricane Katrina damage, as well as a lost customer base component intended to help offset the need for storm-related rate increases. In October 2006, the Louisiana Recovery Authority 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. Entergy New Orleans filed applications seeking City Council certification of its storm-related costs incurred through December 2006. Entergy New Orleans supplemented this request to include the estimated future cost of the gas system rebuild.

In March 2007, the City Council certified that Entergy New Orleans incurred $205 million in storm-related costs through December 2006 that are eligible for CDBG funding under the state action plan, and certified Entergy New Orleans' estimated costs of $465 million for its gas system rebuild. In April 2007, Entergy New Orleans executed an agreement with the Louisiana Office of Community Development (OCD) under which



$200 million of CDBG funds will be made available to Entergy New Orleans. Entergy New Orleans submitted the agreement to the bankruptcy court, which approved it on April 25, 2007. Entergy New Orleans has received $180.8 million of the funds as of December 31, 2007, and under the agreement with the OCD, Entergy New Orleans expects to receive the remainder as it incurs and submits additional eligible costs.

Mississippi

In March 2006, the Governor of Mississippi signed a law that established a mechanism by which the MPSC could authorize and certify an electric utility financing order and the state could issue bonds to finance the costs of repairing damage caused by Hurricane Katrina to the systems of investor-owned electric utilities. Because of the passage of this law and the possibility of Entergy Mississippi obtaining CDBG funds for Hurricane Katrina storm restoration costs, in March 2006, the MPSC issued an order approving a Joint Stipulation between Entergy Mississippi and the Mississippi Public Utilities Staff that provided for a review of Entergy Mississippi's total storm restoration costs in an Application for an Accounting Order proceeding. In June 2006, the MPSC issued an order certifying Entergy Mississippi's Hurricane Katrina restoration costs incurred through March 31, 2006 of $89 million, net of estimated insurance proceeds. Two days later, Entergy Mississippi filed a request with the Mississippi Development Authority for $89 million of CDBG funding for reimbursement of its Hurricane Katrina infrastructure restoration costs. Entergy Mississippi also filed a Petition for Financing Order with the MPSC for authorization of state bond financing of $169 million for Hurricane Katrina restoration costs and future storm costs. The $169 million amount included the $89 million of Hurricane Katrina restoration costs plus $80 million to build Entergy Mississippi's storm damage reserve for the future. Entergy Mississippi's filing stated that the amount actually financed through the state bonds would be net of any CDBG funds that Entergy Mississippi received.

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 state bonds to finance $8 million of Entergy Mississippi's certified Hurricane Katrina restoration costs and $40 million for an increase in Entergy Mississippi's storm damage reserve. $30 million of the storm damage reserve was set aside in a restricted account. A Mississippi state entity issued the bonds in May 2007, and Entergy Mississippi received proceeds of $48 million. Entergy Mississippi will not report the bonds on its balance sheet because the bonds are the obligation of the state entity, and there is no recourse against Entergy Mississippi in the event of a bond default. To service the bonds, Entergy Mississippi is collecting a system restoration charge on behalf of the state, and will remit the collections to the state. By analogy to and in accordance with Entergy's accounting policy for collection of sales taxes, Entergy Mississippi will not report the collections as revenue because it is merely acting as the billing and collection agent for the state.

Additional Securitization Proceedings

Entergy Gulf States Louisiana, Entergy Louisiana, and Entergy Texas have filed with their respective retail regulators for recovery of storm restoration costs, including through securitization. These filings and their results are discussed in Note 2 to the financial statements.

Entergy New Orleans Bankruptcy

As a result of the effects of Hurricane Katrina and the effect of extensive flooding that resulted from levee breaks in and around the New Orleans area, on September 23, 2005, Entergy New Orleans filed a voluntary petition in bankruptcy court seeking reorganization relief under Chapter 11 of the U.S. Bankruptcy Code. On May 7, 2007, the bankruptcy judge entered an order confirming Entergy New Orleans' plan of reorganization. With the receipt of CDBG funds, and the agreement on insurance recovery with one of its excess insurers, Entergy New Orleans waived the conditions precedent in its plan of reorganization, and the plan became effective on May 8, 2007. Following are significant terms in Entergy New Orleans' plan of reorganization:



- Entergy New Orleans paid in full, in cash, the allowed third-party prepetition accounts payable (approximately $29 million, including interest). Entergy New Orleans paid interest from September 23, 2005 at the Louisiana judicial rate of interest for 2005 (6%) and 2006 (8%), and at the Louisiana judicial rate of interest plus 1% for 2007 through the date of payment. The Louisiana judicial rate of interest for 2007 is 9.5%.
- Entergy New Orleans issued notes due in three years in satisfaction of its affiliate prepetition accounts payable (approximately $74 million, including interest), including its indebtedness to the Entergy System money pool. Entergy New Orleans included in the principal amount of the notes accrued interest from September 23, 2005 at the Louisiana judicial rate of interest for 2005 (6%) and 2006 (8%), and at the Louisiana judicial rate of interest plus 1% for 2007 through the date of issuance of the notes. Entergy New Orleans will pay interest on the notes from their date of issuance at the Louisiana judicial rate of interest plus 1%. The Louisiana judicial rate of interest is 9.5% for 2007 and 8.5% for 2008.
- Entergy New Orleans repaid in full, in cash, the outstanding borrowings under the debtor-in-possession credit agreement between Entergy New Orleans and Entergy Corporation (approximately $67 million).
- Entergy New Orleans' first mortgage bonds will remain outstanding with their current maturity dates and interest terms. Pursuant to an agreement with its first mortgage bondholders, Entergy New Orleans paid 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 (approximately $12 million).

- Entergy New Orleans' preferred stock will remain outstanding on its current dividend terms, and Entergy New Orleans paid its unpaid preferred dividends in arrears (approximately $1 million).
- Litigation claims will generally be unaltered, and will generally proceed as if Entergy New Orleans had not filed for bankruptcy protection, with exceptions for certain claims.

With confirmation of the plan of reorganization, Entergy reconsolidated Entergy New Orleans in the second quarter 2007, retroactive to January 1, 2007. Because Entergy owns all of the common stock of Entergy New Orleans, reconsolidation does not affect the amount of net income that Entergy recorded from Entergy New Orleans' operations for the current or prior periods, but does result in Entergy New Orleans' financial results being included in each individual income statement line item in 2007, rather than only its net income being presented as "Equity in earnings of unconsolidated equity affiliates," as will remain the case for 2005 and 2006.

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Results of Operations

2007 Compared to 2006

Following are income statement variances for Utility, Non-Utility Nuclear, Parent & Other business segments, and Entergy comparing 2007 to 2006 showing how much the line item increased or (decreased) in comparison to the prior period:

| | Utility | Non-Utility Nuclear | Parent & Other | Entergy |
|---|---|---|---|---|
| | | (In Thousands) | | |
| 2006 Consolidated Net Income | $691,160 | $309,496 | $131,946 | $1,132,602 |
| Net revenue (operating revenue less fuel expense, purchased power, and other regulatory charges/credits) | 346,753 | 451,374 | (62,994) | 735,133 |
| Other operation and maintenance expenses | 207,468 | 122,511 | (15,689) | 314,290 |
| Taxes other than income taxes | 42,553 | 16,265 | 1,679 | 60,497 |
| Depreciation | 46,307 | 27,510 | 2,103 | 75,920 |
| Other income | 8,732 | (12,193) | (90,071) | (93,532) |
| Interest charges | 15,405 | (12,686) | 81,633 | 84,352 |
| Other (including discontinued operations) | (3,285) | (30,129) | 492 | (32,922) |
| Income taxes | 48,920 | 25,748 | (3,295) | 71,373 |
| 2007 Consolidated Net Income (Loss) | $682,707 | $539,200 | ($87,058) | $1,134,849 |

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.

Earnings were negatively affected in the fourth quarter 2007 by expenses of $52 million ($32 million net-of-tax) recorded in connection with a nuclear operations fleet alignment. This process was undertaken with the goals of eliminating redundancies, capturing economies of scale, and clearly establishing organizational governance. Most of the expenses related to the voluntary severance program offered to employees. Approximately 200 employees from the Non-Utility Nuclear business and 150 employees in the Utility business accepted the voluntary severance program offers.

As discussed above, Entergy New Orleans has been reconsolidated retroactive to January 1, 2007 and its results are included in each individual income statement line item for 2007. The variance explanations for the Utility for 2007 compared to 2006 in "**Results of Operations**" reflect the 2006 results of operations of Entergy New Orleans as if it were reconsolidated in 2006, consistent with the 2007 presentation including the results in each individual income statement line item. Entergy's as-reported results for 2006, which had Entergy New Orleans deconsolidated, and the amounts needed to reconsolidate Entergy New Orleans, which include intercompany items, are set forth in the table below.

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| | For the Year Ended December 31, 2006 | |
|---|---|---|
| | Entergy Corporation and Subsidiaries (as reported) | Entergy New Orleans adjustment* |
| | (In Thousands) | |
| Operating Revenues | $10,932,158 | $305,077 |
| Operating Expenses: | | |
| Fuel, fuel-related, and gas purchased for resale and purchased power | 5,282,310 | 113,888 |
| Other operation and maintenance | 2,335,364 | 100,094 |
| Taxes other than income taxes | 428,561 | 34,953 |
| Depreciation and amortization | 887,792 | 31,465 |
| Other regulatory charges (credits) - net | (122,680) | 4,160 |
| Other operating expenses | 315,451 | 169 |
| Total Operating Expenses | $9,126,798 | $284,729 |
| Other Income | $348,587 | ($8,244) |
| Interest and Other Charges | $577,805 | $7,053 |
| Income From Continuing Operations Before Income Taxes | $1,576,142 | $5,051 |
| Income Taxes | $443,044 | $5,051 |
| Consolidated Net Income | $1,132,602 | $ - |

* Reflects the adjustment needed to reconsolidate Entergy New Orleans for 2006. The adjustment includes intercompany eliminations.

Net Revenue

Utility

Following is an analysis of the change in net revenue comparing 2007 to 2006.

| | Amount (In Millions) |
|---|---|
| 2006 net revenue | $4,458.1 |

| | |
|---|---|
| (includes $187 million for Entergy New Orleans) | |
| Volume/weather | 89.4 |
| Base revenues | 85.3 |
| Fuel recovery | 51.6 |
| Transmission revenue | 38.4 |
| Purchased power capacity | (90.4) |
| Net wholesale revenue | (58.6) |
| Other | 44.0 |
| 2007 net revenue | $4,617.8 |

The volume/weather variance resulted primarily from increased electricity usage in the residential and commercial sectors, including increased usage during the unbilled sales period. Billed retail electricity usage increased by a total of 1,591 GWh, an increase of 1.6%. See "**MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS - Critical Accounting Estimates**" herein and Note 1 to the financial statements for a discussion of the accounting for unbilled revenues.

The base revenues variance resulted from rate increases primarily at Entergy Louisiana effective September 2006 for the 2005 formula rate plan filing to recover LPSC-approved incremental deferred and ongoing purchased power capacity costs. The formula rate plan filing is discussed in Note 2 to the financial statements.

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The fuel recovery variance is primarily due to the inclusion of Grand Gulf costs in Entergy New Orleans' fuel recoveries effective July 1, 2006. In June 2006, the City Council approved the recovery of Grand Gulf costs through the fuel adjustment clause, without a corresponding change in base rates (a significant portion of Grand Gulf costs was previously recovered through base rates). The increase is also due to purchased power costs deferred at Entergy Louisiana and Entergy New Orleans as a result of the re-pricing, retroactive to 2003, of purchased power agreements among Entergy system companies as directed by the FERC.

The transmission revenue variance is due to higher rates and the addition of new transmission customers in late-2006.

The purchased power capacity variance is due to higher capacity charges and new purchased power contracts that began in mid-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 at Entergy Louisiana, as discussed above.

The net wholesale revenue variance is due primarily to 1) more energy available for resale at Entergy New Orleans in 2006 due to the decrease in retail usage caused by customer losses following Hurricane Katrina and 2) the inclusion in 2006 revenue of sales into the wholesale market of Entergy New Orleans' share of the output of Grand Gulf, pursuant to City Council approval of measures proposed by Entergy New Orleans to address the reduction in Entergy New Orleans' retail customer usage caused by Hurricane Katrina and to provide revenue support for the costs of Entergy New Orleans' share of Grand Gulf. The net wholesale revenue variance is partially offset by the effect of lower wholesale revenues in the third quarter 2006 due to an October 2006 FERC order requiring Entergy Arkansas to make a refund to a coal plant co-owner resulting from a contract dispute.

Non-Utility Nuclear

Net revenue increased for Non-Utility Nuclear from $1,388 million for 2006 to $1,839 million for 2007 primarily due to higher pricing in its contracts to sell power and additional production available resulting from the acquisition of the Palisades plant in April 2007. Amortization of the Palisades purchased power agreement liability, which is discussed in Note 15 to the financial statements, also contributed to the increase. The increase was partially offset by the effect on revenues of four refueling outages in 2007 compared to two in 2006. Following are key performance measures for Non-Utility Nuclear for 2007 and 2006:

| | 2007 | 2006 |
|---|---|---|
| Net MW in operation at December 31 | 4,998 | 4,200 |
| Average realized price per MWh | $52.69 | $44.33 |
| GWh billed | 37,570 | 34,847 |
| Capacity factor | 89% | 95% |

Parent & Other

Net revenue decreased for Parent & Other from $114 million for 2006 to $51 million for 2007 primarily due to the sale of the non-nuclear wholesale asset business' remaining interest in a power development project in the second quarter 2006, which resulted in a $14.1 million gain ($8.6 million net-of-tax). Also contributing to the decrease were higher natural gas prices in 2007 compared to the same period in 2006 as well as lower production as a result of an additional plant outage in 2007 compared to the same period in 2006. A substantial portion of the effect on net income of this decline is offset by a related decrease in other operation and maintenance expenses.

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Other Income Statement Items

Utility

Other operation and maintenance expenses increased from $1,749 million for 2006 to $1,855 million for 2007 primarily due to:

- an increase of $34 million in nuclear expenses primarily due to non-refueling outages, increased nuclear labor and contract costs, and higher NRC fees;
- an increase of $21 million related to expenses in the fourth quarter 2007 in connection with the nuclear operations fleet alignment, as discussed above;
- an increase of $20 million in transmission expenses, including independent coordinator of transmission expenses and transmission line and substation maintenance;
- an increase of $16 million as a result of higher insurance premiums in addition to the timing of premium payments compared to 2006;
- an increase of $16 million in fossil plant expenses due to differing outage schedules and scopes from 2006 to 2007 and the return to normal operations work in 2007 versus storm restoration activities in 2006 as a result of Hurricane Katrina;
- an increase of $11 million due to a provision for storm-related bad debts; and
- an increase of $10 million in distribution expenses, including higher contract labor costs, increases in vegetation maintenance costs, and the return to normal operations work in 2007 versus storm restoration activities in 2006 as a result of Hurricane Katrina and Hurricane Rita. This increase is net of an environmental liability credit of $8 million for resolution of a pollution loss provision.

The increase is partially offset by a decrease of $23 million in payroll, payroll-related, and benefits costs.

Depreciation and amortization expenses increased from $835 million for 2006 to $850 million for 2007 primarily due to an increase in plant in service and a revision made in the first quarter 2006 to estimated depreciable lives involving certain intangible assets. The increase was partially offset by a revision in the third quarter 2007 related to depreciation previously recorded on storm-related assets. Recovery of the cost of those assets will now be through the securitization of storm costs approved by the LPSC in the third quarter 2007. The securitization approval is discussed in Note 2 to the financial statements.

Non-Utility Nuclear

Other operation and maintenance expenses increased from $637 million for 2006 to $760 million for 2007 primarily due to the acquisition of the Palisades plant in April 2007 and expenses of $29 million in the fourth quarter 2007 in connection with the nuclear operations fleet alignment.

Other expenses increased due to increases of $14.4 million in nuclear refueling outage expense and $15.7 million in decommissioning expense that resulted almost entirely from the acquisition of Palisades in April 2007.

Parent & Other

Interest charges increased from $101 million for 2006 to $183 million for 2007 primarily due to additional borrowings under Entergy Corporation's revolving credit facilities.

Other income decreased from $93 million for 2006 to $3 million for 2007 primarily due to a gain of approximately $55 million (net-of-tax) in the fourth quarter of 2006 related to the Entergy-Koch investment. 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.



Income Taxes

The effective income tax rate for 2007 was 30.7%. The reduction in the effective income tax rate versus the federal statutory rate of 35% in 2007 is primarily due to:

- a reduction in income tax expense due to a step-up in the tax basis on the Indian Point 2 non-qualified decommissioning trust fund resulting from restructuring of the trusts, which reduced deferred taxes on the trust fund and reduced current tax expense;
- the resolution of tax audit issues involving the 2002-2003 audit cycle;
- an adjustment to state income taxes for Non-Utility Nuclear to reflect the effect of a change in the methodology of computing New York state income taxes as required by that state's taxing authority;
- book and tax differences related to the allowance for equity funds used during construction; and
- the amortization of investment tax credits.

These factors were partially offset by book and tax differences for utility plant items and state income taxes at the Utility operating companies.

The effective income tax rate for 2006 was 27.6%. The reduction in the effective income tax rate versus the federal statutory rate of 35% 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. Also contributing to the lower rate for 2006 is an IRS audit settlement that allowed Entergy to release from its tax reserves settled issues relating to 1996-1998 audit cycle.

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.

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 (including discontinued operations) | (3,146) | (6,465) | 44,232 | 34,621 |
| Income taxes | (72,557) | 40,794 | (84,477) | (116,240) |
| 2006 Consolidated Net Income | $691,160 | $309,496 | $131,946 | $1,132,602 |

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Net Revenue

Utility

-

Following is an analysis of the change in net revenue 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 |

The base revenues variance resulted primarily from increases effective October 2005 for Entergy Gulf States Louisiana 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 for Entergy Texas 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 for 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 Entergy Gulf States Louisiana, 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 | $44.33 | $42.26 |
| GWh billed | 34,847 | 33,641 |
| Capacity factor for the period | 95% | 93% |

Other Operation and Maintenance Expenses

Other operation and maintenance expenses increased for the Utility from $1,471 million in 2005 to $1,649 million in 2006 primarily due to the following:

- an increase of $52 million in payroll, payroll-related, 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, Inc. 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, Inc. as a result of higher gross revenues in 2006 and a customer refund in 2005.

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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.

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 27.6% and 36.6%, 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. 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 relating to the 1996-1998 audit cycle. 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 increase in the debt to capital percentage from 2006 to 2007 is primarily the result of additional borrowings under Entergy Corporation's revolving credit facility, along with a decrease in



shareholders' equity primarily due to repurchases of common stock. This increase in the debt to capital percentage is in line with Entergy's financial and risk management aspirations. 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.

| | 2007 | 2006 | 2005 |
|---|---|---|---|
| Net debt to net capital at the end of the year | 54.6% | 49.4% | 51.5% |
| Effect of subtracting cash from debt | 3.0% | 2.9% | 1.6% |
| Debt to capital at the end of the year | 57.6% | 52.3% | 53.1% |

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.

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, 2007. To estimate future interest payments for variable rate debt, Entergy used the rate as of December 31, 2007. 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 | 2008 | 2009 | 2010 | 2011-2012 | after 2012 |
|---|---|---|---|---|---|
| | | | (In Millions) | | |
| Utility | $1,214 | $610 | $1,026 | $1,236 | $7,189 |
| Non-Utility Nuclear | 36 | 36 | 36 | 68 | 161 |
| Parent Company and Other Business Segments | 452 | 474 | 456 | 3,052 | - |
| Total | $1,702 | $1,120 | $1,518 | $4,356 | $7,350 |

Note 5 to the financial statements provides more detail concerning long-term debt.

In August 2007, Entergy Corporation entered into a $3.5 billion, five-year credit facility, and terminated the two previously existing facilities, a $2 billion five-year revolving credit facility that was due to expire in May 2010 and a $1.5 billion three-year revolving credit facility that was due to expire in December 2008. Entergy Corporation has the ability to issue letters of credit against the total borrowing capacity of the facility. The weighted average interest rate as of December 31, 2007 was 5.524% on the drawn portion of the facility. The facility fee is currently 0.09% of the commitment amount. The facility fee and interest rate can fluctuate depending on the senior unsecured debt ratings of Entergy Corporation.

As of December 31, 2007, amounts outstanding under the $3.5 billion credit facility are:

| Capacity | Borrowings | Letters of Credit | Capacity Available |
|---|---|---|---|
| | (In Millions) | | |
| $3,500 | $2,251 | $69 | $1,180 |

Entergy Corporation's credit facility requires it to maintain a consolidated debt ratio of 65% or less of its total capitalization. If Entergy fails to meet this ratio, or if Entergy or one of the Registrant Subsidiaries (except Entergy New Orleans) defaults on other indebtedness or is in bankruptcy or insolvency proceedings, an acceleration of the facility maturity date may occur.

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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:

| | 2008 | 2009 | 2010 | 2011-2012 | after 2012 |
|---|---|---|---|---|---|
| | | | (In Millions) | | |
| Capital lease payments, including nuclear fuel leases | $153 | $213 | $2 | $3 | $2 |

Notes payable includes borrowings outstanding on credit facilities with original maturities of less than one year. Entergy Arkansas, Entergy Gulf States Louisiana, Entergy Louisiana, Entergy Mississippi, and Entergy Texas each had credit facilities available as of December 31, 2007 as follows (with the exception of the Entergy Texas facility, which is expected to become available in March 2008 after the fulfillment of certain closing conditions):

| Company | Expiration Date | Amount of Facility | Interest Rate (a) | Amount Drawn as of Dec. 31, 2007 |
|---|---|---|---|---|

Entergy Arkansas

April 2008

$100 million (b)

6.75%

-

Entergy Gulf States Louisiana

August 2012

$100 million (c)

5.025%

-

Entergy Louisiana

August 2012

$200 million (d)

4.96%

-

Entergy Mississippi

May 2008

$30 million (e)

5.85%

-

Entergy Mississippi

May 2008

$20 million (e)

5.85%

-

Entergy Texas

August 2012

$100 million (f)

5.025%

-

(a) The interest rate is the weighted average interest rate as of December 31, 2007 that would be applied to the outstanding borrowings under the facility.

(b) The credit facility requires Entergy Arkansas to maintain a total shareholders' equity of at least 25% of its total assets.

(c) The credit facility allows Entergy Gulf States Louisiana to issue letters of credit against the borrowing capacity of the facility. As of December 31, 2007, no letters of credit were outstanding. The credit facility requires Entergy Gulf States Louisiana to maintain a consolidated debt ratio of 65% or less of its total capitalization. Pursuant to the terms of the credit agreement, the amount of debt assumed by Entergy Texas is excluded from debt and capitalization in calculating the debt ratio.

(d) The credit facility allows Entergy Louisiana to issue letters of credit against the borrowing capacity of the facility. As of December 31, 2007, no letters of credit were outstanding. The credit agreement requires Entergy Louisiana to maintain a consolidated debt ratio of 65% or less of its total capitalization.

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

(f) The credit facility allows Entergy Texas to issue letters of credit against the borrowing capacity of the facility. As of December 31, 2007, no letters of credit were outstanding. The credit facility requires Entergy Texas to maintain a consolidated debt ratio of 65% or less of its total capitalization. Pursuant to the terms of the credit agreement, the transition bonds issued by Entergy Gulf States Reconstruction Funding I, LLC are excluded from debt and capitalization in calculating the debt ratio.



In August 2007, Entergy Gulf States, Inc. entered into a $200 million, 5-year bank credit facility, with the ability to issue letters of credit against the facility. As of December 31, 2007, the Entergy Gulf States, Inc. credit facility split into the two separate credit facilities shown above, a $100 million credit facility available to Entergy Gulf States Louisiana and a $100 million credit facility for to Entergy Texas.

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, 2007 on non-cancelable operating leases with a term over one year:

| | 2008 | 2009 | 2010 | 2011-2012 | after 2012 |
|---|---|---|---|---|---|
| | | | (In Millions) | | |
| Operating lease payments | $99 | $139 | $61 | $76 | $133 |

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

Summary of Contractual Obligations of Consolidated Entities

| Contractual Obligations | 2008 | 2009-2010 | 2011-2012 | after 2012 | Total |
|---|---|---|---|---|---|
| | | | (In Millions) | | |
| Long-term debt (1) | $1,702 | $2,638 | $4,356 | $7,350 | $16,046 |
| Capital lease payments (2) | $153 | $215 | $3 | $2 | $373 |
| Operating leases (2) | $99 | $200 | $76 | $133 | $508 |
| Purchase obligations (3) | $1,457 | $2,465 | $1,502 | $2,930 | $8,354 |

(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 the contractual obligations, in 2008, Entergy expects to contribute $226 million to its pension plans and $69.6 million to other postretirement plans. Guidance pursuant to the Pension Protection Act of 2006 rules, effective for the 2008 plan year and beyond, may affect the level of Entergy's pension contributions in the future. Also in addition to the contractual obligations, Entergy has $2.122 billion of unrecognized tax benefits and interest for which the timing of payments beyond 12 months cannot be reasonably estimated due to uncertainties in the timing of effective settlement of tax positions. See Note 3 to the financial statements for additional information regarding unrecognized tax benefits.

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 2008 through 2010:

| Planned construction and capital investments | 2008 | 2009 | 2010 |
|---|---|---|---|
| | | (In Millions) | |
| Maintenance Capital: | | | |
| Utility | $864 | $807 | $811 |
| Non-Utility Nuclear | 78 | 78 | 78 |
| Parent and Other | 2 | - | - |
| | 944 | 885 | 889 |
| Capital Commitments: | | | |
| Utility | 1,033 | 846 | 675 |
| Non-Utility Nuclear | 207 | 189 | 248 |
| | 1,240 | 1,035 | 923 |
| Total | $2,184 | $1,920 | $1,812 |

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 the Utility's supply plan initiative, including Entergy Louisiana's Little Gypsy Unit 3 repowering project, Entergy Arkansas' pending acquisition of the 789 MW gas-fired Ouachita power plant, each of which are discussed below, and Entergy Gulf States Louisiana's pending $66 million (including related investments) purchase of the Calcasieu plant, a 322 MW simple-cycle gas-fired power plant.
- Entergy Louisiana's Waterford 3 steam generators replacement project, which is discussed below.
- Transmission improvements and upgrades designed to provide improved transmission flexibility in the Entergy System.
- Initial development costs for potential new nuclear development at the Grand Gulf and River Bend sites, 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.
- Nuclear dry cask spent fuel storage and license renewal projects at certain nuclear sites.
- Environmental compliance spending, including $24 million for installation of scrubbers and low NOx burners at Entergy Arkansas' White Bluff coal plant. The project is still in the planning stages and has not been designed, but the latest conceptual cost estimate indicates Entergy Arkansas' share of the project could cost approximately $375 million, including $195 million over the 2008-2010 period. Entergy continues to review potential additional environmental spending needs and financing alternatives for any such spending, and future spending estimates could change based on the results of this continuing analysis.
- NYPA value sharing costs.

The Utility's generating capacity remains short of customer demand, and its supply plan initiative will continue to seek to transform its generation portfolio with new or repowered generation resources. Opportunities resulting from the supply plan initiative, including new projects or the exploration of alternative financing sources, could result in increases or decreases in the capital expenditure estimates given above. In addition, the planned construction and capital investments estimates shown above do not include the costs associated with the potential interconnection between Entergy Texas and ERCOT that is discussed in Note 2 to the financial statements. These potential interconnection costs are currently estimated to be approximately $1 billion. Estimated capital expenditures are also 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.

In April 2007, Entergy's Non-Utility Nuclear business purchased the 798 MW Palisades nuclear energy plant located near South Haven, Michigan from Consumers Energy Company for a net cash payment of $336 million. Entergy received the plant, nuclear fuel, inventories, and other assets. The liability to decommission the plant, as well as related decommissioning trust funds, was also transferred to Entergy's Non-Utility Nuclear business. Entergy's Non-Utility Nuclear business executed a unit-contingent, 15-year purchased power agreement (PPA) with Consumers Energy for 100% of the plant's output, excluding any future uprates. Prices under the PPA range from $43.50/MWh in 2007 to $61.50/MWh in 2022, and the average price under the PPA is $51/MWh. In the first quarter 2007, the NRC renewed Palisades' operating license until 2031. Also, as part of the transaction, Entergy's Non-Utility Nuclear business assumed responsibility for spent fuel at the decommissioned Big Rock Point nuclear plant, which is located near Charlevoix, Michigan. Palisades' financial results since April 2007 are included in Entergy's Non-Utility Nuclear business segment. See Note 15 to the financial statements herein for a discussion of the purchase price allocation and the amortization to revenue of the below-market PPA.

In April 2007, Entergy Louisiana announced that it plans to pursue the solid fuel repowering of a 538 MW unit at its Little Gypsy plant. Petroleum coke and coal will be the unit's primary fuel sources. In July 2007, Entergy Louisiana filed with the LPSC for approval of the repowering project, and stated that it expects to spend $1.55 billion on the project. In addition to seeking a finding that the project is in the public interest, the filing with the LPSC asks that Entergy Louisiana be allowed to recover a portion of the project's financing costs during the construction period. Hearings were held in October 2007, and the LPSC approved the certification of the project in November 2007, subject to several conditions. One of the conditions is the development and approval of a construction monitoring plan. The approval allowed Entergy Louisiana to order equipment, such as boiler and piping components, so that components can be manufactured to keep the project on schedule. A decision regarding whether to allow Entergy Louisiana to recover a portion of the project's financing costs during the construction period was deferred to Phase II of the proceedings. In December 2007, Entergy Louisiana filed testimony in the Phase II proceeding seeking financing cost recovery and proposing a procedure for synchronizing future base rate recovery by a formula rate plan or base rate filing of the project's non-fuel costs. Phase II hearings are scheduled to begin in May 2008. In December 2007, Entergy Louisiana signed a target cost contract with the engineering, procurement, and construction services contractor, and issued the contractor a notice to proceed with construction. Entergy Louisiana expects the project to be completed in 2012.

In July 2007, Entergy Arkansas announced that it had signed an agreement to purchase the Ouachita Generating Facility, a 789 MW power plant, from a subsidiary of Cogentrix Energy, Inc., for $210 million. The facility is a combined-cycle gas-fired generating facility located near the city of Sterlington in northern Louisiana. The facility entered commercial service in 2002. Entergy Arkansas plans to invest approximately $40 million in spare parts purchases and plant improvements, and has estimated transaction costs and contingencies of $6 million. The acquisition also may require transmission upgrades in order for the facility to qualify as a network resource, which costs were recently estimated by the Independent Coordinator of Transmission for the Entergy System to be approximately $70 million, subject to additional evaluation. The Ouachita plant will be 100 percent owned by Entergy Arkansas, and the acquisition is expected to close in 2008. It is planned that, as part of the transaction, Entergy Gulf States Louisiana will purchase one-third of the capacity and output of the facility from Entergy Arkansas. The purchase of the plant is contingent upon obtaining necessary approvals, including full cost recovery, from various federal and state regulatory and permitting agencies. Entergy Arkansas filed with the APSC in September 2007 for its approval of the acquisition, including full cost recovery. The APSC Staff and the Arkansas attorney general have supported Entergy Arkansas' acquisition of the plant, but oppose the sale of one-third of the capacity and energy to Entergy Gulf States Louisiana. The industrial group AEEC has opposed Entergy Arkansas' purchase of the plant. The Arkansas attorney general has opposed recovery of the non-fuel costs of the plant through a separate rider, while the APSC Staff recommended revisions to the rider. In December 2007, the APSC issued an order approving recovery through a rider of the capacity



costs associated with the interim tolling agreement, which will be in effect until APSC action on the acquisition of the plant. The APSC has scheduled a hearing in April 2008 to address Entergy Arkansas' request for acquisition of the plant and concurrent cost recovery. In January 2008 the FERC issued an order authorizing the acquisition. In November 2007, Entergy Gulf States Louisiana filed a request with the LPSC for authorization to purchase one-third of the capacity and energy of the Ouachita plant during the term of the interim tolling agreement and for authorization to purchase one-third of the plant's capacity and energy on a life-of-unit basis after the plant's acquisition. In January 2008 the LPSC approved the recovery of costs associated with the interim tolling agreement. An LPSC hearing on approval of the purchase of one-third of the plant's capacity and energy on a life-of-unit basis is scheduled for June 2008.

Entergy Louisiana plans to replace the Waterford 3 steam generators, along with the reactor vessel closure head and control element drive mechanisms, in 2011. Replacement of these components is common to pressurized water reactors throughout the nuclear industry. The nuclear industry continues to address susceptibility to stress corrosion cracking of certain materials associated with these components within the reactor coolant system. The issue is applicable to Waterford 3 and is managed in accordance with standard industry practices and guidelines. Routine inspections of the steam generators during Waterford 3's Fall 2006 refueling outage identified degradation of certain tube spacer supports in the steam generators that required repair beyond that anticipated prior to the outage. Corrective measures were successfully implemented to permit continued operation of the steam generators. While potential future replacement of these components had been contemplated, additional steam generator tube and component degradation necessitates replacement of the steam generators as soon as reasonably achievable. The earliest the new steam generators can be manufactured and delivered for installation is 2011. A mid-cycle outage performed in 2007 supports Entergy's 2011 replacement strategy. The reactor vessel head and control element drive mechanisms will be replaced at the same time, utilizing the same reactor building construction opening that is necessary for the steam generator replacement. Entergy Louisiana estimates that it will spend approximately $485 million on this project.

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 2008 meeting, the Board declared a dividend of $0.75 per share, which is the same quarterly dividend per share that Entergy paid in the third and fourth quarter 2007. The prior quarterly dividend per share was $0.54. Entergy paid $507 million in 2007 and $449 million in 2006 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 the authority to fund grant exercises, in January 2007, the Board approved a program under which Entergy is authorized to repurchase up to $1.5 billion of its common stock, which Entergy expects to complete in 2008. As of December 31, 2007, $997 million of share repurchases have been made pursuant to this program. In January 2008, the Board authorized an incremental $500 million share repurchase program to enable Entergy to consider opportunistic purchases in response to equity market conditions. Entergy's financial aspirations following the consummation of the planned Non-Utility Nuclear spin-off include a potential new share repurchase program targeted at $2.5 billion. The amount of this potential program to follow completion of the spin-off is expected to be reduced by the amount of repurchases made pursuant to the January 2008 incremental program.

The amount of repurchases may vary as a result of material changes in business results or capital spending or new investment opportunities.

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The Board had previously approved a program under which Entergy was authorized to repurchase up to $1.5 billion of its common stock through 2006. Entergy completed this program in the fourth quarter 2006.

Entergy New Orleans Debtor-in-Possession Credit Facility

On September 26, 2005, Entergy New Orleans, as borrower, and Entergy Corporation, as lender, entered into a debtor-in-possession credit facility to provide funding to Entergy New Orleans during its business restoration efforts. The credit facility provided for up to $200 million in loans. The interest rate on borrowings under the credit facility was the average interest rate of borrowings outstanding under Entergy Corporation's revolving credit facility. With the confirmation of Entergy New Orleans' plan of reorganization in May 2007, Entergy New Orleans repaid to Entergy Corporation, in full, in cash, the $67 million of outstanding borrowings under the debtor-in-possession credit facility.

Sources of Capital

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

- internally generated funds;
- cash on hand ($1.27 billion as of December 31, 2007);
- 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.

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, 2007, 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.

The FERC has jurisdiction over authorizing securities issuances by the Utility operating companies and System Energy (except securities with maturities longer than one year issued by Entergy Arkansas and Entergy New Orleans, which are subject to the jurisdiction of the APSC and the City Council, respectively). No approvals are necessary for Entergy Corporation to issue securities. The FERC has issued orders (FERC Short-Term Orders) approving the short-term borrowing limits of the Utility operating companies and System Energy through March 31, 2008 (except Entergy New Orleans, which is effective through May 4, 2009, and Entergy Gulf States Louisiana and Entergy Texas, which are effective through November 8, 2009). In January 2008, Entergy filed an application with the FERC to extend the authorization period for its current short-term borrowing limits and money pool borrowing arrangement until March 2010 (except for Entergy Gulf States Louisiana and Entergy Texas). Entergy Gulf States Louisiana, Entergy Louisiana, Entergy Mississippi, Entergy Texas, and System Energy have obtained long-term financing authorization from the FERC, and Entergy Arkansas has obtained long-term financing authorization from the APSC. The long-term securities issuances of Entergy New Orleans are limited to amounts authorized by the City Council, and it intends to file a request during 2008 for renewal of its authority. In addition to borrowings from commercial banks, the FERC Short-Term Orders authorized the Registrant Subsidiaries 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, 2007, Entergy's subsidiaries' aggregate money pool and

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external short-term borrowings authorized limit was $2.1 billion, the aggregate outstanding borrowing from the money pool was $346.1 million, and Entergy's subsidiaries had no outstanding short-term borrowings from external sources. See Note 4 to the financial statements for further discussion of Entergy's short-term borrowing limits.

Cash Flow Activity

As shown in Entergy's Statements of Cash Flows, cash flows for the years ended December 31, 2007, 2006, and 2005 were as follows:

| | 2007 | 2006 | 2005 |
|---|---|---|---|
| | | (In Millions) | |
| Cash and cash equivalents at beginning of period | $1,016 | $583 | $620 |
| Effect of reconsolidating Entergy New Orleans in 2007 | 17 | - | - |
| Effect of deconsolidating Entergy New Orleans in 2005 | - | - | (8) |
| Cash flow provided by (used in): | | | |
| Operating activities | 2,560 | 3,448 | 1,468 |

| | | | |
|---|---|---|---|
| Investing activities | (2,098) | (1,928) | (1,992) |
| Financing activities | (222) | (1,084) | 496 |
| Effect of exchange rates on cash and cash equivalents | - | (3) | (1) |
| Net increase (decrease) in cash and cash equivalents | 240 | 433 | (29) |
| Cash and cash equivalents at end of period | $1,273 | $1,016 | $583 |

Operating Cash Flow Activity

2007 Compared to 2006

Entergy's cash flow provided by operating activities decreased by $888 million in 2007 compared to 2006. Following are cash flows from operating activities by segment:

- Utility provided $1,809 million in cash from operating activities in 2007 compared to providing $2,592 million in 2006, primarily due to decreased collection of fuel costs, the catch-up in receivable collections in 2006 due to delays caused by the hurricanes in 2005, and the receipt of an income tax refund in 2006 compared to income tax payments being made in 2007, partially offset by the receipt of $181 million of Community Development Block Grant funds by Entergy New Orleans in 2007, significant storm restoration spending in 2006, and a decrease of $118 million in the amount of pension funding payments in 2007.
- Non-Utility Nuclear provided $880 million in cash from operating activities in 2007 compared to providing $833 million in 2006. The increase is due to the cash flows attributable to higher net revenue, offset by the receipt of income tax refunds in 2006, compared to income tax payments being made in 2007, and spending associated with four refueling outages in 2007 compared to two in 2006.
- Parent & Other used $87 million in cash in operating activities in 2007 compared to providing $116 million in 2006, primarily due to the receipt of $96 million in dividends from Entergy-Koch in 2006 and an increase in interest payments in 2007 by Entergy Corporation.

2006 Compared to 2005

Entergy's cash flow provided by operating activities increased by $1,980 million in 2006 compared to 2005 primarily due to the following activity:

- Utility provided $2,592 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.

Investing Activities

2007 Compared to 2006

Net cash used in investing activities increased by $170 million in 2007 compared to 2006. The following activity is notable in comparing 2007 to 2006:

- Construction expenditures were $55 million lower in 2007 than in 2006, primarily due to a decrease of $44 million in Non-Utility Nuclear spending.
- In 2006, Entergy received 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.
- Non-Utility Nuclear purchased the Palisades power plant in April 2007.
- Entergy Mississippi purchased the Attala power plant in January 2006.
- Insurance proceeds received increased by $64 million in 2007 because of payments received on Hurricane Katrina and Hurricane Rita claims.

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.
- Entergy Mississippi purchased the Attala power plant in January 2006 and Entergy Louisiana purchased the Perryville power plant in June 2005.
- 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.

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Financing Activities

2007 Compared to 2006

Net cash used in financing activities decreased by $862 million in 2007 compared to 2006. The following activity is notable in comparing 2007 to 2006:

- Entergy Corporation increased the net borrowings under its credit facility by $1,431 million in 2007, compared to increasing the net borrowings under its credit facilities by $35 million in 2006. See Note 4 to the financial statements for a description of the Entergy Corporation credit facility.
- A subsidiary of Entergy Texas issued $329.5 million of securitization bonds in June 2007. See Note 5 to the financial statements for additional information regarding the securitization bonds.
- Entergy Mississippi redeemed $100 million of first mortgage bonds in 2007 and issued $100 million of first mortgage bonds in 2006.
- Entergy Corporation repurchased $1,216 million of its common stock in 2007, and repurchased $584 million of its common stock in 2006.
- Entergy Louisiana Holdings, Inc. redeemed all $100.5 million of its outstanding preferred stock in June 2006.

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.

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 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. Following is a summary of base rate and related proceedings, and proceedings involving Hurricane Katrina and Hurricane Rita cost recovery. These proceedings are discussed in more detail in Note 2 to the financial statements.



| Company | Authorized ROE | Pending Proceedings/Events |
|---|---|---|
| Entergy Arkansas | 9.9% | • In August 2006, Entergy Arkansas filed with the APSC a request for a change in base rates. Entergy Arkansas requested a general base rate increase (using an ROE of 11.25%), which it subsequently adjusted to a request for a $106.5 million annual increase. In June 2007, after hearings |

on the filing, the APSC ordered Entergy Arkansas to reduce its annual rates by $5 million, and set a return on common equity of 9.9% with a hypothetical common equity level lower than Entergy Arkansas' actual capital structure. The base rate change was implemented August 29, 2007, effective for bills rendered after June 15, 2007. Entergy Arkansas has appealed the rate case order.

- Base rates at the previous level had been in effect since 1998.

Entergy Texas

10.95%

- Base rates are currently set at rates approved by the PUCT in June 1999.
- Entergy Texas made a rate filing in September 2007 with the PUCT requesting an annual rate increase totaling $107.5 million, including a base rate increase of $64.3 million and special riders totaling $43.2 million. The base rate increase includes $12.2 million for the storm damage reserve. Entergy Texas is requesting an 11% return on common equity. In December 2007 the PUCT issued an order setting September 26, 2008 as the effective date for the rate change from the rate filing. The hearing on the rate case is scheduled for May 2008.
- Legislation enacted in June 2005 allowed Entergy Texas to file for rate relief through riders for incremental capacity costs (IPCR) and transition costs. In December 2005, the PUCT approved the recovery of $18 million annual capacity costs, subject to reconciliation from September 2005. In January 2008, an agreement was filed with the PUCT to increase the IPCR to $21 million and to add a surcharge for $10.3 million of under-recovered costs, which the PUCT approved. In June 2006, the PUCT approved a settlement in the transition to competition (TTC) cost recovery case, allowing Entergy Texas to recover $14.5 million per year in TTC costs over a 15-year period.
- On June 29, 2007, Entergy Gulf States Reconstruction Funding I, LLC, a company wholly-owned and consolidated by Entergy Texas, issued $329.5 million of senior secured transition (securitization) bonds. Entergy Texas began cost recovery through a transition charge in July 2007, and the transition charge is expected to remain in place over a 15-year period.



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 Louisiana made its first formula rate plan (FRP) filing in June 2005 for the 2004 test year.<br>• On December 13, 2007, the LPSC Staff issued a final report on Entergy Gulf States Louisiana's FRP filing for the 2006 test year, indicating a $1.6 million decrease in revenues for which interim rates were already in effect. In addition the Staff recommended that the LPSC agree to a one-year extension of the FRP to synchronize with the final year of Entergy Louisiana's FRP, or alternatively extend for a longer period. Entergy Gulf States Louisiana indicated it is amenable to a one-year extension. An uncontested stipulated settlement was filed in February 2008 that will leave the current base rates in place.<br>• In August 2007, the LPSC approved $187 million as the balance of storm restoration costs for recovery and established $87 million as a reserve for future storms, both to be securitized in the same amounts. In May 2006, Entergy Gulf States Louisiana 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 shifted to the FRP at the rate of $0.85 million per month. Interim recovery and carrying charges will continue until the securitization process is complete. |



| | | |
|---|---|---|
| Entergy Louisiana | 9.45%-<br>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 (FRP) filing under this plan in May 2006 |

based on a 2005 test year.

- Entergy Louisiana continues to seek resolution of its 2006 and 2005 test year FRP filings. A hearing on the 2006 test year filing is scheduled for August 2008.
- The 2005 test year filing made in May 2006 indicated a 9.45% ROE, which is within the allowed bandwidth. Rates were implemented on September 28, 2006 subject to refund consisting of $119 million for deferred and ongoing capacity costs and $24 million for interim storm cost recovery. This increase reflects certain adjustments proposed by the LPSC Staff with which Entergy Louisiana agrees.
- The 2006 test year filing made in May 2007 indicated a 7.6% ROE. On September 27, 2007, Entergy Louisiana implemented an $18.4 million increase, subject to refund, $23.8 million representing a 60% adjustment to reach the bottom of the FRP band, net of $5.4 million for reduced capacity costs. The LPSC will allow Entergy Louisiana to defer the difference between the $39.8 million requested for unrecovered fixed costs for extraordinary customer losses associated with Hurricane Katrina and the $23.8 million 60% adjustment as a regulatory asset, pending ultimate LPSC resolution of the 2006 FRP filing.
- On October 29, 2007, Entergy Louisiana implemented a $7.1 million FRP decrease which is primarily due to the reclassification of certain franchise fees from base rates to collection via a line item on customers' bills pursuant to a LPSC order.
- In August 2007, the LPSC approved $545 million as the balance of storm restoration costs for recovery and established $152 million as a reserve for future storms, both to be securitized in the same amounts. 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 shifted to the FRP at the rate of $2 million per month. Interim recovery and carrying charges will continue until the securitization process is complete.

| | | |
|---|---|---|
| Entergy Mississippi | 9.46%- 12.24% | • An annual formula rate plan (FRP) is in place. The FRP allows Entergy Mississippi's earned ROE to increase or decrease within a bandwidth with no change in rates; earnings outside the bandwidth are allocated 50% to customers and 50% to Entergy Mississippi, but on a prospective basis only. The plan also provides for performance incentives that can increase or decrease the benchmark ROE by as much as 100 basis points.<br>• The MPSC approved a joint stipulation between Entergy Mississippi and the Mississippi Public Utilities Staff on June 6, 2007, calling for a $10.5 million increase effective with July billings for Entergy Mississippi's 2006 test year FRP filing.<br>• In December 2005, the MPSC approved the purchase of the Attala power plant and ordered interim recovery. In October 2006, the MPSC approved Entergy Mississippi's filing to revise the Power Management Rider Schedule to extend beyond 2006 recovery of Entergy Mississippi's Attala costs. In December 2006, the MPSC approved Entergy Mississippi's request to increase several fees (connect, reconnect, late payment and returned check) effective January 1, 2007.<br>• The Mississippi Development Corporation, an entity created by the state, issued securitization bonds. Entergy Mississippi received proceeds in the amount of $48 million on May 31, 2007, reflecting recovery of $8 million of storm restoration costs and $40 million to increase Entergy Mississippi's storm reserve. To service the bonds, Entergy Mississippi is collecting a system restoration charge on behalf of the state and remitting collections to the state. In October 2006, Entergy Mississippi received $81 million in CDBG funding, pursuant to MPSC orders approving recovery of $89 million storm restoration costs. |

| | | |
|---|---|---|
| Entergy New Orleans | 10.75% -Electric; 10.75% -Gas | • In June 2006, Entergy New Orleans made its annual formula rate plan filings with the City Council. At the same time as it made its formula rate plan filings, Entergy New Orleans also filed with the City Council a request to implement two storm-related riders. With the first rider, Entergy New Orleans sought to recover the electric and gas restoration costs that it had actually spent through March 31, 2006. With the second rider, Entergy New Orleans sought to establish a storm reserve to provide for the risk of another storm.<br>• In October 2006, the City Council approved a settlement agreement that resolves Entergy New Orleans' rate and storm-related rider filings by providing for phased-in rate increases, while taking into account with respect to storm restoration costs the anticipated receipt of CDBG funding. The settlement provides for a 0% increase in electric base rates through December 2007, with a $3.9 million increase implemented in January 2008. 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 increased by 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.<br>• 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.<br>• 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. These storm reserve funds will be held in a restricted escrow account.<br>• In January 2008, Entergy New Orleans voluntarily implemented a 6.15% base rate credit for electric customers, which Entergy New Orleans estimates will return $10.6 million to electric customers in 2008. Entergy New Orleans was able to implement this credit because the recovery of New Orleans after Hurricane Katrina has been occurring faster than expected.<br>• In April 2007, Entergy New Orleans executed an agreement with the Louisiana Office of Community Development under which $200 million of CDBG funds will be made available to Entergy New Orleans. Entergy New Orleans has received $180.8 million of the funds as of December 31, 2007, and under the agreement with the OCD, Entergy New Orleans expects to receive the remainder as it incurs and submits additional eligible costs. |
| System Energy | 10.94% | • ROE approved by July 2001 FERC order. No cases pending before the 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 energy exchanges 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

Production Cost Equalization Proceeding Commenced by the LPSC

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.

In June 2005, the FERC issued a decision in the System Agreement litigation that had been commenced by the LPSC, 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 will 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 became effective based on calendar year 2006 production costs and the first potential reallocation payments were made in 2007.

The FERC's decision reallocates 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 will 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.

Assessing 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 Louisiana, Entergy Texas, 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.



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 intervened in the various appeals. The D.C. Circuit held oral argument on the appeals in November 2007.

Entergy's Utility Operating Companies' Compliance Filing

In April 2006, the Utility operating companies filed with the FERC their compliance filing to implement the provisions of the FERC's decision. The filing amended 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. The Utility operating companies filed a revised compliance plan in December 2006 implementing the provisions of the FERC's November order. In accordance with the FERC's order, the first payments/receipts were based on calendar year 2006 production costs, with the payments/receipts among the affected Utility operating companies made in seven monthly installments commencing in June 2007.

Various parties filed requests for rehearing of the FERC's order accepting the compliance filing. Among other things, the LPSC requested 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 requested 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. In April 2007, the FERC denied the requests for rehearing, with one exception regarding the issue of retrospective refunds. That issue will be addressed subsequent to the remanded proceeding involving the interruptible load decision discussed further below in this section under "Interruptible Load Proceeding." The LPSC appealed the decision to the D.C. Circuit Court of Appeals, and the Utility operating companies and the APSC intervened in that appeal.

Rough Production Cost Equalization Rates

In May 2007 Entergy filed with the FERC the rates to implement the FERC's orders in the System Agreement proceeding.

The filing shows the following payments/receipts among the Utility operating companies for 2007, based on calendar year 2006 production costs, commencing for service in June 2007, are necessary to achieve rough production cost equalization as defined by the FERC's orders:

| | Payments or (Receipts) (In Millions) |
|---|---|
| Entergy Arkansas | $252 |
| Entergy Gulf States Louisiana (includes ($30) million related to Entergy Texas) | ($120) |
| Entergy Louisiana | ($91) |
| Entergy Mississippi | ($41) |
| Entergy New Orleans | $0 |
| Entergy Texas | ($30) |

Several parties intervened in the rate proceeding at the FERC, including the APSC, the MPSC, the Council, and the LPSC, which have also filed protests. The PUCT also intervened. Certain Entergy Arkansas wholesale customers also intervened, raising issues regarding whether the bandwidth payments are properly reflected in the wholesale rate that Entergy Arkansas charges. The APSC, the MPSC, and the Council asked the FERC to confirm that the FERC did not intend to preempt a retail regulator from undertaking an independent prudence review of the production costs in setting retail rates, or ask the FERC to set the rough production cost equalization payments/receipts for hearing to allow the retail regulators the opportunity to evaluate the prudence of the underlying production costs. In July 2007, the FERC accepted the proposed rates for filing, allowed them to go into effect as of June 1, 2007, subject to refund, and set the filing, including the calculation and underlying production costs, for hearing and settlement procedures. Settlement procedures have been terminated, and the proceeding is set for hearing in May 2008.

Intervenors in the proceeding filed testimony on February 4, 2008 responding to the Utility operating companies' initial direct testimony. In its testimony, the LPSC argues that Entergy Arkansas was imprudent for failing to exercise a right of first refusal to repurchase up to 180 MW of the Independence plant in 1996 when Entergy Arkansas was offered the power by Entergy Power. According to the LPSC, Entergy Arkansas' failure to exercise this option has resulted in Entergy Arkansas' 2006 production costs being approximately $29 million higher than they otherwise would have been. Another intervenor, AmerenUE, argues that its current wholesale power contract with Entergy Arkansas, pursuant to which Entergy Arkansas sells power to AmerenUE, does not permit Entergy Arkansas to flow through to AmerenUE any portion of Entergy Arkansas' bandwidth payment. According to AmerenUE, Entergy Arkansas has sought to collect from AmerenUE approximately $14.5 million of the 2007 Entergy Arkansas bandwidth payment. The AmerenUE contract is scheduled to expire in August 2009. In addition to these allegations, several intervenors, including the LPSC, the FERC Staff, and the APSC have proposed various accounting changes designed to alter the allocation of costs among the Utility operating companies for purposes of calculating each Utility operating company's production costs. The Utility operating companies' rebuttal testimony is due April 28, 2008.

Entergy Arkansas paid $36 million per month to Entergy Gulf States, Entergy Louisiana, and Entergy Mississippi for seven months, beginning in June 2007. 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 APSC has approved a production cost allocation rider for recovery from customers of the retail portion of the costs allocated to Entergy Arkansas, but set a termination date of December 31, 2008 for the rider. In December 2007, the APSC issued a subsequent order stating the production cost allocation rider will remain in effect, and any future termination of the rider will be subject to eighteen months advance notice by the APSC, which would occur following notice and hearing.

Based on the FERC's April 27, 2007 order on rehearing that is discussed above, in the second quarter 2007 Entergy Arkansas recorded accounts payable and Entergy Gulf States Louisiana, Entergy Louisiana, Entergy Mississippi, and Entergy Texas recorded accounts receivable to reflect the rough production cost equalization payments and receipts required to implement the FERC's remedy based on calendar year 2006 production costs. Entergy Arkansas recorded a corresponding regulatory asset for its right to collect the payments from its customers, and Entergy Gulf States Louisiana, Entergy Louisiana, Entergy Mississippi, and Entergy Texas recorded corresponding regulatory liabilities for their obligations to pass the receipts on to their customers. The regulatory asset and liabilities are shown as "System Agreement cost equalization" on the respective balance sheets.

The liabilities and assets for the preliminary estimate of the payments and receipts required to implement the FERC's remedy based on calendar year 2007 production costs were recorded in December 2007, after all production costs for 2007 had been incurred. The preliminary estimate was recorded based on the following estimate of the payments/receipts among the Utility operating companies for 2008, based on calendar year 2007 production costs:

| | Payments or (Receipts) (In Millions) |
|---|---|
| Entergy Arkansas | $268 |
| Entergy Gulf States Louisiana | ($147) |
| Entergy Louisiana | ($46) |
| Entergy Mississippi | $0 |
| Entergy New Orleans | ($5) |
| Entergy Texas | ($70) |

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The actual payments/receipts for 2008, based on calendar year 2007 production costs, will not be calculated until the Utility operating companies' FERC Form 1s have been filed. The level of any payments and receipts is significantly affected by a number of factors, including, among others, weather, the price of alternative fuels, the operating characteristics of the Entergy System generating fleet, and multiple factors affecting the calculation of the non-fuel related revenue requirement components of the total production costs, such as plant investment.

The Utility operating companies had also filed with the FERC certain proposed modifications to the rough production cost equalization calculation. The FERC rejected certain of the proposed modifications, accepted certain of the proposed modifications without further proceedings, and set two of the proposed modifications for hearing and settlement procedures. Settlement discussions are ongoing in one of the proceedings. Settlement procedures were terminated in the second proceeding that involves changes to the functionalization of costs to the production function and a hearing in that proceeding is currently scheduled for March 2008.

In April 2007, the LPSC filed a complaint with the FERC in which it sought to have the FERC order the following modifications to Entergy's rough production costs equalization calculation: (1) elimination of interruptible loads from the methodology used to allocate demand-related capacity costs; and (2) change of the method used to re-price energy from the Vidalia hydroelectric project for purposes of calculating production cost disparities. Entergy filed an intervention and protest in this proceeding. In May 2007 the FERC denied the LPSC's complaint. The LPSC has requested rehearing, and FERC consideration of that request is still pending.

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. The APSC requested that the FERC investigate several specific areas, including issues related to Entergy's transmission system.

Several parties have intervened in the proceeding, including the MPSC, the LPSC, and the City Council.

In June 2007 the FERC denied the APSC's complaint on the basis that it was premature. The FERC found that the Utility operating companies' annual rough production cost equalization filing is the appropriate proceeding for the retail regulators to raise prudence issues. Regarding transmission, the FERC found that the FERC has recently implemented reforms related to transmission. If those reforms are inadequate to address the APSC's concerns, then it can renew its complaint. The City Council asked for rehearing or clarification of this order to confirm that the FERC did not intend to preempt a retail regulator from undertaking an independent prudence review of the production costs in setting retail rates. The FERC denied the request in December 2007, reiterating its conclusion that the annual rough production cost equalization filing is the appropriate proceeding for the retail regulators to raise prudence issues.

Interruptible Load Proceeding

In April 2007 the U.S. Court of Appeals for the D.C. Circuit issued its opinion in the LPSC's appeal of the FERC's March 2004 and April 2005 orders related to the treatment under the System Agreement of the Utility operating companies' interruptible loads. In its opinion, the D.C. Circuit concluded that the FERC (1) acted arbitrarily and capriciously by allowing the Utility operating companies to phase-in the effects of the elimination of the interruptible load over a 12-month period of time; (2) failed to adequately explain why refunds could not be ordered under Section 206(c) of the Federal Power Act; and (3) exercised appropriately its discretion to defer addressing the cost of sulfur dioxide allowances until a later time. The D.C. Circuit remanded the matter to the FERC for a more considered determination on the issue of refunds. The FERC issued its order on remand in September 2007, in which it directs Entergy to make a compliance filing removing all interruptible load from the computation of peak load responsibility commencing April 1, 2004 and to issue any necessary refunds to reflect this change. In



addition, the order directs the Utility operating companies to make refunds for the period May 1995 through July 1996. Entergy, the APSC, the MPSC, and the City Council have requested rehearing of the FERC's order on remand. The FERC granted the Utility operating companies' request to delay the payment of refunds for the period May 1995 through July 1996 until 30 days following a FERC order on rehearing.

Entergy Arkansas Notice of Termination of System Agreement Participation and Related APSC 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

ninety-six (96) months from the date of the notice 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. More than once in the investigation proceeding Entergy Arkansas and its president, Hugh McDonald, have filed testimony with the APSC in response to requests by the APSC. In addition, Mr. McDonald has appeared before the APSC on more than one occasion at public hearings for questioning. In December 2007, the APSC ordered Mr. McDonald to file testimony each month with the APSC detailing progress toward development of successor arrangements, beginning in March 2008.

The APSC had also previously 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.

Entergy Mississippi Notice of Termination of System Agreement Participation

In October 2007 the MPSC issued a letter confirming its belief that Entergy Mississippi should exit the System Agreement in light of the recent developments involving the System Agreement. The MPSC letter also requested that Entergy Mississippi advise the MPSC regarding the status of the Utility operating companies' effort to develop successor arrangements to the System Agreement and advise the MPSC regarding Entergy Mississippi's position with respect to withdrawal from the System Agreement. In November 2007, pursuant to the provisions of the System Agreement, Entergy Mississippi provided its written notice to terminate its participation in the System Agreement effective ninety-six (96) months from the date of the notice or such earlier date as authorized by the FERC.

LPSC and City Council Action Related to the Entergy Arkansas and Entergy Mississippi Notices of Termination

In light of the notices of Entergy Arkansas and Entergy Mississippi to terminate participation in the current System Agreement, in January 2008 the LPSC unanimously voted to direct the LPSC Staff to begin evaluating the potential for a new agreement. Likewise, the New Orleans City Council opened a docket to gather information on progress towards a successor agreement.

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 to 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.

In June 2007 the FERC denied the LPSC's complaint on the basis that it was premature. The FERC's order indicates that the FERC will evaluate at the time of Entergy Arkansas' departure whether "the System Agreement will remain just and reasonable for the remaining members .. . . and likewise that any new Entergy Arkansas jurisdictional wholesale arrangements will be just and reasonable." The FERC Order goes on to state that "in light of the history and nature of the existing members' planning and operation of their facilities under the System Agreement, it is possible it may ultimately be appropriate to require transition measures or other conditions to ensure just and reasonable wholesale rates and services" upon the termination of Entergy Arkansas' participation in the current System Agreement.

Calcasieu Generating Facility Acquisition

In conjunction with the application of Entergy Gulf States Louisiana and Calcasieu Power, LLC seeking FERC approval of Entergy Gulf States Louisiana's acquisition of the Calcasieu Generating Facility, the Utility operating companies filed a Petition for Declaratory Order requesting that the FERC find either (1) that in those circumstances where a resource to be acquired or constructed has been determined by Entergy's Operating Committee to be a resource devoted to serving Entergy System load and has been approved by the applicable retail regulator, the cost of such resource shall be reflected in the rough production cost equalization calculation; or (2) that Entergy Gulf States Louisiana's acquisition of the Calcasieu facility is prudent and the costs are properly reflected in the rough production cost equalization calculation. The APSC, LPSC, MPSC, City Council, and several other parties intervened in the proceeding, with the APSC, LPSC, and City Council filing protests. In July 2007 the FERC denied the application for a declaratory order. The FERC concluded that (1) the circumstances surrounding resource acquisition on the Entergy System were not of sufficient "local interest" to warrant the FERC deferring to the findings of the applicable regulator; and (2) with respect to the alternative request for relief, consistent with its prior precedent, the FERC would not "entertain the issue of the prudence of a purchase until such time as the purchaser passes on the cost of the purchase to its customers." In a subsequent order issued in November 2007, the FERC approved Entergy Gulf States Louisiana's acquisition of the plant.

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). Delays in implementing the FERC RTO order occurred due to a variety of reasons, including the fact that utility companies, other stakeholders, and federal and state regulators have had to work to resolve various issues related to the establishment of such RTOs.

In November 2006, after nearly a decade of effort, including 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.

After the FERC issued its April 2006 order approving the ICT proposal, the Utility operating companies made a series of compliance filings with the FERC that were protested by various parties. The FERC has accepted the compliance filings and denied various requests for rehearing, although appeals of the FERC's ICT orders are currently pending in the U.S. Court of Appeals for the D.C. Circuit. As stated above, SPP was installed as the ICT in November 2006.

In October 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) on-going costs that will be incurred under the ICT agreement. Several parties intervened opposing the proposed tariff revisions. In December 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 each of 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," and also that the proposed tariffs raised issues of fact that are more properly addressed through hearing and settlement procedures. In June 2007 the Utility operating companies reached a settlement-in-principle with the parties to the proceeding and the FERC approved the settlement in November 2007.

In the FERC's April 2006 order that approved Entergy's ICT proposal, the FERC stated that the weekly procurement process (WPP) must be operational within approximately 14 months of the FERC order, or June 24, 2007, or the FERC may reevaluate all approvals to proceed with the ICT. The Utility operating companies have been working with the ICT and a software vendor to develop the software and systems necessary to implement the WPP. The Utility operating companies also filed with the FERC in April 2007 a request to make certain corrections and limited modifications to the current WPP tariff provisions. The Utility operating companies have filed status reports with the FERC notifying the FERC that, due to unexpected issues with the development of the WPP software and testing, the WPP is still not operational. The Utility operating companies filed a revised tariff with the FERC on January 31, 2008 to address issues identified during the testing of the WPP. The Utility operating companies have requested the FERC to rule on the proposed amendments by April 30, 2008 and allow them to go into effect May 11, 2008, following which the WPP would be expected to become operational.

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 SPP 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, and the MPSC has taken no further action. Entergy New Orleans appeared before the Utility Committee of the City Council in June 2005 to provide information on the ICT proposal, and the Council has taken no further action. Entergy Louisiana and Entergy Gulf States Louisiana 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.

Available Flowgate Capacity (AFC) Proceeding

In April 2007 the FERC issued an order terminating the AFC hearing involving Entergy because Entergy's ICT has been installed. In accordance with the provisions of the FERC order approving the ICT, during the first three quarters of 2007 the Utility operating companies notified the FERC, the ICT, and the stakeholders that certain instances had been identified in which software errors related to the AFC process had resulted in the reporting of inaccurate data. Following the reporting of these errors, certain market participants continue to urge the FERC to move forward with an AFC hearing in light of the identified errors.

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.

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) seek refunds of monies that the GenCos had previously paid to the Entergy companies for facilities necessary to connect the GenCos' generation facilities to Entergy's transmission system. As of December 31, 2007, the Utility operating companies' obligation resulting from the FERC's decisions to grant the GenCos refunds is approximately $105.4 million, including $26.7 million at Entergy Arkansas, $20.2 million at Entergy Louisiana, $39.9 million at Entergy Mississippi and $18.6 million at Entergy Texas.

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 the FERC has ordered refunds, the ICT recently completed a report evaluating the classification of facilities that have produced the refunds. The Utility operating companies are reviewing the report and will make appropriate filings with the FERC to implement the ICT's reclassifications, which could reduce the amount of refunds not yet credited against transmission charges.

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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.

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 the sale of electricity by 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.

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- 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:

| | | 2008 | 2009 | 2010 | 2011 | 2012 |
|---|---|---|---|---|---|---|
| Non-Utility Nuclear: | | | | | | |
| Percent of planned generation sold forward: | | | | | | |
| | Unit-contingent | 51% | 48% | 31% | 29% | 16% |
| | Unit-contingent with guarantee of availability (1) | 36% | 35% | 28% | 14% | 7% |
| | Firm liquidated damages | 5% | 0% | 0% | 0% | 0% |
| | Total | 92% | 83% | 59% | 43% | 23% |
| Planned generation (TWh) | | 41 | 41 | 40 | 41 | 41 |
| Average contracted price per MWh (2) | | $54 | $61 | $58 | $55 | $51 |

(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.

(2) 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.

Non-Utility Nuclear's purchase of the FitzPatrick and Indian Point 3 plants from NYPA included value sharing agreements with NYPA. In October 2007, Non-Utility Nuclear and NYPA amended and restated the value sharing agreements to clarify and amend certain provisions of the original terms. Under the amended value sharing agreements, Non-Utility Nuclear will make annual payments to NYPA based on the generation output of the Indian Point 3 and FitzPatrick plants from January 2007 through December 2014. Non-Utility Nuclear will pay NYPA $6.59 per MWh for power sold from Indian Point 3, up to an annual cap of $48 million, and $3.91 per MWh for power sold from FitzPatrick, up to an annual cap of $24 million. The annual payment for each year is due by January 15 of the following year, with the payment for year 2007 output due on January 15, 2008. If Entergy or an Entergy affiliate ceases to own the plants, then, after January 2009, the annual payment obligation terminates for generation after the date that Entergy ownership ceases.

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Non-Utility Nuclear will record its liability for payments to NYPA as power is generated and sold by Indian Point 3 and FitzPatrick. Non-Utility Nuclear recorded a $72 million liability for generation through December 31, 2007. An amount equal to the liability will be recorded to the plant asset account as contingent purchase price consideration for the plants. This amount will be depreciated over the expected remaining useful life of the plants.

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, 2007, based on power prices at that time, Entergy had in place as collateral $702 million of Entergy Corporation guarantees for wholesale transactions, including $63 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 $294 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:

| | 2008 | 2009 | 2010 | 2011 | 2012 |
|---|---|---|---|---|---|
| Non-Utility Nuclear | | | | | |
| : | | | | | |
| Percent of capacity sold forward: | | | | | |
| Bundled capacity and energy contracts | 27% | 26% | 26% | 26% | 19% |
| Capacity contracts | 59% | 34% | 16% | 9% | 2% |

| | | | | | |
|---|---|---|---|---|---|
| Total | 86% | 60% | 42% | 35% | 21% |
| Planned net MW in operation | 4,998 | 4,998 | 4,998 | 4,998 | 4,998 |
| Average capacity contract price per kW per month | $1.8 | $1.7 | $2.5 | $3.1 | $3.5 |
| Blended Capacity and Energy (based on revenues) | | | | | |
| % of planned generation and capacity sold forward | 89% | 78% | 51% | 35% | 17% |
| Average contract revenue per MWh | $56 | $62 | $59 | $56 | $52 |

As of December 31, 2007, approximately 96% of Non-Utility Nuclear's counterparty exposure from energy and capacity contracts is with counterparties with public investment grade credit ratings.

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, Inc. 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, Inc. 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, Inc., and $19.4 million to Entergy Louisiana. The proceeds contributed $28.7 million in pre-tax income in 2005.

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's license will be renewed 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 renewal 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. Entergy is pursuing damages claims against the DOE for its failure to pick up spent fuel timely.



- 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 fourth quarter of 2007, Entergy's Non-Utility Nuclear business recorded an increase of $100 million in decommissioning liabilities for certain of its plants as a result of revised decommissioning cost studies. The revised estimates resulted in the recognition of a $100 million asset retirement obligation asset that will be depreciated over the remaining life of the units.

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.

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 retirement cost recorded at the time of adoption of SFAS 143.

Unbilled Revenue

As discussed in Note 1 to the 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 Entergy Gulf States Louisiana 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.
- 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.

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 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 6.0% in 2006 to 6.50% in 2007. Entergy's assumed discount rate used to calculate the 2005 benefit obligations was 5.90%. Entergy reviews actual recent cost trends and projected future trends in establishing health care cost trend rates. Based

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on this review, Entergy's health care cost trend rate assumption used in calculating the December 31, 2007 accumulated postretirement benefit obligation was a 9% increase in health care costs in 2008 gradually decreasing each successive year, until it reaches a 4.75% annual increase in health care costs in 2013 and beyond.

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 pension plan and non-taxable other postretirement assets used were 8.5% in 2007, 2006 and 2005. Entergy's expected long-term rate of return on taxable other postretirement assets were 6% in 2007 and 5.5% in 2006 and 2005. The assumed rate of increase in future compensation levels used to calculate benefit obligations was 4.23 % in 2007 and 3.25% in 2006 and 2005.

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 2007 Qualified Pension Cost Increase/(Decrease) | Impact on Qualified Projected Benefit Obligation |
|---|---|---|---|
| Discount rate | (0.25%) | $12,119 | $104,641 |
| Rate of return on plan assets | (0.25%) | $6,018 | - |
| Rate of increase in compensation | 0.25% | $5,900 | $29,945 |

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 2007 Postretirement Benefit Cost Increase/(Decrease) | Impact on Accumulated Postretirement Benefit Obligation |
|---|---|---|---|
| Health care cost trend | 0.25% | $5,471 | $27,561 |
| Discount rate | (0.25%) | $3,649 | $32,751 |

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.



Costs and Funding

In 2007, Entergy's total qualified pension cost was $135.9 million. Entergy anticipates 2008 qualified pension cost to decrease to $99 million due to an increase in the discount rate (from 6.00% to 6.50%) and 2007 actual return on plan assets greater than 8.5%. Pension funding was $177 million for 2007. Entergy's contributions to the pension trust are currently estimated to be $226 million in 2008.

Guidance pursuant to the Pension Protection Act of 2006 rules, effective for the 2008 plan year and beyond, may affect the level of Entergy's pension contributions in the future.

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 2007 were $89.6 million, including $26 million in savings due to the estimated effect of future Medicare Part D subsidies. Entergy expects 2008 postretirement health care and life insurance benefit costs to be $93.4 million. This includes a projected $24.7 million in savings due to the estimated effect of future Medicare Part D subsidies. Entergy expects to contribute $69.6 million in 2008 to its other postretirement 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. Entergy does not expect a material adverse effect on earnings from these matters.

New Accounting Pronouncements

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 does not expect the application of SFAS 157 to materially affect its financial position, results of operations, or 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). SFAS 159 provides an option for companies to select certain financial assets and liabilities to be accounted for at fair value with changes in the fair value of those assets or liabilities being reported through earnings. The intent of the standard is to mitigate volatility in reported earnings caused by the application of the more complicated fair value hedging accounting rules. Under SFAS 159, companies can select existing assets or liabilities for this fair value option concurrent with the effective date of January 1, 2008 for companies with fiscal years ending December 31 or can select future assets or liabilities as they are acquired or entered into. Entergy does not expect that the adoption of this standard will have a material effect on its financial position, results of operations, or cash flows.

The FASB issued Statement of Financial Accounting Standards No. 141(R), "Business Combinations" (SFAS 141(R)) during the fourth quarter 2007. The significant provisions of SFAS 141R are that: (i) assets, liabilities and non-controlling (minority) interests will be measured at fair market value; (ii) costs associated with the acquisition such as transaction-related costs or restructuring costs will be separately recorded from the acquisition and expensed as incurred; (iii) any excess of fair market value of the assets, liabilities and minority interests acquired over the fair market value of the purchase price will be recognized as a bargain purchase and a gain recorded at the acquisition date; and (iv) contractual contingencies resulting in potential future assets or liabilities will be recorded at fair market value at the date of acquisition. SFAS 141(R) applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. An entity may not apply SFAS 141(R) before that date.

The FASB issued Statement of Financial Accounting Standards No. 160, "Noncontrolling Interests in Consolidated Financial Statements" (SFAS 160) during the fourth quarter 2007. SFAS 160 enhances disclosures surrounding minority interests in the balance sheet, income statement and statement of comprehensive income. SFAS 160 will also require a parent to record a gain or loss when a subsidiary in which it retains a minority interest is deconsolidated from the parent company. SFAS 160 applies prospectively to business combinations for which the



acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. An entity may not apply SFAS 160 before that date.

In April 2007 the FASB issued Staff Position No. 39-1, "Amendment of FASB Interpretation No. 39" (FSP FIN 39-1). FSP FIN 39-1 allows an entity to offset the fair value of a receivable or payable against the fair value of a derivative that is executed with the same counterparty under a master netting arrangement. This guidance becomes effective for fiscal years beginning after November 15, 2007. Entergy does not expect these provisions to have a material effect on it its financial position.

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

| | 2007 | 2006 | 2005 | 2004 | 2003 |
|---|---|---|---|---|---|
| | (In Thousands, Except Percentages and Per Share Amounts) | | | | |
| Operating revenues | $11,484,398 | $10,932,158 | $10,106,247 | $9,685,521 | $9,032,714 |
| Income from continuing operations | $1,134,849 | $1,133,098 | $943,125 | $909,565 | $804,273(1) |
| Earnings per share from continuing operations: | | | | | |
| Basic | $5.77 | $5.46 | $4.49 | $4.01 | $3.55 |
| Diluted | $5.60 | $5.36 | $4.40 | $3.93 | $3.48 |
| Dividends declared per share | $2.58 | $2.16 | $2.16 | $1.89 | $1.60 |
| Return on common equity | 14.13% | 14.21% | 11.20% | 10.70% | 11.21% |
| Book value per share, year-end | $40.71 | $40.45 | $37.31 | $38.25 | $38.02 |
| Total assets | $33,643,002 | $31,082,731 | $30,857,657 | $28,310,777 | $28,527,388 |
| Long-term obligations (2) | $9,948,573 | $8,996,620 | $9,013,448 | $7,180,291 | $7,497,690 |

(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.

| | 2007 | 2006 | 2005 | 2004 | 2003 |
|---|---|---|---|---|---|
| | (Dollars In Millions) | | | | |
| Utility Electric Operating Revenues: | | | | | |
| Residential | $3,228 | $3,193 | $2,912 | $2,842 | $2,683 |
| Commercial | 2,413 | 2,318 | 2,041 | 2,045 | 1,882 |
| Industrial | 2,545 | 2,630 | 2,419 | 2,311 | 2,082 |
| Governmental | 221 | 155 | 141 | 200 | 195 |
| Total retail | 8,407 | 8,296 | 7,513 | 7,398 | 6,842 |
| Sales for resale (1) | 393 | 612 | 656 | 390 | 371 |
| Other | 246 | 155 | 278 | 145 | 184 |
| Total | $9,046 | $9,063 | $8,447 | $7,933 | $7,397 |
| Utility Billed Electric Energy Sales (GWh): | | | | | |
| Residential | 33,281 | 31,665 | 31,569 | 32,897 | 32,817 |
| Commercial | 27,408 | 25,079 | 24,401 | 26,468 | 25,863 |
| Industrial | 38,985 | 38,339 | 37,615 | 40,293 | 38,637 |
| Governmental | 2,339 | 1,580 | 1,568 | 2,568 | 2,651 |
| Total retail | 102,013 | 96,663 | 95,153 | 102,226 | 99,968 |
| Sales for resale (1) | 6,145 | 10,803 | 11,459 | 8,623 | 9,248 |
| Total | 108,158 | 107,466 | 106,612 | 110,849 | 109,216 |
| | | | | | |
| Non-Utility Nuclear: | | | | | |
| Operating Revenues | $2,030 | $1,545 | $1,422 | $1,342 | $1,275 |
| Billed Electric Energy Sales (GWh) | 37,570 | 34,847 | 33,641 | 32,613 | 32,409 |

(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, 2007 and 2006, 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, 2007. 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, 2007 and 2006, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2007, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Corporation's internal control over financial reporting as of December 31, 2007, 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 28, 2008 expressed an unqualified opinion on the Corporation's internal control over financial reporting.

DELOITTE & TOUCHE LLP

New Orleans, Louisiana
February 28, 2008

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

| | For the Years Ended December 31, | | |
|---|---|---|---|
| | 2007 | 2006 | 2005 |
| | (In Thousands, Except Share Data) | | |
| **OPERATING REVENUES** | | | |
| Electric | $9,046,301 | $9,063,135 | $8,446,830 |
| Natural gas | 206,073 | 84,230 | 77,660 |
| Competitive businesses | 2,232,024 | 1,784,793 | 1,581,757 |
| **TOTAL** | 11,484,398 | 10,932,158 | 10,106,247 |
| **OPERATING EXPENSES** | | | |
| Operating and Maintenance: | | | |
| Fuel, fuel-related expenses, and gas purchased for resale | 2,934,833 | 3,144,073 | 2,176,015 |
| Purchased power | 1,986,950 | 2,138,237 | 2,521,247 |
| Nuclear refueling outage expenses | 180,971 | 169,567 | 162,653 |
| Other operation and maintenance | 2,649,654 | 2,335,364 | 2,122,206 |
| Decommissioning | 167,898 | 145,884 | 143,121 |
| Taxes other than income taxes | 489,058 | 428,561 | 382,521 |
| Depreciation and amortization | 963,712 | 887,792 | 856,377 |
| Other regulatory charges (credits) - net | 54,954 | (122,680) | (49,882) |
| **TOTAL** | 9,428,030 | 9,126,798 | 8,314,258 |
| **OPERATING INCOME** | 2,056,368 | 1,805,360 | 1,791,989 |
| **OTHER INCOME** | | | |
| Allowance for equity funds used during construction | 42,742 | 39,894 | 45,736 |
| Interest and dividend income | 233,997 | 198,835 | 150,479 |
| Equity in earnings of unconsolidated equity affiliates | 3,176 | 93,744 | 985 |
| Miscellaneous - net | (24,860) | 16,114 | 14,251 |
| **TOTAL** | 255,055 | 348,587 | 211,451 |
| **INTEREST AND OTHER CHARGES** | | | |
| Interest on long-term debt | 506,089 | 498,451 | 440,334 |
| Other interest - net | 155,995 | 75,502 | 64,646 |
| Allowance for borrowed funds used during construction | (25,032) | (23,931) | (29,376) |
| Preferred dividend requirements and other | 25,105 | 27,783 | 25,427 |
| **TOTAL** | 662,157 | 577,805 | 501,031 |
| **INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES** | 1,649,266 | 1,576,142 | 1,502,409 |
| Income taxes | 514,417 | 443,044 | 559,284 |
| **INCOME FROM CONTINUING OPERATIONS** | 1,134,849 | 1,133,098 | 943,125 |
| **LOSS FROM DISCONTINUED OPERATIONS (net of income tax expense** | | | |

| | | | |
|---|---|---|---|
| **(benefit) of $67 and ($24,051), respectively)** | - | (496) | (44,794) |
| **CONSOLIDATED NET INCOME** | $1,134,849 | $1,132,602 | $898,331 |
| Basic earnings (loss) per average common share: | | | |
| Continuing operations | $5.77 | $5.46 | $4.49 |
| Discontinued operations | - | - | ($0.21) |
| Basic earnings per average common share | $5.77 | $5.46 | $4.27 |
| Diluted earnings (loss) per average common share: | | | |
| Continuing operations | $5.60 | $5.36 | $4.40 |
| Discontinued operations | - | - | ($0.21) |
| Diluted earnings per average common share | $5.60 | $5.36 | $4.19 |
| Dividends declared per common share | $2.58 | $2.16 | $2.16 |
| Basic average number of common shares outstanding | 196,572,945 | 207,456,838 | 210,141,887 |
| Diluted average number of common shares outstanding | 202,780,283 | 211,452,455 | 214,441,362 |

See Notes to Financial Statements.



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

| | For the Years Ended December 31, | | |
|---|---|---|---|
| | **2007** | **2006** | **2005** |
| | | **(In Thousands)** | |
| **OPERATING ACTIVITIES** | | | |
| **Consolidated net income** | $1,134,849 | $1,132,602 | $898,331 |
| **Adjustments to reconcile consolidated net income to net cash flow provided by operating activities:** | | | |
| Reserve for regulatory adjustments | (15,574) | 36,352 | (82,033) |
| Other regulatory charges (credits) - net | 54,954 | (122,680) | (49,882) |
| Depreciation, amortization, and decommissioning | 1,131,610 | 1,035,153 | 1,001,852 |
| Deferred income taxes, investment tax credits, and non-current taxes accrued | 476,241 | 738,643 | 487,804 |
| Equity in earnings (loss) of unconsolidated equity affiliates - net of dividends | (3,176) | 4,436 | 4,315 |
| Provisions for asset impairments and restructuring charges | - | - | 39,767 |
| Changes in working capital: | | | |
| Receivables | (62,646) | 408,042 | (367,351) |
| Fuel inventory | (10,445) | 13,097 | (83,125) |
| Accounts payable | (103,048) | (83,884) | 303,194 |
| Taxes accrued | (187,324) | (835) | (33,306) |

| | | | |
|---|---|---|---|
| Interest accrued | 11,785 | 5,975 | 15,133 |
| Deferred fuel | 912 | 582,947 | (236,801) |
| Other working capital accounts | (73,269) | 64,479 | (45,653) |
| Provision for estimated losses and reserves | (59,292) | 39,822 | (3,704) |
| Changes in other regulatory assets | 254,736 | (127,305) | (311,934) |
| Other | 9,457 | (279,005) | (68,799) |
| **Net cash flow provided by operating activities** | 2,559,770 | 3,447,839 | 1,467,808 |
| **INVESTING ACTIVITIES** | | | |
| Construction/capital expenditures | (1,578,030) | (1,633,268) | (1,458,086) |
| Allowance for equity funds used during construction | 42,742 | 39,894 | 45,736 |
| Nuclear fuel purchases | (408,732) | (326,248) | (314,414) |
| Proceeds from sale/leaseback of nuclear fuel | 169,066 | 135,190 | 184,403 |
| Proceeds from sale of assets and businesses | 13,063 | 77,159 | - |
| Payment for purchase of plant | (336,211) | (88,199) | (162,075) |
| Insurance proceeds received for property damages | 83,104 | 18,828 | - |
| Decrease in other investments | 41,720 | (6,353) | 9,905 |
| Purchases of other temporary investments | - | - | (1,591,025) |
| Liquidation of other temporary investments | - | - | 1,778,975 |
| Proceeds from nuclear decommissioning trust fund sales | 1,583,584 | 777,584 | 944,253 |
| Investment in nuclear decommissioning trust funds | (1,708,764) | (884,123) | (1,039,824) |
| Other regulatory investments | - | (38,037) | (390,456) |
| **Net cash flow used in investing activities** | (2,098,458) | (1,927,573) | (1,992,608) |

See Notes to Financial Statements.



**ENTERGY CORPORATION AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF CASH FLOWS** **For the Years Ended December 31, 2007 2006 2005 (In Thousands) FINANCING ACTIVITIES Proceeds from the issuance of:** Long-term debt 2,866,136 1,837,713 4,302,570 Preferred equity 10,000 73,354 127,995 Common stock and treasury stock 78,830 70,455 106,068 Retirement of long-term debt (1,369,945) (1,804,373) (2,689,206) Repurchase of common stock (1,215,578) (584,193) (878,188) Redemption of preferred stock (57,827) (183,881) (33,719) Changes in credit line borrowings - net - (15,000) 39,850 **Dividends paid:** Common stock (507,327) (448,954) (453,508) Preferred equity (25,875) (28,848) (25,472) **Net cash flow provided by (used in) financing activities** (221,586) (1,083,727) 496,390 **Effect of exchange rates on cash and cash equivalents** 30 (3,207) (602) **Net increase (decrease) in cash and cash equivalents** 239,756 433,332 (29,012) **Cash and cash equivalents at beginning of period** 1,016,152 582,820 619,786 Effect of the reconsolidation of Entergy New Orleans on cash and cash equivalents 17,093 - - Effect of the deconsolidation of Entergy New Orleans on cash and cash equivalents - - (7,954) **Cash and cash equivalents at end of period** $1,273,001 $1,016,152 $582,820 SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION: Cash paid/(received) during the period for: Interest - net of amount capitalized $611,197 $514,189 $461,345 Income taxes $376,808 ($147,435) $116,072 See Notes to Financial Statements.

**ENTERGY CORPORATION AND SUBSIDIARIES**
**CONSOLIDATED BALANCE SHEETS**
**ASSETS**

| | December 31, 2007 | December 31, 2006 |
|---|---|---|
| | (In Thousands) | |
| **CURRENT ASSETS** | | |
| Cash and cash equivalents: | | |
| Cash | $145,925 | $117,379 |
| Temporary cash investments - at cost, which approximates market | 1,127,076 | 898,773 |
| Total cash and cash equivalents | 1,273,001 | 1,016,152 |
| Note receivable - Entergy New Orleans DIP loan | - | 51,934 |
| Notes receivable | 161 | 699 |
| Accounts receivable: | | |
| Customer | 610,724 | 552,376 |
| Allowance for doubtful accounts | (25,789) | (19,348) |
| Other | 303,060 | 345,400 |
| Accrued unbilled revenues | 288,076 | 249,165 |
| Total accounts receivable | 1,176,071 | 1,127,593 |
| Accumulated deferred income taxes | 38,117 | 11,680 |
| Fuel inventory - at average cost | 208,584 | 193,098 |
| Materials and supplies - at average cost | 692,376 | 604,998 |
| Deferred nuclear refueling outage costs | 172,936 | 147,521 |
| System agreement cost equalization | 268,000 | - |
| Prepayments and other | 129,001 | 171,759 |
| **TOTAL** | 3,958,247 | 3,325,434 |
| **OTHER PROPERTY AND INVESTMENTS** | | |
| Investment in affiliates - at equity | 78,992 | 229,089 |
| Decommissioning trust funds | 3,307,636 | 2,858,523 |
| Non-utility property - at cost (less accumulated depreciation) | 220,204 | 212,726 |
| Other | 82,563 | 47,115 |
| **TOTAL** | 3,689,395 | 3,347,453 |
| **PROPERTY, PLANT AND EQUIPMENT** | | |
| Electric | 32,959,022 | 30,713,284 |
| Property under capital lease | 740,095 | 730,182 |
| Natural gas | 300,767 | 92,787 |
| Construction work in progress | 1,054,833 | 786,147 |
| Nuclear fuel under capital lease | 361,502 | 336,017 |
| Nuclear fuel | 665,620 | 494,759 |
| **TOTAL PROPERTY, PLANT AND EQUIPMENT** | 36,081,839 | 33,153,176 |
| Less - accumulated depreciation and amortization | 15,107,569 | 13,715,099 |
| **PROPERTY, PLANT AND EQUIPMENT - NET** | 20,974,270 | 19,438,077 |
| **DEFERRED DEBITS AND OTHER ASSETS** | | |

| | | |
|---|---|---|
| Regulatory assets: | | |
| SFAS 109 regulatory asset - net | 595,743 | 740,110 |
| Other regulatory assets | 2,971,399 | 2,768,352 |
| Deferred fuel costs | 168,122 | 168,122 |
| Long-term receivables | 7,714 | 19,349 |
| Goodwill | 377,172 | 377,172 |
| Other | 900,940 | 898,662 |
| **TOTAL** | 5,021,090 | 4,971,767 |
| | | |
| **TOTAL ASSETS** | $33,643,002 | $31,082,731 |

See Notes to Financial Statements.



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

| | **December 31,** | |
|---|---|---|
| | **2007** | **2006** |
| | **(In Thousands)** | |
| **CURRENT LIABILITIES** | | |
| Currently maturing long-term debt | $996,757 | $181,576 |
| Notes payable | 25,037 | 25,039 |
| Accounts payable | 1,031,300 | 1,122,596 |
| Customer deposits | 291,171 | 248,031 |
| Taxes accrued | - | 187,324 |
| Interest accrued | 187,968 | 160,831 |
| Deferred fuel costs | 54,947 | 73,031 |
| Obligations under capital leases | 152,615 | 153,246 |
| Pension and other postretirement liabilities | 34,795 | 41,912 |
| System agreement cost equalization | 268,000 | - |
| Other | 214,164 | 271,544 |
| **TOTAL** | 3,256,754 | 2,465,130 |
| | | |
| **NON-CURRENT LIABILITIES** | | |
| Accumulated deferred income taxes and taxes accrued | 6,379,679 | 5,820,700 |
| Accumulated deferred investment tax credits | 343,539 | 358,550 |
| Obligations under capital leases | 220,438 | 188,033 |
| Other regulatory liabilities | 490,323 | 449,237 |
| Decommissioning and asset retirement cost liabilities | 2,489,061 | 2,023,846 |
| Transition to competition | - | 79,098 |
| Accumulated provisions | 133,406 | 88,902 |
| Pension and other postretirement liabilities | 1,361,326 | 1,410,433 |
| Long-term debt | 9,728,135 | 8,798,087 |
| Preferred stock with sinking fund | - | 10,500 |
| Other | 1,066,508 | 847,415 |
| **TOTAL** | 22,212,415 | 20,074,801 |

| | | |
|---|---|---|
| Commitments and Contingencies | | |
| Preferred stock without sinking fund | 311,162 | 344,913 |
| **SHAREHOLDERS' EQUITY** | | |
| Common stock, $.01 par value, authorized 500,000,000 shares; issued 248,174,087 shares in 2007 and in 2006 | 2,482 | 2,482 |
| Paid-in capital | 4,850,769 | 4,827,265 |
| Retained earnings | 6,735,965 | 6,113,042 |
| Accumulated other comprehensive income (loss) | 8,320 | (100,512) |
| Less - treasury stock, at cost (55,053,847 shares in 2007 and 45,506,311 shares in 2006) | 3,734,865 | 2,644,390 |
| **TOTAL** | 7,862,671 | 8,197,887 |
| **TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY** | $33,643,002 | $31,082,731 |

See Notes to Financial Statements.

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

| | For the Years Ended December 31, | | | | | |
|---|---|---|---|---|---|---|
| | **2007** | | **2006** | | **2005** | |
| | | | **(In Thousands)** | | | |
| **RETAINED EARNINGS** | | | | | | |
| Retained Earnings - Beginning of period | $6,113,042 | | $5,433,931 | | $4,989,826 | |
| Add: | | | | | | |
| Consolidated net income | 1,134,849 | $1,134,849 | 1,132,602 | $1,132,602 | 898,331 | $898,331 |
| Adjustment related to FIN 48 implementation | (4,600) | | - | | - | |
| Total | 1,130,249 | | 1,132,602 | | 898,331 | |
| Deduct: | | | | | | |

| | | | | | | |
|---|---|---|---|---|---|---|
| Dividends declared on common stock | 507,326 | | 448,572 | | 453,657 | |
| Capital stock and other expenses | - | | 4,919 | | 569 | |
| Total | 507,326 | | 453,491 | | 454,226 | |
| Retained Earnings - End of period | $6,735,965 | | $6,113,042 | | $5,433,931 | |
| **ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)** | | | | | | |
| Balance at beginning of period: | | | | | | |
| Accumulated derivative instrument fair value changes | ($105,578) | | ($392,614) | | ($141,411) | |
| Pension and other postretirement liabilities | (105,909) | | - | | - | |
| Net unrealized investment gains | 104,551 | | 67,923 | | 51,915 | |
| Foreign currency translation | 6,424 | | 3,217 | | 2,615 | |
| Minimum pension liability | - | | (22,345) | | (6,572) | |
| Total | (100,512) | | (343,819) | | (93,453) | |
| Net derivative instrument fair value changes arising during the period (net of tax expense (benefit) of $57,185, $187,462 and ($159,236)) | 93,038 | 93,038 | 287,036 | 287,036 | (251,203) | (251,203) |
| Pension and other postretirement liabilities | (1,236) | (1,236) | (75,805) | - | - | - |

| | | | | | | |
|---|---|---|---|---|---|---|
| (net of tax expense (benefit) of $29,994 and ($92,419)) | | | | | | |
| Net unrealized investment gains (net of tax expense of $23,562, $28,428, and $10,573) | 17,060 | 17,060 | 36,628 | 36,628 | 16,008 | 16,008 |
| Foreign currency translation (net of tax expense (benefit) of ($16), $1,122, and $211) | (30) | (30) | 3,207 | 3,207 | 602 | 602 |
| Minimum pension liability (net of tax benefit of ($5,911), and ($9,176)) | - | - | (7,759) | (7,759) | (15,773) | (15,773) |
| Balance at end of period: Accumulated derivative instrument fair value changes | (12,540) | | (105,578) | | (392,614) | |
| Pension and other postretirement liabilities | (107,145) | | (105,909) | | - | |
| Net unrealized investment gains | 121,611 | | 104,551 | | 67,923 | |
| Foreign currency translation | 6,394 | | 6,424 | | 3,217 | |
| Minimum pension liability | - | | - | | (22,345) | |
| Total | $8,320 | | ($100,512) | | ($343,819) | |
| Comprehensive Income | | $1,243,681 | | $1,451,714 | | $647,965 |
| **PAID-IN CAPITAL** | | | | | | |
| Paid-in Capital - Beginning of period | $4,827,265 | | $4,817,637 | | $4,835,375 | |
| Add (Deduct): | | | | | | |

| | | | |
|---|---|---|---|
| Issuance of equity units | - | - | (39,904) |
| Common stock issuances related to stock plans | 23,504 | 9,628 | 22,166 |
| Paid-in Capital - End of period | $4,850,769 | $4,827,265 | $4,817,637 |

See Notes to Financial Statements.

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ENTERGY CORPORATION AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Entergy Corporation, Entergy Arkansas, Entergy Gulf States Louisiana, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, and System Energy)

The accompanying consolidated financial statements include the accounts of Entergy Corporation and its direct and indirect subsidiaries. As required by generally accepted accounting principles, all significant intercompany transactions have been eliminated in the consolidated financial statements. Entergy's Registrant Subsidiaries (Entergy Arkansas, Entergy Gulf States Louisiana, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, and System Energy) also include their separate financial statements in this Form 10-K because those companies have securities registered with the SEC. The Registrant Subsidiaries and many other Entergy subsidiaries maintain accounts in accordance with FERC and other regulatory guidelines. Certain previously reported amounts have been reclassified to conform to current classifications, with no effect on net income or shareholders' equity.

Use of Estimates in the Preparation of Financial Statements

In conformity with generally accepted accounting principles, the preparation of Entergy Corporation's consolidated financial statements and the separate financial statements of the Registrant Subsidiaries requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses and the disclosure of contingent assets and liabilities. Adjustments to the reported amounts of assets and liabilities may be necessary in the future to the extent that future estimates or actual results are different from the estimates used.

Revenues and Fuel Costs

Entergy Arkansas, Entergy Gulf States Louisiana, Entergy Louisiana, Entergy Mississippi, and Entergy Texas generate, transmit, and distribute electric power primarily to retail customers in Arkansas, Louisiana, Louisiana, Mississippi, and Texas, respectively. Entergy Gulf States Louisiana also distributes gas to retail customers in and around Baton Rouge, Louisiana. Entergy New Orleans sells both electric power and gas to retail customers in the City of New Orleans, except for Algiers, where Entergy Louisiana is the electric power supplier. Entergy's Non-Utility Nuclear segment derives almost all of its revenue from sales of electric power generated by plants owned by the Non-Utility Nuclear segment.

Entergy recognizes revenue from electric power and gas sales when power or gas is delivered to customers. To the extent that deliveries have occurred but a bill has not been issued, Entergy's Utility operating companies accrue an estimate of the revenues for energy delivered since the latest billings. The Utility operating companies calculate the estimate based upon several factors including billings through the last billing cycle in a month, actual generation in the month, historical line loss factors, and prices in effect in Entergy's Utility operating companies' various jurisdictions. Changes are made to the inputs in the estimate as needed to reflect changes in billing practices. Each month the estimated unbilled revenue amounts are recorded as revenue and unbilled accounts receivable, and the prior month's estimate is reversed. Therefore, changes in price and volume differences resulting from factors such as weather affect the calculation of unbilled revenues from one period to the next, and may result in variability in reported revenues from one period to the next as prior estimates are reversed and new estimates recorded.

Entergy's Utility operating companies' rate schedules include either fuel adjustment clauses or fixed fuel factors, which allow either current recovery in billings to customers or deferral of fuel costs until the costs are billed to customers. Because the fuel adjustment clause mechanism allows monthly adjustments to recover fuel costs, Entergy New Orleans and, prior to 2006, Entergy Louisiana and Entergy Gulf States Louisiana include a component of fuel cost recovery in their unbilled revenue calculations. Effective January 1, 2006, however, for Entergy



Louisiana and Entergy Gulf States Louisiana this fuel component of unbilled accounts receivable was reclassified to a deferred fuel asset and is no longer included in the unbilled revenue calculations, which is in accordance with regulatory treatment. Where the fuel component of revenues is billed based on a pre-determined fuel cost (fixed fuel factor), the fuel factor remains in effect until changed as part of a general rate case, fuel reconciliation, or fixed fuel factor filing. Entergy Mississippi's fuel factor includes an energy cost rider that is adjusted quarterly. In the case of Entergy Arkansas and Entergy Texas, a portion of their fuel under-recoveries is treated in the cash flow statements as regulatory investments because those companies are allowed by their regulatory jurisdictions to recover the fuel cost regulatory asset over longer than a twelve-month period, and the companies earn a carrying charge on the under-recovered balances.

System Energy's operating revenues are intended to recover from Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans operating expenses and capital costs attributable to Grand Gulf. The capital costs are computed by allowing a return on System Energy's common equity funds allocable to its net investment in Grand Gulf, plus System Energy's effective interest cost for its debt allocable to its investment in Grand Gulf.

Property, Plant, and Equipment

Property, plant, and equipment is stated at original cost. Depreciation is computed on the straight-line basis at rates based on the applicable estimated service lives of the various classes of property.

For the Utility operating companies and System Energy, the original cost of plant retired or removed, less salvage, is charged to accumulated depreciation. Normal maintenance, repairs, and minor replacement costs are charged to operating expenses. Substantially all of the Utility operating companies' and System Energy's plant is subject to mortgage liens.

Electric plant includes the portions of Grand Gulf and Waterford 3 that have been sold and leased back. For financial reporting purposes, these sale and leaseback arrangements are reflected as financing transactions.

Net property, plant, and equipment for Entergy (including property under capital lease and associated accumulated amortization) by business segment and functional category, as of December 31, 2007 and 2006, is shown below:

| **2007** | Entergy | Utility | Non-Utility Nuclear | All Other |
|---|---|---|---|---|
| | | (In Millions) | | |
| Production | | | | |
| Nuclear | $8,031 | $5,654 | $2,377 | $- |
| Other | 1,571 | 1,364 | - | 207 |
| Transmission | 2,569 | 2,539 | 30 | - |
| Distribution | 5,206 | 5,206 | - | - |
| Other | 1,626 | 1,341 | 254 | 31 |
| Construction work in progress | 1,060 | 859 | 192 | 9 |
| Nuclear fuel (leased and owned) | 911 | 400 | 511 | - |
| Property, plant, and equipment - net | $20,974 | $17,363 | $3,364 | $247 |



| 2006 | Entergy | Utility | Non-Utility Nuclear | All Other |
|---|---|---|---|---|
| | | (In Millions) | | |
| Production | | | | |
| Nuclear | $7,558 | $5,835 | $1,723 | $- |
| Other | 1,610 | 1,373 | - | 237 |
| Transmission | 2,500 | 2,500 | - | - |
| Distribution | 5,041 | 5,041 | - | - |
| Other | 1,113 | 1,111 | - | 2 |
| Construction work in progress | 786 | 602 | 175 | 9 |
| Nuclear fuel (leased and owned) | 830 | 476 | 354 | - |
| Property, plant, and equipment - net | $19,438 | $16,938 | $2,252 | $248 |

Depreciation rates on average depreciable property for Entergy approximated 2.7% in 2007, 2006, and 2005. Included in these rates are the depreciation rates on average depreciable utility property of 2.6% in each of those years and the depreciation rates on average depreciable non-utility property of 3.6% in 2007, 3.6% in 2006, and 3.2% in 2005.

"Non-utility property - at cost (less accumulated depreciation)" for Entergy is reported net of accumulated depreciation of $177.1 million and $167.5 million as of December 31, 2007 and 2006, respectively.

Net property, plant, and equipment for the Registrant Subsidiaries (including property under capital lease and associated accumulated amortization) by company and functional category, as of December 31, 2007 and 2006, is shown below:

| 2007 | Entergy Arkansas | Entergy Gulf States Louisiana | Entergy Louisiana | Entergy Mississippi | Entergy New Orleans | System Energy |
|---|---|---|---|---|---|---|
| | | | (In Millions) | | | |
| Production | | | | | | |
| Nuclear | $1,104 | $1,421 | $1,501 | $- | $- | $1,626 |
| Other | 246 | 156 | 337 | 301 | 3 | - |
| Transmission | 713 | 351 | 466 | 452 | 21 | 7 |
| Distribution | 1,428 | 703 | 1,109 | 895 | 250 | - |
| Other | 191 | 166 | 295 | 194 | 166 | 15 |
| Construction work in progress | 147 | 142 | 277 | 73 | 14 | 88 |
| Nuclear fuel (leased and owned) | 144 | 122 | 45 | - | - | 89 |
| Property, plant, and equipment - net | $3,973 | $3,061 | $4,030 | $1,915 | $454 | $1,825 |



| 2006 | Entergy Arkansas | Entergy Gulf States Louisiana | Entergy Louisiana | Entergy Mississippi | Entergy New Orleans | System Energy |
|---|---|---|---|---|---|---|
| | | | (In Millions) | | | |
| Production | | | | | | |
| Nuclear | $1,101 | $1,540 | $1,495 | $- | $- | $1,699 |
| Other | 246 | 481 | 356 | 290 | 2 | - |
| Transmission | 690 | 872 | 502 | 429 | 23 | 7 |
| Distribution | 1,384 | 1,496 | 1,324 | 837 | 256 | - |
| Other | 197 | 298 | 311 | 191 | 157 | 14 |
| Construction work in progress | 113 | 149 | 190 | 80 | 22 | 38 |
| Nuclear fuel (leased and owned) | 146 | 84 | 82 | - | - | 66 |
| Property, plant, and equipment - net | $3,877 | $4,920 | $4,260 | $1,827 | $460 | $1,824 |

Depreciation rates on average depreciable property for the Registrant Subsidiaries are shown below:

| | Entergy Arkansas | Entergy Gulf States Louisiana | Entergy Louisiana | Entergy Mississippi | Entergy New Orleans | System Energy |
|---|---|---|---|---|---|---|
| 2007 | 3.2% | 2.2% | 2.5% | 2.5% | 3.0% | 2.8% |
| 2006 | 3.2% | 2.2% | 2.5% | 2.6% | 3.0% | 2.9% |
| 2005 | 3.1% | 2.2% | 2.6% | 2.6% | 3.1% | 2.9% |

Non-utility property - at cost (less accumulated depreciation) for Entergy Gulf States Louisiana is reported net of accumulated depreciation of $123.7 million and $119.3 million as of December 31, 2007 and 2006, respectively.

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Jointly-Owned Generating Stations

Certain Entergy subsidiaries jointly own electric generating facilities with affiliates or third parties. The investments and expenses associated with these generating stations are recorded by the Entergy subsidiaries to the extent of their respective undivided ownership interests. As of December 31, 2007, the subsidiaries' investment and accumulated depreciation in each of these generating stations were as follows:

| Generating Stations | | Fuel-Type | Total Megawatt Capability (1) | **Ownership** | Investment | **Accumulated Depreciation** |
|---|---|---|---|---|---|---|
| | | | | | (In Millions) | |
| Utility business: | | | | | | |
| Entergy Arkansas - | | | | | | |
| Independence | Unit 1 | Coal | 836 | 31.50% | $120 | $85 |
| | Common Facilities | Coal | | 15.75% | $31 | $21 |
| White Bluff | Units 1 and 2 | Coal | 1,640 | 57.00% | $452 | $301 |
| Entergy Gulf States Louisiana - | | | | | | |
| Roy S. Nelson | Unit 6 | Coal | 550 | 40.25% | $242 | $153 |
| Big Cajun 2 | Unit 3 | Coal | 575 | 24.15% | $135 | $85 |
| Entergy Mississippi - | | | | | | |
| Independence | Units 1 and 2 and Common Facilities | Coal | 1,678 | 25.00% | $238 | $127 |
| Entergy Texas - | | | | | | |
| Roy S. Nelson | Unit 6 | Coal | 550 | 29.75% | $179 | $111 |
| Big Cajun 2 | Unit 3 | Coal | 575 | 17.85% | $100 | $62 |
| System Energy - | | | | | | |
| Grand Gulf | Unit 1 | Nuclear | 1,268 | 90.00%(2) | $3,987 | $2,101 |
| Non-nuclear wholesale assets: | | | | | | |
| Harrison County | | Gas | 550 | 60.90% | $214 | $20 |
| Warren | | Gas | 300 | 75.00% | $21 | $8 |

(1) "Total Megawatt Capability" is the dependable load carrying capability as demonstrated under actual operating conditions based on the primary fuel (assuming no curtailments) that each station was designed to utilize.

(2) Includes an 11.5% leasehold interest held by System Energy. System Energy's Grand Gulf lease obligations are discussed in Note 10 to the financial statements.

Nuclear Refueling Outage Costs

Nuclear refueling outage costs are deferred during the outage and amortized over the estimated period to the next outage because these refueling outage expenses are incurred to prepare the units to operate for the next operating cycle without having to be taken off line. Prior to 2006, River Bend's costs were accrued in advance of the outage and included in the cost of service used to establish retail rates. Entergy Gulf States Louisiana relieved the accrued liability when it incurred costs during the next River Bend outage. In 2006, Entergy Gulf States Louisiana adopted FSP No. AUG AIR-1, "Accounting for Planned Major Maintenance Activities," for its River Bend nuclear refueling outage costs and now accounts for these costs in the same manner as Entergy's other subsidiaries. Adoption of FSP No. AUG AIR-1 resulted in an immaterial retrospective adjustment to Entergy's and Entergy Gulf States Louisiana's retained earnings balance.

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Allowance for Funds Used During Construction (AFUDC)

AFUDC represents the approximate net composite interest cost of borrowed funds and a reasonable return on the equity funds used for construction by the Utility operating companies and System Energy. AFUDC increases both the plant balance and earnings, and is realized in cash through depreciation provisions included in rates.

Income Taxes

Entergy Corporation and the majority of its subsidiaries file a United States consolidated federal income tax return. Entergy Louisiana, formed December 31, 2005, is not a member of the consolidated group and files a separate federal income tax return.

Income taxes are allocated to the subsidiaries in proportion to their contribution to consolidated taxable income. In accordance with SFAS 109, "Accounting for Income Taxes," deferred income taxes are recorded for all temporary differences between the book and tax basis of assets and liabilities, and for certain credits available for carryforward.

Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates in the period in which the tax or rate was enacted.

Investment tax credits are deferred and amortized based upon the average useful life of the related property, in accordance with ratemaking treatment.

Earnings per Share

The following table presents Entergy's basic and diluted earnings per share calculation included on the consolidated statements of income:

| | For the Years Ended December 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2007 | | 2006 | | 2005 | |
| | (In Millions, Except Per Share Data) | | | | | |
| | | $/share | | $/share | | $/share |
| Income from continuing operations | $1,134.8 | | $1,133.1 | | $943.1 | |
| Average number of common shares outstanding - basic | 196.6 | $5.77 | 207.5 | $5.46 | 210.1 | $4.49 |
| Average dilutive effect of: | | | | | | |
| Stock Options | 5.0 | (0.142) | 3.8 | (0.098) | 4.0 | (0.085) |
| Equity Units | 1.1 | (0.033) | - | - | - | - |
| Deferred Units | 0.1 | (0.003) | 0.2 | (0.005) | 0.3 | (0.006) |
| Average number of common shares outstanding - diluted | 202.8 | $5.60 | 211.5 | $5.36 | 214.4 | $4.40 |
| Consolidated Net Income | $1,134.8 | | $1,132.6 | | $898.3 | |
| Average number of common shares outstanding - basic | 196.6 | $5.77 | 207.5 | $5.46 | 210.1 | $4.27 |
| Average dilutive effect of: | | | | | | |
| Stock Options | 5.0 | (0.142) | 3.8 | (0.098) | 4.0 | (0.081) |
| Equity Units | 1.1 | (0.033) | - | - | - | - |
| Deferred Units | 0.1 | (0.003) | 0.2 | (0.005) | 0.3 | (0.005) |
| Average number of common shares outstanding - diluted | 202.8 | $5.60 | 211.5 | $5.36 | 214.4 | $4.19 |

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Stock options to purchase approximately 1,727,579 common stock shares in 2005 at various prices were outstanding at the end of those years that were not included in the computation of diluted earnings per share because the exercise prices of those options were greater than the common share average market price at the end of each of the years presented. All options to purchase common stock shares in 2007 and 2006 were included in the computation of diluted earnings per share because the common share average market price at the end of 2007 and 2006 was greater than the exercise prices of all of the options outstanding.

Entergy has 10,000,000 equity units outstanding as of December 31, 2007 that obligate the holders to purchase a certain number of shares of Entergy common stock for a stated price no later than February 17, 2009. Each contract executed prior to February 17, 2009 would be equal to 0.5727 common stock shares. The equity units were not included in the calculation at December 31, 2006 and 2005 because Entergy's average stock price for the year was less than the threshold appreciation price of the equity units.

Stock-based Compensation Plans

Entergy grants stock options to key employees of the Entergy subsidiaries, which is described more fully in Note 12 to the financial statements. Effective January 1, 2003, Entergy prospectively adopted the fair value based method of accounting for stock options prescribed by SFAS 123, "Accounting for Stock-Based Compensation." Awards under Entergy's plans vest over three years. Stock-based compensation expense included in consolidated net income, net of related tax effects, for 2007 is $8.9 million, for 2006 is $6.8 million, and for 2005 is $7.8 million for Entergy's stock options granted.

Application of SFAS 71

Entergy's Utility operating companies and System Energy currently account for the effects of regulation pursuant to SFAS 71, "Accounting for the Effects of Certain Types of Regulation." This statement applies to the financial statements of a rate-regulated enterprise that meets three criteria. The enterprise must have rates that (i) are approved by a body empowered to set rates that bind customers (its regulator); (ii) are cost-based; and (iii) can be charged to and collected from customers. These criteria may also be applied to separable portions of a utility's business, such as the generation or transmission functions, or to specific classes of customers. If an enterprise meets these criteria, it capitalizes costs that would otherwise be charged to expense if the rate actions of its regulator make it probable that those costs will be recovered in future revenue. Such capitalized costs are reflected as regulatory assets in the accompanying financial statements. SFAS 71 requires that rate-regulated enterprises continue to assess the probability of recovering their regulatory assets. When an enterprise concludes that recovery of a regulatory asset is no longer probable, the regulatory asset must be removed from the entity's balance sheet.

SFAS 101, "Accounting for the Discontinuation of Application of FASB Statement No. 71," specifies how an enterprise that ceases to meet the criteria for application of SFAS 71 for all or part of its operations should report that event in its financial statements. In general, SFAS 101 requires that the enterprise report the discontinuation of the application of SFAS 71 by eliminating from its balance sheet all regulatory assets and liabilities related to the applicable operations. Additionally, if it is determined that a regulated enterprise is no longer recovering all of its costs and therefore no longer qualifies for SFAS 71 accounting, it is possible that an impairment may exist that could require further write-offs of plant assets.

EITF 97-4: "Deregulation of the Pricing of Electricity - Issues Related to the Application of FASB Statements No. 71 and 101" specifies that SFAS 71 should be discontinued at a date no later than when the effects of a transition to competition plan for all or a portion of the entity subject to such plan are reasonably determinable. Additionally, EITF 97-4 promulgates that regulatory assets to be recovered through cash flows derived from another portion of the entity that continues to apply SFAS 71 should not be written off; rather, they should be considered regulatory assets of the portion of the entity that will continue to apply SFAS 71.



See Note 2 to the financial statements for discussion of transition to competition activity in the retail regulatory jurisdictions served by Entergy's Utility operating companies.

Cash and Cash Equivalents

Entergy considers all unrestricted highly liquid debt instruments with an original or remaining maturity of three months or less at date of purchase to be cash equivalents. Investments with original maturities of more than three months are classified as other temporary investments on the balance sheet.

Investments

Entergy applies the provisions of SFAS 115, "Accounting for Investments for Certain Debt and Equity Securities," in accounting for investments in decommissioning trust funds. As a result, Entergy records the decommissioning trust funds on the balance sheet at their fair value. Because of the ability of the Utility operating companies and System Energy to recover decommissioning costs in rates and in accordance with the regulatory treatment for decommissioning trust funds, the Utility operating companies and System Energy have recorded an offsetting amount of unrealized gains/(losses) on investment securities in other regulatory liabilities/assets. For the nonregulated portion of River Bend, Entergy Gulf States Louisiana has recorded an offsetting amount of unrealized gains/(losses) in other deferred credits. Decommissioning trust funds for Pilgrim, Indian Point 2, Vermont Yankee, and Palisades do not receive regulatory treatment. Accordingly, unrealized gains recorded on the assets in these trust funds are recognized in the accumulated other comprehensive income component of shareholders' equity because these assets are classified as available for sale. Unrealized losses (where cost exceeds fair market value) on the assets in these trust funds are also recorded in the accumulated other comprehensive income component of shareholders' equity unless the unrealized loss is other than temporary and therefore recorded in earnings. The assessment of whether an investment has suffered an other than temporary impairment is based on a number of factors including, first, whether Entergy has the ability and intent to hold the investment to recover its value, the duration and severity of any losses, and, then, whether it is expected that the investment will recover its value within a reasonable period of time. See Note 17 to the financial statements for details on the decommissioning trust funds.

Equity Method Investees

Entergy owns investments that are accounted for under the equity method of accounting because Entergy's ownership level results in significant influence, but not control, over the investee and its operations. Entergy records its share of earnings or losses of the investee based on the change during the period in the estimated liquidation value of the investment, assuming that the investee's assets were to be liquidated at book value. In accordance with this method, earnings are allocated to owners or members based on what each partner would receive from its capital account if, hypothetically, liquidation were to occur at the balance sheet date and amounts distributed were based on recorded book values. Entergy discontinues the recognition of losses on equity investments when its share of losses equals or exceeds its carrying amount for an investee plus any advances made or commitments to provide additional financial support. See Note 14 to the financial statements for additional information regarding Entergy's equity method investments.

Derivative Financial Instruments and Commodity Derivatives

SFAS 133, "Accounting for Derivative Instruments and Hedging Activities," requires that all derivatives be recognized in the balance sheet, either as assets or liabilities, at fair value, unless they meet the normal purchase, normal sales criteria. The changes in the fair value of recognized derivatives are recorded each period in current earnings or other comprehensive income, depending on whether a derivative is designated as part of a hedge transaction and the type of hedge transaction.

Contracts for commodities that will be delivered in quantities expected to be used or sold in the ordinary course of business, including certain purchases and sales of power and fuel, are not classified as derivatives. These contracts are exempted under the normal purchase, normal sales criteria of SFAS 133. Revenues and expenses from these contracts are reported on a gross basis in the appropriate revenue and expense categories as the commodities are received or delivered.

For other contracts for commodities in which Entergy is hedging the variability of cash flows related to a variable-rate asset, liability, or forecasted transactions that qualify as cash flow hedges, the changes in the fair value of such derivative instruments are reported in other comprehensive income. To qualify for hedge accounting, the relationship between the hedging instrument and the hedged item must be documented to include the risk management objective and strategy and, at inception and on an ongoing basis, the effectiveness of the hedge in offsetting the changes in the cash flows of the item being hedged. Gains or losses accumulated in other comprehensive income are reclassified as earnings in the periods in which earnings are affected by the variability of the cash flows of the hedged item. The ineffective portions of all hedges are recognized in current-period earnings.

Entergy has determined that contracts to purchase uranium do not meet the definition of a derivative under SFAS 133 because they do not provide for net settlement and the uranium markets are not sufficiently liquid to conclude that forward contracts are readily convertible to cash. If the uranium markets do become sufficiently liquid in the future and Entergy begins to account for uranium purchase contracts as derivative instruments, the fair value of these contracts would be accounted for consistent with Entergy's other derivative instruments.

Fair Values

The estimated fair values of Entergy's financial instruments and derivatives are determined using bid prices and market quotes. Considerable judgment is required in developing the estimates of fair value. Therefore, estimates are not necessarily indicative of the amounts that Entergy could realize in a current market exchange. Gains or losses realized on financial instruments held by regulated businesses may be reflected in future rates and therefore do not accrue to the benefit or detriment of stockholders. Entergy considers the carrying amounts of most financial instruments classified as current assets and liabilities to be a reasonable estimate of their fair value because of the short maturity of these instruments.

Impairment of Long-Lived Assets

Entergy periodically reviews long-lived assets held in all of its business segments whenever events or changes in circumstances indicate that recoverability of these assets is uncertain. Generally, the determination of recoverability is based on the undiscounted net cash flows expected to result from such operations and assets. Projected net cash flows depend on the future operating costs associated with the assets, the efficiency and availability of the assets and generating units, and the future market and price for energy over the remaining life of the assets. See Note 13 to the financial statements for a discussion of the asset impairment recognized by Entergy in 2005.

River Bend AFUDC

The River Bend AFUDC gross-up is a regulatory asset that represents the incremental difference imputed by the LPSC between the AFUDC actually recorded by Entergy Gulf States Louisiana on a net-of-tax basis during the construction of River Bend and what the AFUDC would have been on a pre-tax basis. The imputed amount was only calculated on that portion of River Bend that the LPSC allowed in rate base and is being amortized through August 2025.

Reacquired Debt

The premiums and costs associated with reacquired debt of Entergy's Utility operating companies and System Energy (except that portion allocable to the deregulated operations of Entergy Gulf States Louisiana) are included in regulatory assets and are being amortized over the life of the related new issuances, in accordance with ratemaking treatment.

Taxes Imposed on Revenue-Producing Transactions

Governmental authorities assess taxes that are both imposed on and concurrent with a specific revenue-producing transaction between a seller and a customer, including, but not limited to, sales, use, value added, and some excise taxes. Entergy presents these taxes on a net basis, excluding them from revenues, unless required to report them differently by a regulatory authority.

New Accounting Pronouncements

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 does not expect the application of SFAS 157 to materially affect its financial position, results of operations, or cash flows.

The FASB issued Statement of Financial Accounting Standards No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities" (SFAS 159) during the first quarter 2007. SFAS 159 provides an option for companies to select certain financial assets and liabilities to be accounted for at fair value with changes in the fair value of those assets or liabilities being reported through earnings. The intent of the standard is to mitigate volatility in reported earnings caused by the application of the more complicated fair value hedging accounting rules. Under SFAS 159, companies can select existing assets or liabilities for this fair value option concurrent with the effective date of January 1, 2008 for companies with fiscal years ending December 31 or can select future assets or liabilities as they are acquired or entered into. Entergy does not expect that the adoption of this standard will have a material effect on its financial position, results of operations, or cash flows.

The FASB issued Statement of Financial Accounting Standards No. 141(R), "Business Combinations" (SFAS 141(R)) during the fourth quarter 2007. The significant provisions of SFAS 141R are that: (i) assets, liabilities and non-controlling (minority) interests will be measured at fair market value; (ii) costs associated with the acquisition such as transaction-related costs or restructuring costs will be separately recorded from the acquisition and expensed as incurred; (iii) any excess of fair market value of the assets, liabilities and minority interests acquired over the fair market value of the purchase price will be recognized as a bargain purchase and a gain recorded at the acquisition date; and (iv) contractual contingencies resulting in potential future assets or liabilities will be recorded at fair market value at the date of acquisition. SFAS 141(R) applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. An entity may not apply SFAS 141(R) before that date.

The FASB issued Statement of Financial Accounting Standards No. 160, "Noncontrolling Interests in Consolidated Financial Statements" (SFAS 160) during the fourth quarter 2007.

SFAS 160 enhances disclosures surrounding minority interests in the balance sheet, income statement and statement of comprehensive income. SFAS 160 will also require a parent to record a gain or loss when a subsidiary in which it retains a minority interest is deconsolidated from the parent company. SFAS 160 applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. An entity may not apply SFAS 160 before that date.

In April 2007 t

he FASB issued Staff Position No. 39-1, "Amendment of FASB Interpretation No. 39" (FSP FIN 39-1). FSP FIN 39-1 allows an entity to offset the fair value of a receivable or payable against the fair value of a derivative that is executed with the same counterparty under a master netting arrangement. This guidance becomes effective for fiscal years beginning after November 15, 2007. Entergy does not expect these provisions to have a material effect on it its financial position.



Entergy Gulf States Louisiana Basis of Presentation

Effective December 31, 2007, Entergy Gulf States, Inc. completed a jurisdictional separation into two vertically integrated utility companies, one operating under the sole retail jurisdiction of the PUCT, Entergy Texas, and the other operating under the sole retail jurisdiction of the LPSC, Entergy Gulf States Louisiana. Entergy Texas now owns all Entergy Gulf States, Inc. distribution and transmission assets located in Texas, the gas-fired generating plants located in Texas, undivided 42.5% ownership shares of Entergy Gulf States, Inc.'s 70% ownership interest in Nelson 6 and 42% ownership interest in Big Cajun 2, Unit 3, which are coal-fired generating plants located in Louisiana, and other assets and contract rights to the extent related to utility operations in Texas. Entergy Gulf States Louisiana now owns all of the remaining assets that were owned by Entergy Gulf States, Inc. On a book value basis, approximately 58.1% of the Entergy Gulf States, Inc. assets were allocated to Entergy Gulf States Louisiana and approximately 41.9% were allocated to Entergy Texas.

Entergy Gulf States Louisiana must make a compliance filing in March 2008 with the LPSC regarding the jurisdictional separation transaction. Although formal approval of the PUCT was not required for implementation of the jurisdictional separation, Entergy Texas sought input from the PUCT and has kept the PUCT informed of the status of the separation.

As the successor to Entergy Gulf States, Inc. for financial reporting purposes, Entergy Gulf States Louisiana's income statement and cash flow statement for the years presented, including the year ended December 31, 2007, include the operations of Entergy Texas. Entergy Gulf States Louisiana's balance sheet as of December 31, 2007 reflects the effects of the separation of the Texas business. Entergy Gulf States Louisiana's balance sheet as of December 31, 2006 includes the Texas business.

Entergy Louisiana Basis of Presentation

Effective December 31, 2005, Entergy Louisiana organized under the laws of the State of Texas as a limited liability company as part of a restructuring involving a Texas statutory merger-by-division and succeeded to all of the regulated utility operations of Entergy Louisiana, Inc. Entergy Louisiana was allocated substantially all of the property and other assets of Entergy Louisiana, Inc., including all assets used to provide retail and wholesale electric service to Entergy Louisiana, Inc.'s customers. Entergy Louisiana also assumed substantially all of the liabilities of Entergy Louisiana, Inc., including all of its debt securities and leases but excluding the outstanding preferred stock of Entergy Louisiana, Inc.

On December 31, 2005, and immediately prior to the formation of Entergy Louisiana, Entergy Louisiana, Inc. changed its state of incorporation from Louisiana to Texas and its name to Entergy Louisiana Holdings, Inc. Upon the effectiveness of the statutory merger-by-division on December 31, 2005, Entergy Louisiana was organized and Entergy Louisiana Holdings held all of Entergy Louisiana's common membership interests. All of the common membership interests of Entergy Louisiana continue to be held by Entergy Louisiana Holdings and all of the common stock of Entergy Louisiana Holdings continues to be held by Entergy Corporation.

Because the merger-by-division was a transaction involving entities under common control, Entergy Louisiana recognized the assets and liabilities transferred at their carrying amounts in the accounts of Entergy Louisiana

Holdings at the time of the transfer. Entergy Louisiana's financial statements report results of operations and cash flow activity for 2005 as though the merger-by-division had occurred at the beginning of 2005.

Entergy Gulf States Louisiana's Deregulated Operations

**(Entergy Gulf States Louisiana)**

Entergy Gulf States Louisiana does not apply regulatory accounting principles to the Louisiana retail deregulated portion of River Bend, the 30% interest in River Bend formerly owned by Cajun, and its steam business. The Louisiana retail deregulated portion of River Bend is operated under a deregulated asset plan representing a portion (approximately 15%) of River Bend plant costs, generation, revenues, and expenses established under a 1992 LPSC order. The plan allows Entergy Gulf States Louisiana to sell the electricity from the deregulated assets to

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Louisiana retail customers at 4.6 cents per kWh or off-system at higher prices, with certain provisions for sharing such incremental revenue above 4.6 cents per kWh between ratepayers and shareholders.

During 2005 and 2006, Entergy filed notices with the FERC to withdraw its market-based rate authority for wholesale transactions in the Entergy control area and submitted new cost-based rates to the FERC for approval. During the second quarter 2006, the FERC issued an order accepting the cost-based rates filed by Entergy. As described above in **"Application of SFAS 71",** the Utility operating companies and System Energy apply the provisions of SFAS 71 to operations that meet three criteria: that rates are approved by a regulator, are cost-based, and can be charged to and collected from customers. Prior to this FERC decision, Entergy Gulf States Louisiana did not apply regulatory accounting principles to its wholesale jurisdiction. The FERC decision in the second quarter 2006 results in Entergy Gulf States Louisiana meeting the SFAS 71 criteria discussed above for its wholesale jurisdiction and, therefore, Entergy Gulf States Louisiana reinstated the application of regulatory accounting principles to its wholesale business which resulted in miscellaneous income of approximately $4.5 million in 2006. The FERC jurisdictional amounts are not included in the results below for the years ended December 31, 2007 and 2006 in order to produce a better indication of ongoing deregulated operations.

The results of these deregulated operations before interest charges for the years ended December 31, 2007, 2006, and 2005 are as follows:

| | 2007 | 2006 | 2005 |
|---|---|---|---|
| | | (In Thousands) | |
| Operating revenues | $160,478 | $145,858 | $321,662 |
| Operating expenses | | | |
| Fuel, operation, and maintenance | 114,266 | 104,260 | 205,673 |
| Depreciation and accretion | 20,834 | 20,265 | 29,602 |
| Total operating expense | 135,100 | 124,525 | 235,275 |
| Operating income | 25,378 | 21,333 | 86,387 |
| Income tax expense | 10,260 | 8,463 | 32,642 |
| | $15,118 | $12,870 | $53,745 |

Net income from deregulated utility operations

The net investment associated with these deregulated operations as of December 31, 2007 and 2006 was approximately $547 million for both years.

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NOTE 2. RATE AND REGULATORY MATTERS (Entergy Corporation, Entergy Arkansas, Entergy Gulf States Louisiana, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, and System Energy)

Regulatory Assets

Other Regulatory Assets

The Utility business is subject to the provisions of SFAS 71, "Accounting for the Effects of Certain Types of Regulation." Regulatory assets represent probable future revenues associated with certain costs that are expected to be recovered from customers through the ratemaking process. In addition to the regulatory assets that are specifically disclosed on the face of the balance sheets, the table below provides detail of "Other regulatory assets" that are included on Entergy's balance sheets and the Registrant Subsidiaries' balance sheets as of December 31, 2007 and 2006:

Entergy

| | 2007 | 2006 |
|---|---|---|
| | (In Millions) | |
| Asset Retirement Obligation - recovery dependent upon timing of decommissioning (Note 9) (c) | $334.9 | $303.2 |
| Deferred capacity - recovery timing will be determined by the LPSC in the formula rate plan filings (Note 2 - Retail Rate Proceedings - Filings with the LPSC) | 86.4 | 127.5 |
| Deferred fuel - non-current - recovered through rate riders when rates are redetermined periodically (Note 2 - Fuel and purchased power cost recovery) | 32.8 | 43.4 |
| Depreciation re-direct (c) | - | 79.1 |
| DOE Decommissioning and Decontamination Fees - recovered through fuel rates until December 2007 (Note 9) | - | 9.1 |

| | | |
|---|---|---|
| Gas hedging costs - recovered through fuel rates | 9.7 | 47.6 |
| Pension & postretirement costs (Note 11 - Qualified Pension Plans and Non-Qualified Pension Plans) (c) | 675.1 | 700.7 |
| Postretirement benefits - recovered through 2012 (Note 11 - Other Postretirement Benefits) (c) | 12.0 | 14.4 |
| Provision for storm damages, including Hurricane Katrina and Hurricane Rita costs - recovered through securitization, insurance proceeds, and retail rates (Note 2 - Storm Cost Recovery Filings with Retail Regulators) (a) | 1,339.8 | 827.4 |
| Removal costs - recovered through depreciation rates (Note 9) (c) | - | 113.2 |
| River Bend AFUDC - recovered through August 2025 (Note 1 - River Bend AFUDC) | 31.8 | 33.7 |
| Sale-leaseback deferral - recovered through June 2014 (Note 10 - Sale and Leaseback Transactions - Grand Gulf Lease Obligations) (d) | 103.9 | 114.0 |
| Spindletop gas storage facility - recovered through December 2032 (d) | 37.4 | 39.0 |
| Transition to competition - recovered through February 2021 (Note 2 - Retail Rate Proceedings - Filings with the PUCT and Texas Cities) | 112.9 | 117.8 |
| Unamortized loss on reacquired debt - recovered over term of debt | 137.1 | 150.1 |
| Other | 57.6 | 48.2 |
| **Total** | $2,971.4 | $2,768.4 |

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Entergy Arkansas

| | 2007 | 2006 |
|---|---|---|
| | (In Millions) | |
| Asset Retirement Obligation - recovery dependent upon timing of decommissioning (Note 9) (c) | $144.6 | $124.7 |
| Removal costs | 23.0 | 45.0 |

| | | |
|---|---|---|
| - recovered through depreciation rates (Note 9) (c) | | |
| DOE Decom. and Decontamination Fees | - | 4.7 |
| - recovered through fuel rates until December 2007 (Note 9) | | |
| Incremental ice storm costs | 12.6 | 13.2 |
| - recovered through 2032 (d) | | |
| Pension & postretirement costs | 240.0 | 241.3 |
| (Note 11 - Qualified Pension Plans and Non-Qualified Pension Plans) (c) | | |
| Deferred fuel - non-current | 13.6 | 4.1 |
| - recovered through rate riders when rates are redetermined periodically (Note 2 - Fuel and purchased power cost recovery) | | |
| Postretirement benefits | 12.0 | 14.4 |
| - recovered through 2012 (Note 11 - Other Postretirement Benefits) (c) | | |
| Provision for storm damages | 51.4 | 53.4 |
| - recovered through cost of service (a) (d) | | |
| Unamortized loss on reacquired debt | 35.3 | 38.7 |
| - recovered over term of debt | | |
| Other | 2.4 | 2.6 |
| **Entergy Arkansas Total** | $534.9 | $542.1 |

Entergy Gulf States Louisiana

| | 2007 | 2006 |
|---|---|---|
| | (In Millions) | |
| Asset Retirement Obligation | $11.9 | $11.3 |
| - recovery dependent upon timing of decommissioning (Note 9) (c) | | |
| Removal costs | - | 3.8 |
| - recovered through depreciation rates (Note 9) (c) | | |
| Depreciation re-direct | - | 79.1 |
| (c) | | |
| DOE Decom. and Decontamination Fees | - | 0.8 |
| - recovered through fuel rates until December 2007 (Note 9) | | |
| Gas hedging costs | 3.5 | 18.7 |
| - recovered through fuel rates | | |
| Jurisdictional separation transition costs | | |

| | | |
|---|---|---|
| - recovery timing will be determined by the LPSC | 4.1 | - |
| Pension & postretirement costs (Note 11 - Qualified Pension Plans and Non-Qualified Pension Plans) (c) | 19.4 | 70.3 |
| Provision for storm damages, including Hurricane Katrina and Hurricane Rita costs - recovered through securitization, insurance proceeds (Note 2 - Storm Cost Recovery Filings with Retail Regulators), and through retail rates (a) | 202.7 | 570.4 |
| Transition to competition - recovered through February 2021 (Note 2) | - | 117.8 |
| Deferred capacity - recovery timing will be determined by the LPSC in the formula rate plan filings (Note 2 - Retail Rate Proceedings - Filings with the LPSC) | 6.9 | 13.2 |
| River Bend AFUDC - recovered through August 2025 (Note 1 - River Bend AFUDC) | 31.8 | 33.7 |
| Spindletop gas storage facility - recovered through December 2032 (b) (d) | 37.4 | 39.0 |
| Unamortized loss on reacquired debt - recovered over term of debt | 15.5 | 37.4 |
| Other | 2.7 | 5.5 |
| Entergy Gulf States Louisiana Total | $335.9 | $1,001.0 |

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Entergy Louisiana

| | 2007 | 2006 |
|---|---|---|
| | (In Millions) | |
| Asset Retirement Obligation - recovery dependent upon timing of decommissioning (Note 9) (c) | $74.4 | $65.0 |
| Removal costs - recovered through depreciation rates (Note 9) (c) | - | 2.3 |
| DOE Decom. and Decontamination Fees - recovered through fuel rates until December 2007 (Note 9) | - | 1.8 |
| Gas hedging costs - recovered through fuel rates | 2.7 | 16.2 |
| Pension & postretirement costs | | |

| | | |
|---|---|---|
| (Note 11 - Qualified Pension Plans and Non-Qualified Pension Plans) (c) | 69.2 | 84.7 |
| Provision for storm damages, including Hurricane Katrina and Hurricane Rita costs - approved recovery through securitization (Note 2 - Storm Cost Recovery Filings with Retail Regulators) and through retail rates (a) | 549.3 | 203.3 |
| Deferred capacity - recovery timing will be determined by the LPSC in the formula rate plan filings (Note 2 - Retail Rate Proceedings - Filings with the LPSC) | 79.5 | 114.3 |
| Voluntary severance deferrals - recovered through December 2007 (d) | - | 3.8 |
| Unamortized loss on reacquired debt - recovered over term of debt | 23.2 | 26.0 |
| Other | 34.1 | 21.9 |
| **Entergy Louisiana Total** | $832.4 | $539.3 |

Entergy Mississippi

| | 2007 | 2006 |
|---|---|---|
| | (In Millions) | |
| Asset Retirement Obligation - recovery dependent upon timing of decommissioning (Note 9) (c) | $4.2 | $4.0 |
| Removal costs - recovered through depreciation rates (Note 9) (c) | 35.7 | 41.2 |
| Deferred fuel - non-current - recovered through rate riders when rates are redetermined periodically (Note 2 - Fuel and purchased power cost recovery) | 19.1 | 30.9 |
| Gas hedging costs - recovered through fuel rates | 2.3 | 12.7 |
| Pension & postretirement costs (Note 11 - Qualified Pension Plans and Non-Qualified Pension Plans) (c) | 67.5 | 76.3 |
| Unamortized loss on reacquired debt - recovered over term of debt | 12.1 | 13.2 |
| Other | 0.8 | 8.7 |
| **Entergy Mississippi Total** | $141.7 | $187.0 |

Entergy New Orleans

| | 2007 | 2006 |
|---|---|---|

| | (In Millions) | |
|---|---|---|
| Asset Retirement Obligation - recovery dependent upon timing of decommissioning (Note 9) (c) | $2.6 | $2.5 |
| Removal costs - recovered through depreciation rates (Note 9) (c) | 1.5 | 13.9 |
| Deferred distribution expenses - recovered through December 2008 | 1.2 | 2.3 |
| Deferred fossil plant maintenance expenses - recovered through December 2008 | 1.2 | 2.4 |
| Gas hedging costs - recovered through fuel rates | 1.2 | 2.4 |
| Pension & postretirement costs (Note 11 - Qualified Pension Plans and Non-Qualified Pension Plans) (c) | 48.3 | 47.1 |
| Provision for storm damages, including Hurricane Katrina costs - expected recovery through CDBG funds, insurance proceeds (Note 2 - Storm Cost Recovery Filings with Retail Regulators), and through retail rates (a) | 81.4 | 216.6 |
| Unamortized loss on reacquired debt - recovered over term of debt | 3.6 | 3.9 |
| Other | 2.7 | 4.3 |
| **Entergy New Orleans Total** | $143.7 | $295.4 |

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System Energy

| | 2007 | 2006 |
|---|---|---|
| | (In Millions) | |
| Asset Retirement Obligation - recovery dependent upon timing of decommissioning (Note 9) (c) | $95.5 | $98.2 |
| Removal costs - recovered through depreciation rates (Note 9) (c) | 16.9 | 20.7 |
| DOE Decom. and Decontamination Fees - recovered through fuel rates until December 2007 (Note 9) | - | 1.8 |
| Pension & postretirement costs | 26.0 | 23.3 |

| | | |
|---|---|---|
| (Note 11 - Qualified Pension Plans and Non-Qualified Pension Plans) (c) | | |
| Sale-leaseback deferral | 103.9 | 114.0 |
| - recovered through June 2014 (Note 10 - Sale and Leaseback Transactions - Grand Gulf Lease Obligations) (d) | | |
| Unamortized loss on reacquired debt | 31.5 | 34.9 |
| - recovered over term of debt | | |
| Other | 0.4 | 0.4 |
| **System Energy Total** | $274.2 | $293.3 |

(a) As a result of Hurricane Katrina and Hurricane Rita that hit Entergy's Utility service territories in August and September 2005, the Utility operating companies recorded accruals for the estimated storm restoration costs and originally recorded some of these costs as regulatory assets because management believes that recovery of these prudently incurred costs through some form of regulatory mechanism is probable. Entergy is pursuing a broad range of initiatives to recover storm restoration costs. Initiatives include obtaining reimbursement of certain costs covered by insurance, obtaining assistance through federal legislation for Hurricanes Katrina and Rita including Community Development Block Grants (CDBG), pursuing recovery through existing or new rate mechanisms regulated by the FERC and local regulatory bodies, and securitization. Entergy Gulf States Louisiana, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, and Entergy Texas have received approval from state regulators for recovery of a portion of the storm restoration costs. In addition, these companies have received insurance proceeds, Entergy New Orleans received $181 million of CDBG funding in 2007, and Entergy Mississippi received $81 million of CDBG funding in 2006. The cost recovery mechanisms and approvals are discussed below. In 2007, Entergy Gulf States Louisiana reclassified $81 million and Entergy Louisiana reclassified $364 million of storm-related capital expenditures to a regulatory asset based on the outcome of regulatory proceedings.

(b) The jurisdictional split order assigned the regulatory asset to Entergy Texas. The regulatory asset, however, is being recovered and amortized at Entergy Gulf States Louisiana. As a result, a billing will occur monthly over the same term as the recovery and receipts will be submitted to Entergy Texas. Entergy Texas has recorded a receivable from Entergy Gulf States Louisiana and Entergy Gulf States Louisiana has recorded a corresponding payable.

(c) Does not earn a return on investment, but is offset by related liabilities.

(d) Does not earn a return on investment at this time.

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Fuel and purchased power cost recovery

Entergy Arkansas, Entergy Gulf States Louisiana, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, and Entergy Texas are allowed to recover certain fuel and purchased power costs through fuel mechanisms included in electric and gas rates that are recorded as fuel cost recovery revenues. The difference between revenues collected and the current fuel and purchased power costs is recorded as "Deferred fuel costs" on the Utility operating companies' financial statements. The table below shows the amount of deferred fuel costs as of December 31, 2007 and 2006 that Entergy expects to recover or (refund) through fuel mechanisms, subject to subsequent regulatory review.

| | 2007 | 2006 |
|---|---|---|
| | (In Millions) | |
| Entergy Arkansas | $114.8 | $2.2 |

| | | |
|---|---|---|
| Entergy Gulf States Louisiana (a) | $105.8 | $73.9 |
| Entergy Louisiana (a) | $19.2 | $114.3 |
| Entergy Mississippi | ($76.6) | ($95.2) |
| Entergy New Orleans (b) | $17.3 | $19.0 |
| Entergy Texas | ($67.3) | ($45.7) |

(a) 2007 and 2006 includes $100.1 million for Entergy Gulf States Louisiana and $68 million for Entergy Louisiana of fuel, purchased power, and capacity costs that are expected to be recovered over a period greater than twelve months.

(b) Not included in "Deferred Fuel Costs" on Entergy's consolidated financial statements in 2006 due to the deconsolidation of Entergy New Orleans effective in 2005. Entergy reconsolidated Entergy New Orleans in 2007.

Entergy Arkansas

Production Cost Allocation Rider

In its June 2007 decision on Entergy Arkansas' August 2006 rate filing, discussed below in "**Retail Rate Proceedings**", the APSC approved a production cost allocation rider for recovery from customers of the retail portion of the costs allocated to Entergy Arkansas as a result of the System Agreement proceedings, but set a termination date of December 31, 2008 for the rider. These costs are the primary reason for the increase in Entergy Arkansas' deferred fuel cost balance in 2007, because Entergy Arkansas pays them over seven months but collects them from customers over twelve months. In December 2007, the APSC issued a subsequent order stating the production cost allocation rider will remain in effect, and any future termination of the rider will be subject to eighteen months advance notice by the APSC, which would occur following notice and hearing. See Entergy Corporation and Subsidiaries' "**MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS - Significant Factors and Known Trends - Federal Regulation -** System Agreement Proceedings" for a discussion of the System Agreement proceedings.

Energy Cost Recovery Rider

Entergy Arkansas' retail rates include an energy cost recovery rider. In December 2007, the APSC issued an order stating that Entergy Arkansas' energy cost recovery rider will remain in effect, and any future termination of the rider will be subject to eighteen months advance notice by the APSC, which would occur following notice and hearing.

In March 2007, Entergy Arkansas filed its annual redetermination of its energy cost rate and implemented a rate of $0.01179 per kWh in April 2007, which will be effective through March 2008. This updated rate was a reduction from the prior rate of $0.02827 per kWh filed with the



APSC in March 2006. The March 2006 rate was significantly higher than prior periods due to increases in the cost of purchased power primarily due to increased natural gas cost and the effect that Hurricane Katrina and Hurricane Rita had on market conditions, increased demand for purchased power during the ANO 1 refueling and steam generator replacement outage in the fall of 2005, and coal plant generation curtailments during off-peak periods due to railroad delivery problems.

APSC Investigations

In September 2005, Entergy Arkansas filed with the APSC an interim energy cost rate per the energy cost recovery rider, which provides for an interim adjustment should the cumulative over- or under-recovery for the energy period exceed 10 percent of the energy costs for that period. As of the end of July 2005, the cumulative under-recovery of fuel and purchased power expenses had exceeded the 10 percent threshold due to increases in purchased power expenditures resulting from higher natural gas prices. The interim cost rate of $0.01900 per kWh became effective the first billing cycle in October 2005.

In early October 2005, the APSC initiated an investigation into Entergy Arkansas' interim energy cost rate. The investigation is focused on Entergy Arkansas' 1) gas contracting, portfolio, and hedging practices; 2) wholesale purchases during the period; 3) management of the coal inventory at its coal generation plants; and 4) response to the contractual failure of the railroads to provide coal deliveries. In March 2006, the APSC extended its investigation to cover the costs included in Entergy Arkansas' March 2006 filing that requested an energy cost rate of $0.02827 per kWh, suspended implementation of the $0.02827 per kWh energy cost rate, and ordered that the $0.01900 per kWh interim rate remain in effect pending the APSC proceedings on the energy cost recovery filings. On April 7, 2006, the APSC issued a show cause order in the investigation proceeding that ordered Entergy Arkansas to file a cost of service study by June 8, 2006. The order also directed Entergy Arkansas to file testimony to support the cost of service study, to support the $0.02827 per kWh cost rate, and to address the general topic of elimination of the energy cost recovery rider.

In June 2006, Entergy Arkansas filed a cost of service study and testimony supporting the redetermined energy cost rate of $0.02827 per kWh and testimony addressing the prospective elimination of the energy cost recovery rider as ordered by the APSC. Entergy Arkansas also filed a motion with the APSC seeking again to implement the redetermined energy cost rate of $0.02827 per kWh. After a hearing, the APSC approved Entergy Arkansas' request and the redetermined rate was implemented in July 2006, subject to refund pending the outcome of the APSC energy cost recovery investigation. A hearing was held in the APSC energy cost recovery investigation in October 2006.

In January 2007, the APSC issued an order in its review of Entergy Arkansas' September 2005 interim rate. The APSC found that Entergy Arkansas failed to maintain an adequate coal inventory level going into the summer of 2005 and that Entergy Arkansas should be responsible for any incremental energy costs resulting from two outages caused by employee and contractor error. The coal plant generation curtailments were caused by railroad delivery problems and Entergy is currently in litigation with the railroad regarding the delivery problems. The APSC staff was directed to perform an analysis with Entergy Arkansas' assistance to determine the additional fuel and purchased energy costs associated with these findings and file the analysis within 60 days of the order. After a final determination of the costs is made by the APSC, Entergy Arkansas would be directed to refund that amount with interest to its customers as a credit on the energy cost recovery rider. The order also stated that the APSC would address any additional issues regarding the energy cost recovery rider in Entergy Arkansas' rate case filed in August 2006. Entergy Arkansas requested rehearing of the order. In March 2007, in order to allow further consideration by the APSC, the APSC granted Entergy Arkansas' petition for rehearing and for stay of the APSC order. The APSC has taken no action in the proceeding since this March 2007 order.

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Entergy Texas

Entergy Texas' rate schedules include a fixed fuel factor to recover fuel and purchased power costs, including carrying charges, not recovered in base rates. The fixed fuel factor formula was revised and approved by a PUCT order in August 2006. The new formula was implemented in September 2006. Under the new methodology, semi-annual revisions of the fixed fuel factor will continue to be made in March and September based on the market price of natural gas and changes in fuel mix. Entergy Texas will likely continue to use this methodology until the start of retail open access, which has been delayed. The amounts collected under Entergy Texas' fixed fuel factor and any interim surcharge implemented until the date retail open access commences are subject to fuel reconciliation proceedings before the PUCT.

Entergy Texas filed with the PUCT in July 2005 a request for implementation of an incremental purchased capacity recovery rider, consistent with the Texas legislation discussed below under "**Electric Industry Restructuring**." Through this rider, Entergy Texas sought to recover $23.1 million annually in incremental revenues which represents the incremental purchased capacity costs, including Entergy Texas' obligation to purchase power from Entergy Louisiana's recently acquired Perryville plant, over what is already in Entergy Texas' base rates. A non-unanimous settlement was reached with most of the parties that allowed for the implementation of an $18 million annual rider effective December 1, 2005. The settlement also provided for a fuel reconciliation to be filed by Entergy Texas by May 15, 2006, which has been filed as discussed below, that would resolve the remaining issues in the case with the exception of the amount of purchased power in current base rates and the costs to which load growth is attributed, both of which were settled. The hearing with respect to the non-unanimous settlement was conducted in October 2005 before an ALJ, who issued a Proposal for Decision supporting the settlement. In December 2005, the PUCT approved the settlement and entered an order consistent with this approval in February 2006. The amounts collected by the purchased capacity recovery rider are subject to reconciliation.

In September 2007, Entergy Texas filed with the PUCT a request to increase its incremental purchased capacity recovery rider to collect approximately $25 million on an annual basis. This filing also includes a request to implement an interim surcharge to collect approximately $10 million in under-recovered incremental purchased capacity costs incurred through July 2007. In January 2008, Entergy Texas filed with the PUCT a stipulation and settlement agreement among the parties that agrees to implementation of the interim surcharge over a two-month period and agrees that the incremental capacity recovery rider will be set to collect $21 million on an annual basis effective February 2008. The PUCT approved the agreement in February 2008. Amounts collected through the rider and interim surcharge are subject to final reconciliation.

In October 2007, Entergy Texas filed a request with the PUCT to refund $45.6 million, including interest, of fuel cost recovery over-collections through September 2007. In January 2008, Entergy Texas filed with the PUCT a stipulation and settlement agreement among the parties that updated the over-collection balance through November 2007 and establishes a refund amount, including interest, of $71 million. The refund is to be made over a two-month period beginning February 2008. The PUCT approved the agreement in February 2008. Amounts refunded through the interim fuel refund are subject to final reconciliation in a future fuel reconciliation proceeding.

In March 2007, Entergy Texas filed a request with the PUCT to refund $78.5 million, including interest, of fuel cost recovery over-collections through January 2007. In June 2007 the PUCT approved a unanimous stipulation and settlement agreement that updated the over-collection balance through April 2007 and established a refund amount, including interest, of $109.4 million. The refund was made over a two-month period beginning with the first billing cycle in July 2007. Amounts refunded through the interim fuel refund are subject to final reconciliation in a future fuel reconciliation proceeding.

The Entergy Texas rate filing made with the PUCT in September 2007, which is discussed below, includes a request to reconcile $858 million in fuel and purchased power costs on a Texas retail basis incurred over the period January 2006 through March 2007.

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In May 2006, Entergy Texas filed with the PUCT a fuel and purchased power reconciliation case covering the period September 2003 through December 2005 for costs recoverable through the fixed fuel factor rate and the incremental purchased capacity recovery rider. Entergy Texas sought reconciliation of $1.6 billion of fuel and purchased power costs on a Texas retail basis. A hearing was conducted before the ALJs in April 2007. In July 2007, the ALJs issued a proposal for decision recommending that Entergy Texas be authorized to reconcile all of its requested fixed fuel factor expenses and recommending a minor exception to the incremental purchased capacity recovery calculation. The ALJs also recommended granting an exception to the PUCT rules to allow for recovery of an additional $11.4 million in purchased power capacity costs. In September 2007, the PUCT issued an order, which affirmed the ultimate result of the ALJs' proposal for decision. Upon motions for rehearing, the PUCT added additional language in its order on rehearing to further clarify its position that 30% of River Bend should not be regulated by the PUCT. Two parties filed a second motion for rehearing, but the PUCT declined to address them. The PUCT's decision has been appealed to the Travis County District Court.

Entergy Gulf States Louisiana and Entergy Louisiana

In Louisiana, Entergy Gulf States Louisiana and Entergy Louisiana recover electric fuel and purchased power costs for the upcoming month based upon the level of such costs from the prior month. Entergy Gulf States Louisiana's purchased gas adjustments include estimates for the billing month adjusted by a surcharge or credit that arises from an annual reconciliation of fuel costs incurred with fuel cost revenues billed to customers, including carrying charges.

In August 2000, the LPSC authorized its staff to initiate a proceeding to audit the fuel adjustment clause filings of Entergy Louisiana pursuant to a November 1997 LPSC general order. The time period that is the subject of the audit is January 1, 2000 through December 31, 2001. In September 2003, the LPSC staff issued its audit report and recommended a disallowance with regard to an alleged failure to uprate Waterford 3 in a timely manner. This issue was resolved with the March 2005 global settlement. Subsequent to the issuance of the audit report, the scope of this docket was expanded to include a review of annual reports on fuel and purchased power transactions with affiliates and a prudence review of transmission planning issues and to include the years 2002 through 2004. Hearings were held in November 2006. In December 2007 the ALJ issued a proposed recommendation and draft order that, with minor exceptions, found in Entergy Louisiana's favor on the issues. The LPSC has not issued a decision in this proceeding.

In January 2003, the LPSC authorized its staff to initiate a proceeding to audit the fuel adjustment clause filings of Entergy Gulf States Louisiana and its affiliates pursuant to a November 1997 LPSC general order. The audit will include a review of the reasonableness of charges flowed by Entergy Gulf States Louisiana through its fuel adjustment clause in Louisiana for the period January 1, 1995 through December 31, 2002. Discovery is underway, but a detailed procedural schedule extending beyond the discovery stage has not yet been established, and the LPSC staff has not yet issued its audit report. In June 2005, the LPSC expanded the audit period to include the years through 2004.

Entergy Mississippi

Entergy Mississippi's rate schedules include an energy cost recovery rider which is adjusted quarterly to reflect accumulated over- or under-recoveries from the second prior quarter.

Entergy New Orleans

Entergy New Orleans' electric rate schedules include a fuel adjustment tariff designed to reflect no more than targeted fuel and purchased power costs, adjusted by a surcharge or credit for deferred fuel expense arising from the monthly reconciliation of actual fuel and purchased power costs incurred with fuel cost revenues billed to customers, including carrying charges. In June 2006, the City Council authorized the recovery of all Grand Gulf costs through Entergy New Orleans' fuel adjustment clause (a significant portion of Grand Gulf costs was previously recovered through base rates), and continued that authorization in approving the October 2006 formula rate plan filing settlement.

Entergy New Orleans' gas rate schedules include an adjustment to reflect estimated gas costs for the billing month, adjusted by a surcharge or credit similar to that included in the electric fuel adjustment clause, including carrying charges. In October 2005, the City Council approved modification of the current gas cost collection mechanism effective November 2005 in order to address concerns regarding its fluctuations, particularly during the winter heating season. The modifications are intended to minimize fluctuations in gas rates during the winter months.

Storm Cost Recovery Filings with Retail Regulators

Entergy Texas

In July 2006, Entergy Texas filed an application with the PUCT with respect to its Hurricane Rita reconstruction costs incurred through March 2006. The filing asked the PUCT to determine the amount of reasonable and necessary hurricane reconstruction costs eligible for securitization and recovery, approve the recovery of carrying costs, and approve the manner in which Entergy Texas allocates those costs among its retail customer classes. In December 2006, the PUCT approved $381 million of reasonable and necessary hurricane reconstruction costs incurred through March 31, 2006, plus carrying costs, as eligible for recovery. After netting expected insurance proceeds, the amount is $353 million.

In April 2007, the PUCT issued its financing order authorizing the issuance of securitization bonds to recover the $353 million of hurricane reconstruction costs and up to $6 million of transaction costs, offset by $32 million of related deferred income tax benefits. In June 2007, Entergy Gulf States Reconstruction Funding I, LLC (Entergy Gulf States Reconstruction Funding), a company wholly-owned and consolidated by Entergy Texas, issued $329.5 million of senior secured transition bonds (securitization bonds). With the proceeds, Entergy Gulf States Reconstruction Funding purchased from Entergy Texas the transition property, which is the right to recover from customers through a transition charge amounts sufficient to service the securitization bonds. Entergy Texas will use the proceeds to refinance or retire debt and to reduce equity. In February 2008, Entergy Texas returned $150 million of capital to Entergy Corporation. Entergy Texas began cost recovery through the transition charge in July 2007, and the transition charge is expected to remain in place over a 15-year period. See Note 5 to the financial statements for additional information regarding the securitization bonds.

Entergy Gulf States Louisiana and Entergy Louisiana

In February 2007, Entergy Louisiana and Entergy Gulf States Louisiana filed a supplemental and amending application by which they seek authority from the LPSC to securitize their Hurricane Katrina and Hurricane Rita storm cost recovery and storm reserve amounts, together with certain debt retirement costs and upfront and ongoing costs of the securitized debt issued. Securitization is authorized by a law signed by the Governor of Louisiana in May 2006. Hearings on the quantification of the amounts eligible for securitization began in late-April 2007. At the start of the hearing, a stipulation among Entergy Gulf States Louisiana, Entergy Louisiana, the LPSC staff, and most other parties in the proceeding was read into the record. The stipulation quantifies the balance of storm restoration costs for recovery as $545 million for Entergy Louisiana and $187 million for Entergy Gulf States Louisiana, and sets the storm reserve amounts at $152 million for Entergy Louisiana and $87 million for Entergy Gulf States Louisiana. The stipulation also calls for securitization of the storm restoration costs and storm reserves in those same amounts. In August 2007, the LPSC issued orders approving recovery of the stipulated storm cost recovery and storm reserve amounts plus certain debt retirement and upfront and ongoing costs through securitization financing. Entergy Louisiana and Entergy Gulf States Louisiana are currently exploring their securitization options.

In May 2006, Entergy Gulf States Louisiana completed the interim recovery of $6 million of storm costs through the fuel adjustment clause pursuant to an LPSC order. Beginning in September 2006, Entergy Gulf States Louisiana's interim storm cost recovery of $0.85 million per month was instituted via the formula rate plan. Interim recovery and carrying charges will continue until the securitization process is complete.

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In April 2006, Entergy Louisiana completed the interim recovery of $14 million of storm costs through the fuel adjustment clause pursuant to an LPSC order. Beginning in September 2006, Entergy Louisiana's interim storm cost recovery of $2 million per month was instituted via the formula rate plan. Interim recovery and carrying charges will continue until the securitization process is complete.

Entergy Mississippi

In March 2006, the Governor of Mississippi signed a law that established a mechanism by which the MPSC could authorize and certify an electric utility financing order and the state could issue bonds to finance the costs of repairing damage caused by Hurricane Katrina to the systems of investor-owned electric utilities. Because of the passage of this law and the possibility of Entergy Mississippi obtaining CDBG funds for Hurricane Katrina storm restoration costs, in March 2006, the MPSC issued an order approving a Joint Stipulation between Entergy Mississippi and the Mississippi Public Utilities Staff that provided for a review of Entergy Mississippi's total storm restoration costs in an Application for an Accounting Order proceeding. In June 2006, the MPSC issued an order certifying Entergy Mississippi's Hurricane Katrina restoration costs incurred through March 31, 2006 of $89 million, net of estimated insurance proceeds. Two days later, Entergy Mississippi filed a request with the Mississippi Development Authority for $89 million of CDBG funding for reimbursement of its Hurricane Katrina infrastructure restoration costs. Entergy Mississippi also filed a Petition for Financing Order with the MPSC for authorization of state bond financing of $169 million for Hurricane Katrina restoration costs and future storm costs. The $169 million amount included the $89 million of Hurricane Katrina restoration costs plus $80 million to build Entergy Mississippi's storm damage reserve for the future. Entergy Mississippi's filing stated that the amount actually financed through the state bonds would be net of any CDBG funds that Entergy Mississippi received.

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 state bonds to finance $8 million of Entergy Mississippi's certified Hurricane Katrina restoration costs and $40 million for an increase in Entergy Mississippi's storm damage reserve. $30 million of the storm damage reserve was set aside in a restricted account. A Mississippi state entity issued the bonds in May 2007, and Entergy Mississippi received proceeds of $48 million. Entergy Mississippi will not report the bonds on its balance sheet because the bonds are the obligation of the state entity, and there is no recourse against Entergy Mississippi in the event of a bond default. To service the bonds, Entergy Mississippi is collecting a system restoration charge on behalf of the state, and remitting the collections to the state. By analogy to and in accordance with Entergy's accounting policy for collection of sales taxes, Entergy Mississippi will not report the collections as revenue because it is merely acting as the billing and collection agent for the state.

**Entergy New Orleans**

In March 2006, Entergy New Orleans provided a justification statement to state and local officials in connection with its pursuit of CDBG funds to mitigate Hurricane Katrina restoration costs that otherwise would be borne by customers. The statement included all the estimated costs of Hurricane Katrina damage, as well as a lost customer base component intended to help offset the need for storm-related rate increases. In October 2006, the Louisiana

Recovery Authority 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. Entergy New Orleans filed applications seeking City Council certification of its storm-related costs incurred through December 2006. Entergy New Orleans supplemented this request to include the estimated future cost of the gas system rebuild.

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In March 2007, the City Council certified that Entergy New Orleans incurred $205 million in storm-related costs through December 2006 that are eligible for CDBG funding under the state action plan, and certified Entergy New Orleans' estimated costs of $465 million for its gas system rebuild. In April 2007, Entergy New Orleans executed an agreement with the Louisiana Office of Community Development (OCD) under which $200 million of CDBG funds will be made available to Entergy New Orleans. Entergy New Orleans submitted the agreement to the bankruptcy court, which approved it on April 25, 2007. Entergy New Orleans has received $180.8 million of the funds as of December 31, 2007, and under the agreement with the OCD, Entergy New Orleans expects to receive the remainder as it incurs and submits additional eligible costs.

Retail Rate Proceedings

Filings with the APSC (Entergy Arkansas)

Retail Rates

In August 2006, Entergy Arkansas filed with the APSC a request for a change in base rates. Entergy Arkansas requested a general base rate increase (using an ROE of 11.25%), which it subsequently adjusted to a request for a $106.5 million annual increase. Entergy Arkansas also requested recovery of FERC-allocated costs pursuant to the FERC decision on the System Agreement, and requested a capacity management rider to recover incremental capacity costs.

In June 2007, after hearings on the filing, the APSC ordered Entergy Arkansas to reduce its annual rates by $5 million, and set a return on common equity of 9.9% with a hypothetical common equity level lower than Entergy Arkansas' actual capital structure. For the purpose of setting rates, the APSC disallowed a portion of costs associated with incentive compensation based on financial measures and

all costs associated with Entergy's stock-based compensation plans. In addition, under the terms of the APSC's decision, recovery of storm restoration costs in the future will be limited to a fixed annual amount of $14.4 million, regardless of the actual annual amount of future restoration costs. The APSC did state in a separate December 2007 order, however, that it will consider a petition for financial relief should Entergy Arkansas experience "extraordinary" storm restoration costs.

The APSC's June 2007 decision also threatens Entergy Arkansas' ability to recover $52 million of costs previously accumulated in Entergy Arkansas' storm reserve and $18 million of removal costs associated with the termination of a lease. Management believes, however, that Entergy Arkansas is entitled to recover these prudently incurred costs and will vigorously pursue its right to recover them. The APSC rejected Entergy Arkansas' request for a capacity management rider to recover incremental capacity costs.

The APSC denied Entergy Arkansas' request for rehearing of its June 2007 decision, and the base rate change was implemented August 29, 2007, effective for bills rendered after June 15, 2007. In September 2007, Entergy Arkansas appealed the decision to the Arkansas Court of Appeals. In its Notice of Appeal, Entergy Arkansas states that the

APSC's decision represents arbitrary decision-making and is unlawful. Entergy Arkansas filed its appellant's brief in January 2008 seeking a reversal of the APSC's decision on 16 issues. The appellees' briefs are due in March 2008.

Ouachita Acquisition

Entergy Arkansas filed with the APSC in September 2007 for its approval of the Ouachita plant acquisition, including full cost recovery. The APSC Staff and the Arkansas attorney general have supported Entergy Arkansas' acquisition of the plant, but oppose the sale of one-third of the capacity and energy to Entergy Gulf States Louisiana. The industrial group AEEC has opposed Entergy Arkansas' purchase of the plant. The Arkansas attorney general has opposed recovery of the non-fuel costs of the plant through a separate rider, while the APSC Staff recommended revisions to the rider. In December 2007, the APSC issued an order approving recovery through a rider of the capacity costs associated with the interim tolling agreement, which will be in effect until APSC action on the acquisition of the plant. The APSC has scheduled a hearing in April 2008 to address Entergy Arkansas' request for acquisition of the plant and concurrent cost recovery.

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Filings with the PUCT and Texas Cities

Retail Rates

Entergy Texas made a rate filing in September 2007 with the PUCT requesting an annual rate increase totaling $107.5 million, including a base rate increase of $64.3 million and special riders totaling $43.2 million. The base rate increase includes $12.2 million for the storm damage reserve. Entergy Texas is requesting an 11% return on common equity. In December 2007 the PUCT issued an order setting September 26, 2008 as the effective date for the rate change from the rate filing. The hearing on the rate case is scheduled for May 2008.

Entergy Texas' base rates are currently set at rates approved by the PUCT in June 1999. As discussed in "**Electric Industry Restructuring**" below, a Texas law was enacted in June 2005 which includes provisions in the Texas legislation regarding Entergy Texas' ability to file a general rate case and to file for recovery of transition to competition costs. As authorized by the legislation, in August 2005, Entergy Texas filed with the PUCT an application for recovery of its transition to competition costs. Entergy Texas requested recovery of $189 million in transition to competition costs through implementation of a 15-year rider to be effective no later than March 1, 2006. The $189 million represents transition to competition costs Entergy Texas incurred from June 1, 1999 through June 17, 2005 in preparing for competition in its Texas service area, including attendant AFUDC, and all carrying costs projected to be incurred on the transition to competition costs through February 28, 2006. The $189 million is before any gross-up for taxes or carrying costs over the 15-year recovery period. Entergy Texas reached a unanimous settlement agreement, which the PUCT approved in June 2006, on all issues with the active parties in the transition to competition cost recovery case. The agreement allows Entergy Texas to recover $14.5 million per year in transition to competition costs over a 15-year period. Entergy Texas implemented rates based on this revenue level on March 1, 2006. The formal settlement agreement was approved by the PUCT in June 2006.

The Texas law enacted also allowed Entergy Texas to file with the PUCT for recovery of certain incremental purchased capacity costs. Proceedings involving this rider are discussed above under "**Deferred Fuel Costs**."

Filings with the LPSC

Global Settlement

(Entergy Gulf States Louisiana and Entergy Louisiana)

In March 2005, the LPSC approved a settlement proposal to resolve various dockets covering a range of issues for Entergy Gulf States Louisiana and Entergy Louisiana. The settlement resulted in credits totaling $76 million for retail electricity customers of Entergy Gulf States Louisiana and credits totaling $14 million for retail electricity customers of Entergy Louisiana. The credits were issued to customers in connection with April 2005 billings. The net income effect of $48.6 million for Entergy Gulf States Louisiana and $8.6 million for Entergy Louisiana was recognized primarily in 2004 when Entergy Gulf States Louisiana and Entergy Louisiana recorded provisions for the expected outcome of the proceeding.

The settlement includes the establishment of a three-year formula rate plan for Entergy Gulf States Louisiana that, among other provisions, establishes an ROE mid-point of 10.65% for the initial three-year term of the plan and permits Entergy Gulf States Louisiana to recover incremental capacity costs outside of a traditional base rate proceeding. Under the formula rate plan, over- and under-earnings outside an allowed range of 9.9% to 11.4% will be allocated 60% to customers and 40% to Entergy Gulf States Louisiana. Entergy Gulf States Louisiana made its initial formula rate plan filing in June 2005. In addition, there is the potential to extend the formula rate plan beyond the initial three-year effective period by mutual agreement of the LPSC and Entergy Gulf States Louisiana.

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Retail Rates - Electric

(Entergy Louisiana)

In May 2007, Entergy Louisiana made its formula rate plan filing with the LPSC for the 2006 test year, indicating a 7.6% return on common equity. The $6.9 million rate decrease anticipated in this original filing did not occur because securitization of storm costs associated with Hurricane Katrina and Hurricane Rita and the establishment of a storm reserve have not yet occurred. Entergy Louisiana is currently exploring its securitization options. The May 2007 filing also included Entergy Louisiana's request to recover $39.8 million in unrecovered fixed costs associated with the loss of customers that resulted from Hurricane Katrina and Hurricane Rita, which if approved by the LPSC would increase the return on common equity under the original filing to 9.4%, which is within the band of no change adjacent to the lower end of the sharing bandwidth. In September 2007, Entergy Louisiana modified its formula rate plan filing to reflect its implementation of certain adjustments proposed by the LPSC staff in its review of Entergy Louisiana's original filing with which Entergy Louisiana agreed, and to reflect its implementation of an $18.4 million annual formula rate plan rate increase comprised of (1) a $23.8 million increase representing 60% of Entergy Louisiana's revenue deficiency, and (2) a $5.4 million decrease for reduced incremental and deferred capacity costs. The LPSC authorized Entergy Louisiana to defer for accounting purposes the difference between its $39.8 million claim for unrecovered fixed costs and 60% of the revenue deficiency to preserve Entergy Louisiana's right to pursue that claim in full during the formula rate plan proceeding. In October 2007, Entergy Louisiana implemented a $7.1 million formula rate plan decrease that is due primarily to the reclassification of certain franchise fees from base rates to collection via a line item on customer bills pursuant to an LPSC order. The LPSC staff and intervenors have recommended disallowance of certain costs included in Entergy Louisiana's filing, including stock option costs and transmission restructuring costs. Entergy Louisiana disagrees with these proposed adjustments. Hearings in the 2006 test year formula rate plan proceedings are scheduled for August 2008.

In May 2006, Entergy Louisiana made its formula rate plan filing with the LPSC for the 2005 test year. Entergy Louisiana modified the filing in August 2006 to reflect a 9.45% return on equity which is within the allowed bandwidth. The modified filing includes an increase of $24.2 million for interim recovery of storm costs from Hurricanes Katrina and Rita and a $119.2 million rate increase to recover LPSC-approved incremental deferred and ongoing capacity costs. The filing requested recovery of approximately $50 million for the amortization of capacity deferrals over a three-year period, including carrying charges, and approximately $70 million for ongoing capacity costs. The increase was implemented, subject to refund, with the first billing cycle of September 2006. Entergy Louisiana subsequently updated its formula rate plan rider to reflect adjustments proposed by the LPSC Staff with which it agrees. The adjusted return on equity of 9.56% remains within the allowed bandwidth. Ongoing and deferred incremental capacity costs were reduced to $118.7 million. The updated formula rate plan rider was implemented, subject to refund, with the first billing cycle of October 2006. Resolution of this proceeding is still pending.

Entergy Louisiana made a rate filing with the LPSC requesting a base rate increase in January 2004. In May 2005 the LPSC approved a settlement that resulted in a net $0.8 million annual rate reduction. Entergy Louisiana reduced rates effective with the first billing cycle in July 2005. The May 2005 rate settlement includes the adoption of a three-year formula rate plan, the terms of which include an ROE mid-point of 10.25% for the initial three-year term of the plan and permit Entergy Louisiana to recover incremental capacity costs outside of a traditional base rate proceeding. Under the formula rate plan, over- and under-earnings outside an allowed regulatory range of 9.45% to 11.05% will be allocated 60% to customers and 40% to Entergy Louisiana. The initial formula rate plan filing was made in May 2006 as discussed above. In addition, there is the potential to extend the formula rate plan beyond the initial three-year effective period by mutual agreement of the LPSC and Entergy Louisiana.

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Little Gypsy Repowering

In April 2007, Entergy Louisiana announced that it plans to pursue the solid fuel repowering of a 538 MW unit at its Little Gypsy plant.  Petroleum coke and coal will be the unit's primary fuel sources.  In July 2007, Entergy Louisiana filed with the LPSC for approval of the repowering project, and stated that it expects to spend $1.55 billion on the project. In addition to seeking a finding that the project is in the public interest, the filing with the LPSC asks that Entergy Louisiana be allowed to recover a portion of the project's financing costs during the construction period. Hearings were held in October 2007, and the LPSC approved the certification of the project in November 2007, subject to several conditions. One of the conditions is the development and approval of a construction monitoring plan. The approval allowed Entergy Louisiana to order equipment, such as boiler and piping components, so that components can be manufactured to keep the project on schedule. In December 2007, Entergy Louisiana signed a target cost contract with the engineering, procurement, and construction services contractor, and issued the contractor a notice to proceed with construction. A decision regarding whether to allow Entergy Louisiana to recover a portion of the project's financing costs during the construction period was deferred to Phase II of the proceedings. In December 2007, Entergy Louisiana filed testimony in the Phase II proceeding seeking financing cost recovery and proposing a procedure for synchronizing future base rate recovery by a formula rate plan or base rate filing of the project's non-fuel costs. Phase II hearings are scheduled to begin in May 2008. Entergy Louisiana expects the project to be completed in 2012.

(Entergy Gulf States Louisiana)

In May 2007, Entergy Gulf States Louisiana made its formula rate plan filing with the LPSC for the 2006 test year. The filing reflected a 10.0% return on common equity, which is within the allowed earnings bandwidth, and an anticipated formula rate plan decrease of $23 million annually attributable to adjustments outside of the formula rate plan sharing mechanism related to capacity costs and the anticipated securitization of storm costs related to Hurricane Katrina and Hurricane Rita and the securitization of a storm reserve. In September 2007, Entergy Gulf States Louisiana modified the formula rate plan filing to reflect a 10.07% return on common equity, which is still within the allowed bandwidth. The modified filing also reflected implementation of a $4.1 million rate increase, subject to refund, attributable to recovery of additional LPSC-approved incremental deferred and ongoing capacity costs. The rate decrease anticipated in the original filing did not occur because of the additional capacity costs approved by the LPSC, and because securitization of storm costs associated with Hurricane Katrina and Hurricane Rita and the establishment of a storm reserve have not yet occurred. Entergy Gulf States Louisiana is currently exploring its securitization options. In October 2007, Entergy Gulf States Louisiana implemented a $16.4 million formula rate plan decrease that is due to the reclassification of certain franchise fees from base rates to collection via a line item on customer bills pursuant to an LPSC order. The LPSC staff issued its final report in December 2007, indicating a $1.6 million decrease in formula rate plan revenues for which interim rates were already in effect. In addition, the LPSC staff recommended that the LPSC give a one-year extension of Entergy Gulf States Louisiana's formula rate plan to synchronize with the final year of Entergy Louisiana's formula rate plan, or alternatively, to extend the formula rate plan for a longer period. Entergy Gulf States Louisiana indicated it is amenable to a one-year extension. An uncontested stipulated settlement was filed in February 2008 that will leave the current base rates in place.

In May 2006, Entergy Gulf States Louisiana made its formula rate plan filing with the LPSC for the 2005 test year. Entergy Gulf States Louisiana modified the filing in August 2006 to reflect an 11.1% return on common equity which is within the allowed bandwidth. The modified filing includes a formula rate plan increase of $17.2 million annually that provides for 1) interim recovery of $10.5 million of storm costs from Hurricane Katrina and Hurricane Rita and 2) recovery of $6.7 million of LPSC-approved incremental deferred and ongoing capacity costs. The increase was implemented with the first billing cycle of September 2006. In May 2007 the LPSC approved a settlement between Entergy Gulf States Louisiana and the LPSC staff, affirming the rates that were implemented in September 2006.

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In June 2005, Entergy Gulf States Louisiana made its formula rate plan filing with the LPSC for the test year ending December 31, 2004. In March 2006, the LPSC approved an uncontested stipulated settlement that included a revenue requirement increase of $36.8 million, including increases related to the formula rate plan 2004 test year revenue requirement and the capacity costs associated with the purchase of power from the Perryville power plant.

Retail Rates - Gas

(Entergy Gulf States Louisiana)

In January 2008, Entergy Gulf States Louisiana filed with the LPSC its gas rate stabilization plan for the test year ending September 30, 2007. The filing showed a revenue deficiency of $3.7 million based on a return on common equity mid-point of 10.5%.

In January 2007, Entergy Gulf States Louisiana filed with the LPSC its gas rate stabilization plan for the test year ending September 30, 2006. The filing showed a revenue deficiency of $3.5 million based on a return on common equity mid-point of 10.5%. In March 2007, Entergy Gulf States Louisiana filed a set of rate and rider schedules that reflected all proposed LPSC staff adjustments and implemented a $2.4 million base rate increase effective with the first billing cycle of April 2007 pursuant to the rate stabilization plan.

In January 2006, Entergy Gulf States Louisiana filed with the LPSC its gas rate stabilization plan. The filing showed a revenue deficiency of $4.1 million based on an ROE mid-point of 10.5%. In May 2006, Entergy Gulf States Louisiana implemented a $3.5 million rate increase pursuant to an uncontested agreement with the LPSC Staff.

In June 2005, the LPSC unanimously approved Entergy Gulf States Louisiana's proposed settlement that included a $5.8 million gas base rate increase effective the first billing cycle of July 2005 and a rate stabilization plan with an ROE mid-point of 10.5%.

Filings with the MPSC (Entergy Mississippi)

Formula Rate Plan Filings

In March 2007, Entergy Mississippi made its annual scheduled formula rate plan filing for the 2006 test year with the MPSC. The filing showed that an increase of $12.9 million in annual electric revenues is warranted. In June 2007 the MPSC approved a joint stipulation between Entergy Mississippi and the Mississippi Public Utilities staff that provides for a $10.5 million rate increase, which was effective beginning with July 2007 billings.

In March 2006, Entergy Mississippi made its annual scheduled formula rate plan filing with the MPSC. The filing was amended by an April 2006 filing. The amended filing showed that an increase of $3.1 million in electric revenues is warranted. The MPSC approved a settlement providing for a $1.8 million rate increase, which was implemented in August 2006.

Power Management Rider

In November 2005, the MPSC approved the purchase of the 480MW Attala power plant. In December 2005, the MPSC issued an order approving the investment cost recovery through its power management rider and limited the recovery to a period that begins with the closing date of the purchase and ends the earlier of the date costs are incorporated into base rates or December 31, 2006. 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.

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Filings with the City Council (Entergy New Orleans)

Formula Rate Plans and Storm-related Riders

In June 2006, Entergy New Orleans made its annual formula rate plan filings with the City Council. The filings presented various alternatives to reflect the effect of Entergy New Orleans' lost customers and decreased revenue following Hurricane Katrina. The alternative that Entergy New Orleans recommended adjusts for lost customers and assumes that the City Council's June 2006 decision to allow recovery of all Grand Gulf costs through the fuel adjustment clause stays in place during the rate-effective period (a significant portion of Grand Gulf costs was previously recovered through base rates).

At the same time as it made its formula rate plan filings, Entergy New Orleans also filed with the City Council a request to implement two storm-related riders. With the first rider, Entergy New Orleans sought to recover the electric and gas restoration costs that it had actually spent through March 31, 2006. Entergy New Orleans also proposed semiannual filings to update the rider for additional restoration spending and also to consider the receipt of CDBG funds or insurance proceeds that it may receive. With the second rider, Entergy New Orleans sought to establish a storm reserve to provide for the risk of another storm.

In October 2006, the City Council approved a settlement agreement that resolves Entergy New Orleans' rate and storm-related rider filings by providing for phased-in rate increases, while taking into account with respect to storm restoration costs the anticipated receipt of CDBG funding as recommended by the Louisiana Recovery Authority. The settlement provides for a 0% increase in electric base rates through December 2007, with a $3.9 million increase implemented in January 2008. 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 increased by 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. These storm reserve funds will be held in a restricted escrow account.

In January 2008, Entergy New Orleans voluntarily implemented a 6.15% base rate credit for electric customers, which Entergy New Orleans estimates will return $10.6 million to electric customers in 2008. Entergy New Orleans was able to implement this credit because the recovery of New Orleans after Hurricane Katrina has been occurring faster than expected.

<u>Fuel Adjustment Clause Litigation</u>

In April 1999, a group of ratepayers filed a complaint against Entergy New Orleans, Entergy Corporation, Entergy Services, and Entergy Power in state court in Orleans Parish purportedly on behalf of all Entergy New Orleans ratepayers. The plaintiffs seek treble damages for alleged injuries arising from the defendants' alleged violations of Louisiana's antitrust laws in connection with certain costs passed on to ratepayers in Entergy New Orleans' fuel adjustment filings with the City Council. In particular, plaintiffs allege that Entergy New Orleans improperly included certain costs in the calculation of fuel charges and that Entergy New Orleans imprudently purchased high-cost fuel or energy from other Entergy affiliates. Plaintiffs allege that Entergy New Orleans and the other defendant Entergy companies conspired to make these purchases to the detriment of Entergy New Orleans' ratepayers and to the benefit of Entergy's shareholders, in violation of Louisiana's antitrust laws. Plaintiffs also seek to recover interest and attorneys' fees. Entergy filed exceptions to the plaintiffs' allegations, asserting, among other things, that jurisdiction over these issues rests with the City Council and the FERC. In March 2004, the plaintiffs supplemented and amended their petition. If necessary, at the appropriate time, Entergy will also raise its defenses to the antitrust claims. The suit in state court was

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stayed by stipulation of the parties and order of the court pending review of the decision by the City Council in the proceeding discussed in the next paragraph. Subsequent to Entergy New Orleans' filing of a bankruptcy petition in September 2005 in the Eastern District of Louisiana, Entergy New Orleans filed a notice removing the class action lawsuit from the Civil District Court to the U.S. District Court for the Eastern District of Louisiana.

Plaintiffs also filed a corresponding complaint with the City Council in order to initiate a review by the City Council of the plaintiffs' allegations and to force restitution to ratepayers of all costs they allege were improperly and imprudently included in the fuel adjustment filings. Testimony was filed on behalf of the plaintiffs in this proceeding asserting, among other things, that Entergy New Orleans and other defendants have engaged in fuel procurement and power purchasing practices and included costs in Entergy New Orleans' fuel adjustment that could have resulted in Entergy New Orleans customers being overcharged by more than $100 million over a period of years. Hearings were held in February and March 2002. In February 2004, the City Council approved a resolution that resulted in a refund to customers of $11.3 million, including interest, during the months of June through September 2004. The resolution concludes, among other things, that the record does not support an allegation that Entergy New Orleans' actions or inactions, either alone or in concert with Entergy Corporation or any of its affiliates, constituted a misrepresentation or a suppression of the truth made in order to obtain an unjust advantage of Entergy New Orleans, or to cause loss, inconvenience or harm to its ratepayers. Management believes that it has adequately provided for the liability associated with this proceeding. The plaintiffs appealed the City Council resolution to the state courts. On May 26, 2005, the Civil District Court for the Parish of Orleans affirmed the City Council resolution, finding no support for the plaintiffs' claim that the refund amount should be higher. In June 2005, the plaintiffs appealed the Civil District Court decision to the Louisiana Fourth Circuit Court of Appeal. The court of appeal held an oral argument in September 2006. On February 25, 2008, the Fourth Circuit Court of Appeal issued a decision affirming in part, and reversing in part, the Civil District Court's decision. Although the Fourth Circuit Court of Appeal did not reverse any of the substantive findings and conclusions of the City Council or the Civil District Court, the Fourth Circuit found that the amount of damages awarded was arbitrary and capricious and increased the amount of damages to $34.3 million. Entergy New Orleans believes that the increase in damages ordered by the Fourth Circuit is not justified. Entergy New Orleans is continuing to review and evaluate this decision and is considering its options for requesting rehearing, a writ application to or other review by the Louisiana Supreme Court, recourse to the federal courts, and other potential avenues for relief.

In the Entergy New Orleans bankruptcy proceeding, the named plaintiffs in the Entergy New Orleans fuel clause lawsuit, together with the named plaintiffs in the Entergy New Orleans rate of return lawsuit, filed a Complaint for Declaratory Judgment asking the court to declare that Entergy New Orleans, Entergy Corporation, and Entergy Services are a single business enterprise, and, as such, are liable in solido with Entergy New Orleans for any claims asserted in the Entergy New Orleans fuel adjustment clause lawsuit and the Entergy New Orleans rate of return lawsuit, and, alternatively, that the automatic stay be lifted to permit the movants to pursue the same relief in state court. The bankruptcy court dismissed the action on April 26, 2006. The matter was appealed to the U.S. District Court for the Eastern District of Louisiana, and the district court affirmed the dismissal in October 2006, but on different grounds, concluding that the lawsuit was premature. In Entergy New Orleans' plan of reorganization that was confirmed by the bankruptcy court in May 2007, the plaintiffs' claims are treated as unimpaired "Litigation Claims," which will "ride through" the bankruptcy proceeding, with any legal, equitable and contractual rights to which the plaintiffs' Litigation Claim entitles the plaintiffs unaltered by the plan of reorganization.

Upon confirmation in May 2007 of Entergy New Orleans' plan of reorganization, the automatic bankruptcy stay of the state court class action lawsuit was lifted. The stay ordered by the state court that was agreed upon by the parties (pending completion of the review of the decision by the City Council), however, remains in place. In September 2007 the plaintiffs moved to lift or modify that stay so that the lawsuit could proceed in full or, alternatively, could proceed against the defendants other than Entergy New Orleans. The defendants opposed the motion, arguing that exhaustion of review of the City Council decision is required before the class action lawsuit could or should proceed. At the hearing on the plaintiffs' motion to lift or modify the stay, the court inquired as to whether it retained jurisdiction over the matter after confirmation of Entergy New Orleans' bankruptcy plan or whether it should equitably remand the case to Civil District Court. The court ordered the parties to



brief this issue, which would be decided together with the plaintiffs' motion to lift or modify the stay. On February 13, 2008, the federal court held that it would exercise its discretion to equitably remand the matter to the Orleans Parish Civil District Court. It did not rule on the motion to lift or modify the stay and deferred such ruling to the state court.

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Electric Industry Restructuring in Texas

In June 2005, a Texas law was enacted which provides that:

- Entergy Gulf States, Inc. was authorized by law to proceed with a jurisdictional separation into two vertically integrated utilities, one subject to the sole retail jurisdiction of the LPSC and one subject to the sole retail jurisdiction of the PUCT;
- the portions of all prior PUCT orders requiring Entergy Texas to comply with any provisions of Texas law governing transition to retail competition are void;
- Entergy Texas had to file a plan by January 1, 2006, identifying the power region(s) to be considered for certification and the steps and schedule to achieve certification (additional discussion below);
- Entergy Texas had to file a transition to competition plan no later than January 1, 2007 (additional discussion below), that addressed how Entergy Texas intended to mitigate market power and achieve full customer choice, including potential construction of additional transmission facilities, generation auctions, generation capacity divestiture, reinstatement of a customer choice pilot project, establishment of a price to beat, and other measures;
- Entergy Texas' rates are subject to cost-of-service regulation until retail customer choice is implemented;
- Entergy Texas could not file a general base rate case before June 30, 2007, with rates to be effective no earlier than June 30, 2008, but could seek before then the recovery of certain incremental purchased power capacity costs, adjusted for load growth, not in excess of five percent of its annual base rate revenues (as discussed above in "**Deferred Fuel Costs**," in December 2005 Entergy Texas implemented a PUCT-approved annual incremental purchased capacity recovery rider); and
- Entergy Texas may recover over a period not to exceed 15 years reasonable and necessary transition to competition costs incurred before the effective date of the legislation and not previously recovered, with appropriate carrying charges (as discussed above in "**Filings with the PUCT and Texas Cities**," in March 2006, Entergy Texas implemented PUCT-approved rates for recovery of its transition to competition costs).

Entergy Texas made the January 2006 filing regarding the identification of power region(s) required by the 2005 legislation, and based on the statutory requirements for the certification of a qualified power region (QPR), previous PUCT rulings, and Entergy Texas' geographical location, Entergy Texas identified three potential power regions:

1. Electric Reliability Council of Texas (ERCOT) as the power region and Independent Organization (IO);
2. Southwest Power Pool (SPP) as the power region and IO; and
3. the Entergy market as the power region and the Independent Coordinator of Transmission (ICT) as the IO.

Based on previous rulings of the PUCT, and absent reconsideration of those rulings, Entergy Texas believes that the third alternative, an ICT operating in Entergy's market area, is not likely to be a viable QPR alternative at this time. Accordingly, while noting this alternative, Entergy Texas' January 2006 filing focused on the first two alternatives, which were expected to meet the statutory requirements for certification so long as certain key implementation issues could be resolved. Entergy Texas' filing enumerated and discussed the corresponding steps and included a high-level schedule associated with certifying either of these two power regions.

Entergy Texas' filing did not make a recommendation between ERCOT and the SPP as a power region. Rather, the filing discussed the major issues that must be resolved for either of those alternatives to be implemented. In the case of ERCOT, the major issue is the cost and time related to the construction of facilities to interconnect Entergy Texas' operations with ERCOT, while addressing the interest of Entergy Texas' retail customers and certain wholesale customers in access to generation outside of Texas. With respect to the SPP, the major issue is the development of protocols that would ultimately be necessary to implement retail open access. Entergy Texas recommended that the PUCT open a project for the purpose of involving stakeholders in the selection of the single power region that Entergy Texas should request for certification. In August 2006, the PUCT staff recommended that Entergy Texas be required to provide additional information on both the ERCOT option and the SPP option. The PUCT accepted the PUCT staff's recommendation and stated the need for a "robust record" to make a decision on the applicable power region.

As required by the June 2005 legislation, Entergy Texas filed its proposed transition to competition plan in December 2006. The plan provides that to achieve full customer choice, Entergy Texas should join ERCOT because ERCOT already has all of the prerequisites for retail choice. Pursuant to PUCT order, in June 2007 Entergy Texas filed a restatement of the plan, in which Entergy Texas requested that the PUCT approve a "Financial Stability Provision" that is designed to ensure that Entergy Texas' proposed integration with ERCOT will not, during the necessary construction period, cause deterioration of its credit quality and financial strength. The June 2007 filing also proposed a rule making process to implement the Financial Stability Provision and to consider the construction and ownership of necessary ERCOT integration facilities by third parties. The filing also eliminated from the plan certain provisions whereby Entergy Texas had the ability in its sole discretion to cease pursuit of the plan. Under Entergy Texas' plan, retail open access could commence as early as 2013, although that is unlikely given the PUCT's decision described below. Entergy Texas' plan included an estimate that direct construction costs for facilities to interconnect Entergy Texas' operations with ERCOT could be approximately $1 billion. PUCT hearings on Entergy Texas' plan were completed in July 2007. In October 2007, the PUCT abated the proceeding to allow the Southwest Power Pool (SPP) to develop additional information about the costs and benefits of Entergy Texas joining the SPP similar to information presented regarding Entergy Texas joining ERCOT. The SPP filed a work plan that estimates that it will take nine months to develop this type of information. Entergy Texas filed a motion for reconsideration, in which it asked the PUCT to also allow for an update to the ERCOT cost study. In a November 2007 order clarifying its order that abated the docket, the PUCT approved the SPP's work plan, ordered Entergy Texas to provide an updated analysis of the costs and benefits of remaining in the SERC Reliability Corporation, but deferred Entergy Texas' request to allow for an update to the ERCOT cost study.

In December 2006, the PUCT asked for parties to brief the effects of the 2005 legislation on the competition dockets of Entergy Texas, most notably, the settlement that the parties entered with respect to the unbundling of Entergy Texas for retail open access. Finding that the 2005 legislation now provides the mechanism by which Entergy Texas will transition to competition, the PUCT, on February 1, 2007, dismissed Entergy Texas' unbundled cost of service proceeding. After analyzing the PUCT's decision, Entergy Texas recorded a provision for its estimated exposure related to certain past fuel cost recoveries that may be credited to customers.

Co-Owner-Initiated Proceeding at the FERC

**(Entergy Arkansas)**

In October 2004, Arkansas Electric Cooperative (AECC) filed a complaint at the FERC against Entergy Arkansas relating to a contract dispute over the pricing of substitute energy at the co-owned Independence and White Bluff coal plants. The main issue in the case related to the consequences under the governing contracts when the dispatch of the coal units is constrained due to system operating conditions. A hearing was held on the AECC complaint and an ALJ Initial Decision was issued in January 2006 in which the ALJ found AECC's claims to be without merit. On October 25, 2006, the FERC issued its order in the proceeding. In the order, the FERC reversed the ALJ's findings. Specifically, the FERC found that the governing contracts do not recognize the effects of dispatch constraints on the co-owned units. The FERC explained that for over twenty-three years the course of conduct of the parties was such that AECC received its full entitlement to the two coal units, regardless of any reduced output caused by system operating constraints. Based on the order, Entergy Arkansas is required to refund to AECC all excess amounts billed to AECC as a result of the system operating constraints. The FERC denied Entergy Arkansas' request for rehearing and Entergy Arkansas refunded $22.1 million (including interest) to AECC in September 2007. Entergy Arkansas had previously recorded a provision for the estimated effect of this refund. AECC has filed a protest at the FERC claiming that Entergy Arkansas owes an additional $2.5 million plus interest. Entergy Arkansas has appealed the FERC's decision to the D.C. Circuit.



NOTE 3. INCOME TAXES (Entergy Corporation, Entergy Arkansas, Entergy Gulf States Louisiana, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, and System Energy)

Income tax expenses from continuing operations for 2007, 2006, and 2005 for Entergy Corporation and subsidiaries consist of the following:

| | 2007 | 2006 | 2005 |
|---|---|---|---|
| | | (In Thousands) | |
| Current: | | | |
| Federal | ($1,379,288) | ($266,464) | ($306,524) |
| Foreign | 316 | 64 | 13,290 |
| State | 27,174 | (74,319) | (27,212) |
| Total | (1,351,798) | (340,719) | (320,446) |
| Deferred - net | 1,884,383 | 801,745 | 898,384 |
| Investment tax credit adjustments - net | (18,168) | (17,982) | (18,654) |
| Income tax expense from continuing operations | $514,417 | $443,044 | $559,284 |

Income tax expenses for 2007, 2006, and 2005 for Entergy's Registrant Subsidiaries consist of the following:

| **2007** | Entergy Arkansas | Entergy Gulf States Louisiana | Entergy Louisiana | Entergy Mississippi | Entergy New Orleans | System Energy |
|---|---|---|---|---|---|---|
| | | | (In Thousands) | | | |
| Current: | | | | | | |
| Federal | ($464,280) | ($306,133) | $153,083 | ($49,810) | ($20,779) | ($273,310) |
| State | 13,173 | 14,454 | 35,884 | 8,576 | 1,663 | 2,463 |
| Total | (451,107) | (291,679) | 188,967 | (41,234) | (19,116) | (270,847) |
| Deferred - net | 540,750 | 421,149 | (102,246) | 78,397 | 32,978 | 319,773 |

| | | | | | | |
|---|---|---|---|---|---|---|
| Investment tax credit adjustments - net | (4,005) | (5,769) | (3,227) | (1,313) | (356) | (3,479) |
| Recorded income tax expense | $85,638 | $123,701 | $83,494 | $35,850 | $13,506 | $45,447 |

| 2006 | Entergy Arkansas | Entergy Gulf States Louisiana | Entergy Louisiana | Entergy Mississippi | Entergy New Orleans | System Energy |
|---|---|---|---|---|---|---|
| | | | (In Thousands) | | | |
| Current: | | | | | | |
| Federal | ($10,181) | ($87,515) | ($134,141) | $4,208 | ($33,283) | ($28,332) |
| State | 4,864 | (15,553) | (22,874) | 7,024 | (500) | (142) |
| Total | (5,317) | (103,068) | (157,015) | 11,232 | (33,783) | (28,474) |
| Deferred - net | 66,333 | 215,877 | 238,581 | 18,661 | 39,258 | 86,482 |
| Investment tax credit adjustments - net | (4,192) | (5,742) | (3,228) | (1,326) | (424) | (3,479) |
| Recorded income tax expense | $56,824 | $107,067 | $78,338 | $28,567 | $5,051 | $54,529 |



| 2005 | Entergy Arkansas | Entergy Gulf States Louisiana | Entergy Louisiana | Entergy Mississippi | Entergy New Orleans | System Energy |
|---|---|---|---|---|---|---|
| | | | (In Thousands) | | | |
| Current: | | | | | | |
| Federal | ($5,534) | ($256,561) | ($38,109) | ($115,504) | ($141,249) | $171,318 |
| State | 36 | (37,962) | 10,249 | (8,547) | (13,115) | 10,566 |
| Total | (5,498) | (294,523) | (27,860) | (124,051) | (154,364) | 181,884 |
| Deferred - net | 106,899 | 410,500 | 128,370 | 159,332 | 156,581 | (109,065) |
| Investment tax credit adjustments - net | (4,452) | (5,707) | (3,691) | (1,329) | (427) | (3,476) |
| Recorded income tax expense | $96,949 | $110,270 | $96,819 | $33,952 | $1,790 | $69,343 |

Total income taxes from continuing operations for Entergy Corporation and subsidiaries differ from the amounts computed by applying the statutory income tax rate to income before taxes. The reasons for the differences for the years 2007, 2006, and 2005 are:

| | 2007 | 2006 | 2005 |
|---|---|---|---|
| | | (In Thousands) | |
| Consolidated net income | $1,134,849 | $1,132,602 | $898,331 |
| Discontinued operations (net of income tax of $67 and ($24,051) in 2006 and 2005, respectively) | - | 496 | 44,794 |
| Preferred dividend requirements | 25,105 | 27,783 | 25,427 |
| Income before preferred stock dividends of subsidiaries | 1,159,954 | 1,160,881 | 968,552 |
| Income taxes before discontinued operations | 514,417 | 443,044 | 559,284 |
| Pretax income | $1,674,371 | $1,603,925 | $1,527,836 |
| | | | |
| Computed at statutory rate (35%) | $586,030 | $561,374 | $534,743 |
| Increases (reductions) in tax resulting from: | | | |
| State income taxes net of federal income tax effect | 31,066 | 44,230 | 44,282 |
| Regulatory differences- utility plant items | 50,070 | 50,211 | 28,983 |
| Amortization of investment tax credits | (17,612) | (17,460) | (18,691) |
| Decommissioning trust fund basis | (35,684) | - | - |
| Capital gains (losses) | 7,126 | (79,427) | (792) |
| Flow-through/permanent differences | (49,609) | (52,866) | (23,618) |
| Tax reserves | (25,821) | (53,610) | - |
| Valuation allowance | (8,676) | 22,300 | - |
| Other - net | (22,473) | (31,708) | (5,623) |
| Total income taxes as reported from continuing operations | $514,417 | $443,044 | $559,284 |
| | | | |
| Effective Income Tax Rate | 30.7% | 27.6% | 36.6% |

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The capital loss for 2006 includes a loss for tax purposes recorded in the fourth quarter 2006 resulting from the liquidation of Entergy Power International Holdings, Entergy's holding company for Entergy-Koch, LP. The $79.4 million tax benefit is net of other capital gains.

Total income taxes for the Registrant Subsidiaries differ from the amounts computed by applying the statutory income tax rate to income before taxes. The reasons for the differences for the years 2007, 2006, and 2005 are:

| 2007 | Entergy Arkansas | Entergy Gulf States Louisiana | Entergy Louisiana | Entergy Mississippi | Entergy New Orleans | System Energy |
|---|---|---|---|---|---|---|
| | (In Thousands) | | | | | |
| Net income | $139,111 | $192,779 | $143,337 | $72,106 | $24,582 | $136,080 |
| Income taxes | 85,638 | 123,701 | 83,494 | 35,850 | 13,506 | 45,447 |

| | | | | | | |
|---|---|---|---|---|---|---|
| Pretax income | $224,749 | $316,480 | $226,831 | $107,956 | $38,088 | $181,527 |
| Computed at statutory rate (35%) | $78,662 | $110,768 | $79,391 | $37,785 | $13,331 | $63,534 |
| Increases (reductions) in tax | | | | | | |
| Resulting from: | | | | | | |
| State income taxes net of federal income tax effect | 10,651 | 8,294 | 9,718 | 3,513 | 1,486 | 6,497 |
| Regulatory differences - utility plant items | | | | | | |

| | |
|---|---|
| | 18,109 |
| | 15,688 |
| | 9,828 |
| | 125 |
| | 1,058 |
| | 9,675 |
| Amortization of investment tax credits | |
| | (3,984) |
| | (5,314) |
| | (3,192) |
| | (1,296) |
| | (346) |
| | (3,480) |
| Flow-through/permanent differences | |
| | (14,502) |
| | (5,993) |
| | (7,495) |
| | (2,400) |
| | (906) |
| | (3,165) |
| Benefit of Entergy Corporation expenses | |
| | - |

-

-

-

-

(28,943)

Other - net

(3,298)

258

(4,756)

(1,877)

(1,117)

1,329

Total income taxes

$85,638

$123,701

$83,494

$35,850

$13,506

$45,447

Effective Income Tax Rate

38.1%

39.1%

36.8%

33.2%

35.5%

25.0%

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| 2006 | Entergy Arkansas | Entergy Gulf States Louisiana | Entergy Louisiana | Entergy Mississippi | Entergy New Orleans | System Energy |
|---|---|---|---|---|---|---|
| | (In Thousands) | | | | | |
| Net income | $173,154 | $211,987 | $137,618 | $52,285 | $5,344 | $140,259 |
| Income taxes | 56,824 | 107,067 | | | | |

78,338

28,567

5,051

54,529

Pretax income

$229,978

$319,054

$215,956

$80,852

$10,395

$194,788

Computed at statutory rate (35%)

$80,492

$111,669

$75,585

$28,298

$3,638

$68,175

Increases (reductions) in tax

resulting from:

State income taxes net of

federal income tax effect

7,047

7,997

(1,358)

1,844

| | |
|---|---|
| | 422 |
| | 7,086 |
| Regulatory differences - utility plant items | |
| | 17,326 |
| | 7,531 |
| | 12,161 |
| | (1,103) |
| | 3,842 |
| | 10,005 |
| Amortization of investment tax credits | |
| | (4,164) |
| | (5,316) |
| | (3,192) |
| | (1,308) |
| | (409) |
| | (3,480) |
| Flow-through/permanent differences | |
| | (38,024) |
| | (9,088) |
| | (7,055) |
| | (2,245) |
| | (1,284) |
| | (1,229) |

| | | | | | | |
|---|---|---|---|---|---|---|
| Benefit of Entergy Corporation expenses | - | - | - | - | - | (32,041) |
| Other - net | (5,853) | (5,726) | 2,197 | 3,081 | (1,158) | 6,013 |
| Total income taxes | $56,824 | $107,067 | $78,338 | $28,567 | $5,051 | $54,529 |

Effective Income Tax Rate

| |
|---|
| 24.7% |
| 33.6% |
| 36.3% |
| 35.3% |
| 48.6% |
| 28.0% |

The flow-through/permanent differences for Entergy Arkansas in 2006 primarily result from the regulatory and tax accounting applied to its pension payments.

| 2005 | Entergy Arkansas | Entergy Gulf States Louisiana | Entergy Louisiana | Entergy Mississippi | Entergy New Orleans | System Energy |
|---|---|---|---|---|---|---|
| | (In Thousands) | | | | | |
| Net income | $174,634 | $206,496 | $128,081 | $62,103 | $1,251 | $111,644 |

Income taxes

96,949

110,270

96,819

33,952

1,790

69,343

Pretax income

$271,583

$316,766

$224,900

$96,055

$3,041

$180,987

Computed at statutory rate (35%)

$95,054

$110,868

$78,715

$33,619

$1,064

$63,345

Increases (reductions) in tax

resulting from:

State income taxes net of

federal income tax effect

11,318

10,204

7,213

3,154

221

6,567

Regulatory differences -

utility plant items

540

5,087

11,135

255

2,441

9,525

Amortization of investment

tax credits

(4,452)

(5,316)

(3,691)

(1,332)

(424)

(3,476)

Flow-through/permanent

differences

(3,148)

(8,843)

(4,420)

| | |
|---|---|
| | (1,344) |
| | (1,439) |
| | (6,626) |
| Other - net | |
| | (2,363) |
| | (1,730) |
| | 7,867 |
| | (400) |
| | (73) |
| | 8 |
| Total income taxes | |
| | $96,949 |
| | $110,270 |
| | $96,819 |
| | $33,952 |
| | $1,790 |
| | $69,343 |
| Effective Income Tax Rate | |
| | 35.7% |
| | 34.8% |
| | 43.0% |
| | 35.3% |
| | 58.9% |
| | 38.3% |

Significant components of net deferred and noncurrent accrued tax liabilities for Entergy Corporation and subsidiaries as of December 31, 2007 and 2006 are as follows:

| | 2007 | 2006 |
|---|---|---|
| | (In Thousands) | |
| Deferred and Noncurrent Accrued Tax Liabilities: | | |
| Net regulatory assets/liabilities | ($838,507) | ($1,334,341) |
| Plant-related basis differences | (5,920,881) | (5,992,434) |
| Power purchase agreements | (935,876) | (1,755,345) |
| Nuclear decommissioning trusts | (885,411) | (915,380) |
| Other | (336,809) | (615,371) |
| Total | (8,917,484) | (10,612,871) |
| | | |
| Deferred Tax Assets: | | |
| Accumulated deferred investment tax credit | 130,609 | 118,990 |
| Capital losses | 161,793 | 256,089 |
| Net operating loss carryforwards | 405,640 | 2,002,541 |
| Sale and leaseback | 248,660 | 242,630 |
| Unbilled/deferred revenues | 24,567 | 39,566 |
| Pension-related items | 378,103 | 790,383 |
| Reserve for regulatory adjustments | 76,252 | 114,451 |
| Customer deposits | 76,317 | 77,166 |
| Nuclear decommissioning liabilities | 756,990 | 790,052 |
| Other | 391,603 | 405,490 |
| Valuation allowance | (74,612) | (33,507) |
| Total | 2,575,922 | 4,803,851 |
| | | |
| Net deferred and noncurrent accrued tax liability | ($6,341,562) | ($5,809,020) |

At December 31, 2007, Entergy had $453.6 million in net realized federal capital loss carryforwards that will expire as follows: $122.7 million in 2008, $42.8 million in 2009, $263.1 million in 2011, and $25.0 million in 2012.

At December 31, 2007, Entergy had estimated federal net operating loss carryforwards of $798.8 million primarily resulting from changes in tax accounting methods relating to (a) the Registrant Subsidiaries' calculation of cost of goods sold, (b) Non-Utility Nuclear's 2005 mark-to-market tax accounting election, and (c) losses due to Hurricane Rita. Both tax accounting method changes produce temporary book tax differences, which will reverse in the future. If the federal net operating loss carryforwards are not utilized, they will expire in the years 2023 through 2027.

At December 31, 2007, Entergy had estimated state net operating loss carryforwards of $2.4 billion, primarily resulting from Entergy Louisiana Holdings' 2001 mark-to-market tax election, the Utility companies' change in method of accounting for tax purposes related to cost of goods sold, and Non-Utility Nuclear's 2005 mark-to-market tax accounting election. If the state net operating loss carryforwards are not utilized, they will expire in the years 2008 through 2022.

On March 13, 2007, the Vermont Department of Taxes issued *Technical Bulletin 35* explaining the Department of Taxes' interpretation of the treatment of net operating losses under Vermont's 2005, Act 207 (Act 207) which required unitary combined reporting effective January 1, 2006. On January 7, 2008, the Vermont Department of Taxes issued *Technical Bulletin 40* explaining the Department of Taxes' interpretation of the conversion of federal net operating losses to Vermont net operating losses under Act 207. The guidance in *Technical Bulletin 35* was utilized to determine that Entergy would have approximately $272 million of Vermont net operating loss available to offset future Vermont taxable income. Entergy believes that its estimate determined under *Technical Bulletin 35* is materially accurate. With the issuance of *Technical Bulletin 40*, Entergy is evaluating the impact of the Department of Taxes' most recent guidance on the estimate of the available Vermont net operating loss. The conversion from separate entity reporting to unitary combined reporting was a significant change in Vermont tax law.

For 2007 and 2006, valuation allowances are provided against federal and state capital loss carryforwards, and certain state net operating loss carryforwards.

Significant components of net deferred and long-term accrued tax liabilities for the Registrant Subsidiaries as of December 31, 2007 and 2006 are as follows:

| 2007 | Entergy Arkansas | Entergy Gulf States Louisiana | Entergy Louisiana | Entergy Mississippi | Entergy New Orleans | System Energy |
|---|---|---|---|---|---|---|
| | | | (In Thousands) | | | |
| Deferred and Long-term Accrued Tax Liabilities: | | | | | | |
| Net regulatory assets/liabilities | ($126,614) | ($319,657) | ($119,864) | ($63,416) | $70,856 | ($218,310) |
| Plant-related basis differences - net | (1,276,082) | (1,229,790) | (1,001,470) | (499,891) | (162,026) | (378,641) |
| Power purchase agreements | (10,799) | - | (792,211) | - | - | - |
| Deferred fuel | (45,087) | (3,314) | (6,779) | (3,103) | (4,062) | (5,349) |
| Nuclear decommissioning trusts | (165,236) | (69,089) | (95,079) | - | - | (125,099) |
| Other | (69,285) | 21,072 | (54,178) | (22,785) | (7,866) | 12,164 |
| Total | (1,693,103) | (1,600,778) | (2,069,581) | (589,195) | (103,098) | (715,235) |
| Deferred Tax Assets: | | | | | | |
| Accumulated deferred investment tax credit | 21,912 | 36,843 | 33,108 | 3,729 | 1,081 | 24,933 |
| Sale and leaseback | - | - | 90,223 | - | - | 158,437 |

| | | | | | | |
|---|---|---|---|---|---|---|
| Purchased power agreements | - | - | - | - | - | 51,029 |
| NOL carryforward | 20,183 | 119,193 | - | - | 13,300 | 999 |
| Unbilled/Deferred revenues | 10,607 | (10,256) | 5,062 | (5,452) | - | - |
| Pension-related items | 34,266 | 52,185 | 35,890 | 29,271 | (24,644) | 7,985 |
| Reserve for regulatory adjustments | - | 80,259 | - | - | - | - |
| Rate refund | 1,150 | - | 103 | - | 27 | - |
| Customer deposits | 9,997 | 34,385 | 16,804 | 15,014 | 117 | - |
| Nuclear decommissioning liabilities | 208,065 | 75,954 | 88,247 | - | - | 144,134 |
| Other | 29,635 | 14,585 | 11,943 | 18,850 | (3,266) | 8,233 |
| Total | 335,815 | 403,148 | 281,380 | 61,412 | (13,385) | 395,750 |
| Net deferred tax liability | ($1,357,288) | ($1,197,630) | ($1,788,201) | ($527,783) | ($116,483) | ($319,485) |

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| 2006 | Entergy Arkansas | Entergy Gulf States Louisiana | Entergy Louisiana | Entergy Mississippi | Entergy New Orleans |
|---|---|---|---|---|---|

System Energy

(In Thousands)

Deferred and Long-term Accrued Tax Liabilities:

Net regulatory assets/liabilities

($230,946)

($535,242)

($154,836)

($66,643)

$50,489

| | |
|---|---|
| | ($217,394) |
| Plant-related basis differences - net | |
| | (1,283,165) |
| | (1,716,700) |
| | (1,110,307) |
| | (456,210) |
| | (253,782) |
| | (480,188) |
| Power purchase agreements | |
| | - |
| | - |
| | (848,723) |
| | - |
| | - |
| | - |
| Deferred fuel | |
| | (855) |
| | (44,977) |
| | (43,986) |
| | (24,176) |
| | (7,727) |
| | (1,930) |
| Nuclear decommissioning trusts | |
| | (155,319) |
| | (63,131) |
| | (80,395) |

| | |
|---|---|
| | - |
| | - |
| | (112,134) |
| Other | |
| | (87,412) |
| | (29,710) |
| | (112,203) |
| | (53,019) |
| | (1,333) |
| | (8,917) |
| Total | |
| | (1,757,697) |
| | (2,389,760) |
| | (2,350,450) |
| | (600,048) |
| | (212,353) |
| | (820,563) |
| Deferred Tax Assets: | |
| Accumulated deferred investment tax credit | |
| | 23,473 |
| | 30,691 |
| | 34,339 |
| | 4,225 |

| | |
|---|---|
| | 1,215 |
| | 26,262 |
| Sale and leaseback | |
| | - |
| | - |
| | 88,646 |
| | - |
| | - |
| | 153,984 |
| Purchased power agreements | |
| | - |
| | - |
| | - |
| | - |
| | - |
| | 95,598 |
| NOL carryforward | |
| | 150,055 |
| | 217,430 |
| | 127,289 |
| | 17,001 |
| | 68,515 |
| | - |
| Unbilled/Deferred revenues | |
| | 6,175 |

27,379

-

4,349

-

-

Pension-related items

127,222

93,772

93,666

33,363

33,008

19,099

Reserve for regulatory adjustments

-

114,451

-

-

-

-

Rate refund

-

88

-

-

-

67,273

| | |
|---|---|
| Customer deposits | |
| | 10,580 |
| | 34,758 |
| | 16,804 |
| | 15,024 |
| | 273 |
| | - |
| Nuclear decommissioning liabilities | |
| | 195,325 |
| | 69,694 |
| | 90,999 |
| | - |
| | - |
| | 134,298 |
| Other | |
| | 20,244 |
| | 18,388 |
| | 38,781 |
| | 5,565 |
| | 7,533 |
| | 17,530 |
| Total | |
| | 533,074 |
| | 606,651 |
| | 490,524 |
| | 79,527 |

110,544

514,044

Net deferred tax liability

($1,224,623)

($1,783,109)

($1,859,926)

($520,521)

($101,809)

($306,519)

As of December 31, 2007, estimated federal net operating loss carryforwards were $340.6 million for Entergy Gulf States Louisiana and $2.9 million for System Energy, primarily resulting from a change in tax accounting method relating to the calculation of cost of goods sold and losses due to Hurricane Rita. The tax accounting method change produces temporary book tax differences, which will reverse in the future. If the federal net operating loss carryforwards are not utilized, they will expire in the years 2024 through 2026.

As of December 31, 2007, estimated state net operating loss carryforwards were $310.5 million for Entergy Arkansas and $248.6 million for Entergy New Orleans. Entergy Louisiana's deferred tax balances reflect the effects of Entergy Louisiana's tax sharing agreement with its parent, Entergy Louisiana Holdings. If the state net operating loss carryforwards are not utilized, they will expire in the years 2009 through 2010 for Entergy Arkansas and 2018 through 2021 for Entergy New Orleans.

Income Tax Audits and Litigation

Entergy or one of its subsidiaries files income tax returns in the U.S. federal jurisdiction, and in various state and foreign jurisdictions. With few exceptions, as discussed below, Entergy is no longer subject to U.S. federal, state and local, or non-U.S. income tax examinations by taxing authorities for years before 2004.



Entergy entered into an agreement with the IRS Appeals Division in the second quarter 2007 to partially settle tax years 1999 - 2001. Entergy will litigate the following issues that it is not settling:

- The ability to credit the U.K. Windfall Tax against U.S. tax as a foreign tax credit - Entergy expects that the total tax to be included in IRS Notices of Deficiency already issued and to be issued in the future on this issue will be $152 million. The U.K. Windfall Tax relates to Entergy's former investment in London Electricity. The tax and interest associated with this issue total $216 million for all open tax years.

- The validity of Entergy's change in method of tax accounting for street lighting assets and the related increase in depreciation deductions - Entergy expects that the total tax to be included in IRS Notices of Deficiency already issued and to be issued in the future on this issue will be $26 million. The federal and state tax and interest associated with this issue total $42 million for all open tax years.
- The allowance of depreciation deductions that resulted from Entergy's purchase price allocations on its acquisitions of its nuclear power plants - Entergy expects that the total tax to be included in IRS Notices of Deficiency already issued and to be issued in the future on this issue will be $34 million. The federal and state tax and interest associated with this issue total $40 million for all open tax years.

On February 21, 2008, the IRS issued the Statutory Notice of Deficiency relative to the above issues. As stated above, Entergy will pursue these issues in court.

The U.K. Windfall Tax and street lighting issues are already docketed in U.S. Tax Court for tax years 1997 and 1998 with a trial date set in the second quarter 2008.

The IRS completed its examination of the 2002 and 2003 tax returns and issued an Examination Report on June 29, 2007. During the examination, Entergy agreed to adjustments related to its method of accounting for income tax purposes related to 1) its wholesale electric power contracts and 2) the simplified method of allocating overhead or "mixed service costs" provided for under IRS regulations, which affects the amount of cost of goods sold related to the production of electricity.

Entergy's agreement with the IRS on electric power contracts involved an adjustment to reduce Entergy Louisiana Holdings' deduction related to its accounting for the contract to purchase power from the Vidalia hydroelectric project. The adjustment did not have a material impact on Entergy Louisiana Holdings' earnings.

The agreement on overhead allocation methodology related to the Registrant Subsidiaries' 2003 filing of a change in tax accounting method for the allocation of "mixed service costs" to self-produced assets. Entergy reached a settlement agreement sustaining approximately $700 million of the Registrant Subsidiaries' deductions related to the method change for the year ended December 31, 2003.

As Entergy has a consolidated net operating loss for 2003, these adjustments have the effect of reducing the consolidated net operating loss carryover and do not require a payment to the IRS at this time. The settlement did not have a material impact on the Registrant Subsidiaries' earnings. Proposed IRS regulations, effective in year 2005, could substantially reduce the benefit of the 2003 settlement.

Subsequently, Entergy filed an amended 2004 tax return which capitalized $2.8 billion of costs to inventory. These costs are not part of the settlement agreement with the IRS and are subject to IRS scrutiny. Overall, on a consolidated basis, using a with and without methodology, there has been an estimated $20 million state cash tax benefit, but only a $2 million federal cash tax benefit from the cost of goods sold method changes. On a separate company basis, however, Entergy currently estimates the cumulative federal and state cash tax benefit through 2007 to be $303 million at Entergy Arkansas; $253 million at System Energy; $25 million at Entergy Mississippi; and $4 million at Entergy Louisiana. The estimates of cumulative cash tax benefit are dependent on the outcome of several tax items (including mark to market elections and storm cost deductions). Should these other items fail to be sustained on audit, the estimated cash tax impact of these tax accounting method changes for cost of goods sold would be significantly greater. Were the IRS to successfully deny the use of Entergy's tax accounting method for cost of goods sold, the companies would have to pay back under Entergy's intercompany tax allocation agreement the benefits received.

In the report for the 2002-2003 audit cycle, the IRS also proposed adjustments which Entergy did not agree to as follows: 1) the U.K. Windfall Tax foreign tax credit issue mentioned above; 2) the street lighting issue mentioned above; 3) certain repair deductions; 4) deductions claimed for research and experimentation (R&E) expenditures; 5) income tax credits claimed for R&E; and 6) a 2003 deduction associated with the revisions to the emergency plans at the Indian Point Energy Center. Regarding all of these issues, Entergy disagrees with the IRS Examination Division position and filed a formal protest on July 30, 2007 with the IRS and will pursue administrative relief within the IRS Appeals Division.

Entergy believes that the provisions recorded in its financial statements are sufficient to address these issues as well as other liabilities that are reasonably estimable, including an estimate of probable interest expense, associated with all uncertain tax positions.

The IRS commenced an examination of Entergy's 2004 and 2005 U.S. income tax returns in the fourth quarter 2007. As of December 31, 2007, the IRS has not proposed any adjustments to Entergy's computation of tax for those years.

Entergy has $237 million in deposits on account with the IRS to cover its uncertain tax positions.

FASB Interpretation No. 48

FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes" (FIN 48) was issued in July 2006. 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. Entergy and the Registrant Subsidiaries adopted the provisions of FIN 48, on January 1, 2007. As a result of the implementation of FIN 48, Entergy recognized an increase in the liability for unrecognized tax benefits of approximately $5 million, which was accounted for as a reduction to the January 1, 2007 balance of retained earnings. A reconciliation of Entergy's beginning and ending amount of unrecognized tax benefits is as follows (in thousands):

| | |
|---|---|
| Balance at January 1, 2007 upon implementation | $1,977,001 |
| Additions based on tax positions related to the current year | 142,827 |
| Additions for tax positions of prior years | 670,385 |
| Reductions for tax positions of prior years | (564,162) |
| Settlements | (102,485) |
| Lapse of statute of limitations | (1,938) |
| Balance at December 31, 2007 | $2,121,628 |

A reconciliation of the Registrant Subsidiaries' beginning and ending amount of unrecognized tax benefits is as follows:

9;

| | Entergy Arkansas | Entergy Gulf States Louisiana | Entergy Louisiana | Entergy Mississippi | Entergy New Orleans | System Energy |
|---|---|---|---|---|---|---|
| | | | (In Thousands) | | | |
| Balance at January 1, 2007 upon implementation | $151,273 | $193,309 | $59,073 | $45,570 | $20,423 | $174,093 |
| Additions based on tax positions related to the current year | 152 | 813 | 3 | 19,106 | 25,873 | 1,184 |
| Additions for tax positions of prior years | 115,440 | 126,973 | 20,798 | 4,133 | 1,180 | 48,289 |
| Reductions for tax positions of prior years | (28,554) | (23,825) | (28,031) | (13,509) | (2,361) | (41,918) |
| Settlements | 4,874 | (25,551) | 231 | 9,630 | 184 | (45,818) |
| Allocated to Entergy Texas in jurisdictional separation | - | | | | | |

(86,732)

-

-

-

-

| | | | | | | |
|---|---|---|---|---|---|---|
| Balance at December 31, 2007 | $243,185 | $184,987 | $52,074 | $64,930 | $45,299 | $135,830 |

Included in the December 31, 2007 balance of unrecognized tax benefits are $1.9 billion of tax positions for which the ultimate deductibility is highly certain but for which there is uncertainty about the timing of such deductibility. Because of the effect of deferred tax accounting, other than on interest and penalties, the disallowance of the shorter deductibility period would not affect the annual effective income tax rate but would accelerate the payment of cash to the taxing authority to an earlier period. Entergy's December 31, 2007 balance of unrecognized tax benefits includes $242 million which could affect the effective income tax rate. Entergy accrues interest and penalties expenses related to unrecognized tax benefits in income tax expense. Entergy's December 31, 2007 balance of unrecognized tax benefits includes approximately $50 million accrued for the possible payment of interest and penalties.

The Registrant Subsidiaries' balances of unrecognized tax benefits included amounts that could affect the effective income tax rate as follows:

| | January 1, 2007 | December 31, 2007 |
|---|---|---|
| | (In Millions) | |
| Entergy Arkansas | $0.8 | ($1.6) |
| Entergy Gulf States Louisiana | $3.6 | $1.3 |
| Entergy Louisiana | $1.2 | $0.7 |
| Entergy Mississippi | $3.4 | $1.8 |
| Entergy New Orleans | $1.4 | $0.5 |
| System Energy | $1.7 | $3.0 |

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The Registrant Subsidiaries accrue interest and penalties related to unrecognized tax benefits in income tax expense. Included in the balances of unrecognized tax benefits were accruals for the possible payment of interest and penalty as follows:

| | January 1, 2007 | December 31, 2007 |
|---|---|---|
| | (In Millions) | |
| Entergy Arkansas | $1.6 | $1.4 |
| Entergy Gulf States Louisiana | $4.0 | $0.9 |
| Entergy Louisiana | $0.8 | $- |
| Entergy Mississippi | $3.9 | $1.7 |
| Entergy New Orleans | $0.9 | $0.5 |
| System Energy | $0.8 | $2.7 |

Entergy and the Registrant Subsidiaries do not expect that total unrecognized tax benefits will significantly change within the next twelve months; however, the results of audit settlements and pending litigation could result in changes to this total. Entergy is unable to predict or quantify any changes at this time.

NOTE 4. REVOLVING CREDIT FACILITIES, LINES OF CREDIT AND SHORT-TERM BORROWINGS (Entergy Corporation, Entergy Arkansas, Entergy Gulf States Louisiana, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, and System Energy)

Entergy Corporation has in place a five-year credit facility, which expires in August 2012 and has a borrowing capacity of $3.5 billion. Entergy Corporation also has the ability to issue letters of credit against the total borrowing capacity of the credit facility. The facility fee is currently 0.09% of the commitment amount. Facility fees and interest rates on loans under the credit facility can fluctuate depending on the senior unsecured debt ratings of Entergy Corporation. The weighted average interest rate as of December 31, 2007 was 5.524% on the drawn portion of the facility. Following is a summary of the borrowings outstanding and capacity available under the facility as of December 31, 2007.

| Capacity | Borrowings | Letters of Credit | Capacity Available |
|---|---|---|---|
| (In Millions) | | | |
| $3,500 | $2,251 | $69 | $1,180 |

Entergy Corporation's facility requires it to maintain a consolidated debt ratio of 65% or less of its total capitalization. If Entergy fails to meet this ratio, or if Entergy or one of the Registrant Subsidiaries (except Entergy New Orleans) defaults on other indebtedness or is in bankruptcy or insolvency proceedings, an acceleration of the facility maturity date may occur.



Entergy Arkansas, Entergy Gulf States Louisiana, Entergy Louisiana, Entergy Mississippi, and Entergy Texas each had credit facilities available as of December 31, 2007 as follows (except for the Entergy Texas facility, which is expected to become available in March 2008 after the fulfillment of certain closing conditions):

| **Company** | Expiration Date | Amount of Facility | Interest Rate (a) | Amount Drawn as of Dec. 31, 2007 |
|---|---|---|---|---|
| Entergy Arkansas | April 2008 | $100 million (b) | 6.75% | - |
| Entergy Gulf States Louisiana | August 2012 | $100 million (c) | 5.025% | - |
| Entergy Louisiana | August 2012 | $200 million (d) | 4.96% | - |
| Entergy Mississippi | May 2008 | $30 million (e) | 5.85% | - |
| Entergy Mississippi | May 2008 | $20 million (e) | 5.85% | - |
| Entergy Texas | August 2012 | $100 million (f) | 5.025% | - |

(a) The interest rate is the weighted average interest rate as of December 31, 2007 that would be applied to the outstanding borrowings under the facility.

(b) The credit facility requires Entergy Arkansas to maintain a total shareholders' equity of at least 25% of its total assets.

(c) The credit facility allows Entergy Gulf States Louisiana to issue letters of credit against the borrowing capacity of the facility. As of December 31, 2007, no letters of credit were outstanding. The credit facility requires Entergy Gulf States Louisiana to maintain a consolidated debt ratio of 65% or less of its total capitalization. Pursuant to the terms of the credit agreement, the amount of debt assumed by Entergy Texas is excluded from debt and capitalization in calculating the debt ratio.

(d) The credit facility allows Entergy Louisiana to issue letters of credit against the borrowing capacity of the facility. As of December 31, 2007, no letters of credit were outstanding. The credit agreement requires Entergy Louisiana to maintain a consolidated debt ratio of 65% or less of its total capitalization.

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

(f) The credit facility allows Entergy Texas to issue letters of credit against the borrowing capacity of the facility. As of December 31, 2007, no letters of credit were outstanding. The credit facility requires Entergy Texas to maintain a consolidated debt ratio of 65% or less of its total capitalization. Pursuant to the terms of the credit agreement, the transition bonds issued by Entergy Gulf States Reconstruction Funding I, LLC are excluded from debt and capitalization in calculating the debt ratio.

The facility fees on the credit facilities range from 0.09% to 0.15% of the commitment amount.

In August 2007, Entergy Gulf States, Inc. entered into a $200 million, 5-year bank credit facility, with the ability to issue letters of credit against the facility. As of December 31, 2007, the Entergy Gulf States, Inc. credit facility split into the two separate credit facilities shown above, a $100 million credit facility available to Entergy Gulf States Louisiana and a $100 million credit facility available to Entergy Texas.

The short-term borrowings of the Registrant Subsidiaries and certain other Entergy subsidiaries are limited to amounts authorized by the FERC. The current FERC-authorized limits are effective through March 31, 2008 (except Entergy New Orleans, which is effective through May 4, 2009, and Entergy Gulf States Louisiana and Entergy Texas, which are effective through November 8, 2009). In January 2008, Entergy filed an application with the FERC to extend the authorization period for its current short-term borrowing limits and money pool borrowing arrangement until March 2010 (except for Entergy Gulf States Louisiana). In addition to borrowings from commercial banks, these companies are authorized under a FERC order to borrow from the Entergy System money pool. The money pool is an inter-company borrowing arrangement designed to reduce

Entergy's subsidiaries' dependence on external short-term borrowings. Borrowings from the money pool and external borrowings combined may not exceed the FERC authorized limits. As of December 31, 2007, Entergy's subsidiaries' aggregate money pool and external short-term borrowings authorized limit was $2.1 billion, the aggregate outstanding borrowing from the money pool was $346.1 million, and Entergy's subsidiaries' had no outstanding borrowings from external sources.



The following are the FERC-authorized limits for short-term borrowings and the outstanding short-term borrowings from the money pool for the Registrant Subsidiaries as of December 31, 2007:

| | Authorized | Borrowings |
|---|---|---|
| | (In Millions) | |
| Entergy Arkansas | $250 | $78 |
| Entergy Gulf States Louisiana | $200 | - |
| Entergy Louisiana | $250 | $3 |
| Entergy Mississippi | $175 | - |
| Entergy New Orleans | $100 | - |
| System Energy | $200 | - |

Entergy New Orleans Debtor-in-Possession Credit Facility

On September 26, 2005, Entergy New Orleans, as borrower, and Entergy Corporation, as lender, entered into a debtor-in-possession credit facility to provide funding to Entergy New Orleans during its business restoration efforts. The credit facility provided for up to $200 million in loans. The interest rate on borrowings under the credit facility was the average interest rate of borrowings outstanding under Entergy Corporation's revolving credit facility. With the confirmation of Entergy New Orleans' plan of reorganization in May 2007, Entergy New Orleans repaid to Entergy Corporation, in full, in cash, the $67 million of outstanding borrowings under the debtor-in-possession credit facility.



NOTE 5. LONG - TERM DEBT (Entergy Corporation, Entergy Arkansas, Entergy Gulf States Louisiana, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, and System Energy)

Long-term debt for Entergy Corporation and subsidiaries as of December 31, 2007 and 2006 consisted of:

| | 2007 | 2006 |
|---|---|---|
| | (In Thousands) | |
| Mortgage Bonds: | | |
| L.875% Series due October 2007 - System Energy | $- | $70,000 |
| K.875% Series due August 2008 - Entergy New Orleans | 30,000 | - (f) |
| L.35% Series due April 2008 - Entergy Mississippi | - | 100,000 |
| K.6% Series due June 2008 - Entergy Gulf States Louisiana (g) | 325,000 | 325,000 |
| Libor + 0.75% Series due December 2008-Entergy Gulf States Louisiana (g) | 350,000 | 350,000 |
| Libor + 0.40% Series due December 2009-Entergy Gulf States Louisiana (g) | 219,470 | 225,000 |
| L.5% Series due May 2010 - Entergy Arkansas | 100,000 | 100,000 |
| L.67% Series due June 2010 - Entergy Louisiana | 55,000 | 55,000 |
| L.98% Series due July 2010 - Entergy New Orleans | 30,000 | - (f) |
| M.12% Series due August 2010 - Entergy Gulf States Louisiana (g) | 100,000 | 100,000 |
| M.83% Series due November 2010 - Entergy Louisiana | 150,000 | 150,000 |
| L.65% Series due May 2011 - Entergy Mississippi | 80,000 | 80,000 |
| L.875% Series due November 2011 - Entergy Gulf States Louisiana (g) | 200,000 | 200,000 |
| N.2% Series due October 2012 - System Energy | 70,000 | - |
| N.0% Series due December 2012 - Entergy Gulf States Louisiana (g) | 140,000 | 140,000 |
| M.15% Series due February 2013 - Entergy Mississippi | 100,000 | 100,000 |
| M.25% Series due August 2013 - Entergy New Orleans | 70,000 | - (f) |
| M.09% Series due September 2014 - Entergy Louisiana | 115,000 | 115,000 |
| M.6% Series due December 2014 - Entergy Gulf States Louisiana (g) | 50,000 | 50,000 |
| M.70% Series due June 2015 - Entergy Gulf States Louisiana (g) | 200,000 | 200,000 |
| M.25% Series due August 2015 - Entergy Gulf States Louisiana (g) | 200,000 | 200,000 |
| M.56% Series due September 2015 - Entergy Louisiana | 100,000 | 100,000 |
| M.92% Series due February 2016 - Entergy Mississippi | 100,000 | 100,000 |
| N.75% Series due October 2017 - Entergy New Orleans | 25,000 | - (f) |
| M.4% Series due May 2018 - Entergy Arkansas | 150,000 | 150,000 |
| L.95% Series due June 2018 - Entergy Mississippi | 95,000 | 95,000 |
| M.0% Series due July 2018 - Entergy Arkansas | 115,000 | 115,000 |
| M.5% Series due April 2019 - Entergy Louisiana | 100,000 | 100,000 |
| M.6% Series due September 2024 - Entergy New Orleans | 34,862 | - (f) |
| M.66% Series due February 2025 - Entergy Arkansas | 175,000 | 175,000 |
| M.65% Series due September 2029 - Entergy New Orleans | 39,865 | - (f) |
| N.7% Series due April 2032 - Entergy Arkansas | 100,000 | 100,000 |
| O.6% Series due April 2032 - Entergy Louisiana | 150,000 | 150,000 |
| N.0% Series due November 2032 - Entergy Arkansas | 100,000 | 100,000 |
| N.0% Series due November 2032 - Entergy Mississippi | 75,000 | 75,000 |
| O.25% Series due December 2032 - Entergy Mississippi | 100,000 | 100,000 |
| M.9% Series due June 2033 - Entergy Arkansas | 100,000 | 100,000 |
| N.20% Series due July 2033 - Entergy Gulf States Louisiana (g) | 240,000 | 240,000 |
| N.25% Series due April 2034 - Entergy Mississippi | 100,000 | 100,000 |
| N.4% Series due October 2034 - Entergy Louisiana | 70,000 | 70,000 |
| N.38% Series due November 2034 - Entergy Arkansas | 60,000 | 60,000 |
| N.18% Series due March 2035 - Entergy Gulf States Louisiana (g) | 85,000 | 85,000 |
| N.30% Series due September 2035 - Entergy Louisiana | 100,000 | 100,000 |
| Total mortgage bonds | 4,799,197 | 4,675,000 |

| | 2007 | 2006 |
|---|---|---|
| | (In Thousands) | |
| Governmental Bonds (a): | | |
| | $22,095 | $22,095 |
| M.45% Series due 2010, Calcasieu Parish - Louisiana (g) | | |
| | 48,285 | 48,285 |
| N.75% Series due 2012, Calcasieu Parish - Louisiana (g) | | |
| | 17,450 | 17,450 |
| N.7% Series due 2013, Pointe Coupee Parish - Louisiana (g) | | |
| | 21,600 | 21,600 |
| M.7% Series due 2014, Iberville Parish - Louisiana (g) | | |
| | 28,400 | 28,400 |
| M.8% Series due 2015, West Feliciana Parish - Louisiana (g) | | |
| | 39,000 | 39,000 |
| O.0% Series due 2015, West Feliciana Parish - Louisiana (g) | | |
| | 20,000 | 20,000 |
| M.8% Series due 2016, West Feliciana Parish - Louisiana (g) | | |
| | 19,500 | 19,500 |
| N.3% Series due 2016, Pope County - Arkansas (b) | | |
| | 54,700 | 54,700 |
| L.6% Series due 2017, Jefferson County - Arkansas (b) | | |
| | 120,000 | 120,000 |
| N.3% Series due 2020, Pope County - Arkansas | | |
| | 45,000 | 45,000 |
| M.0% Series due 2021, Independence County - Arkansas (b) | | |
| | 216,000 | 216,000 |
| M.875% Series due 2022, Mississippi Business Finance Corp. | | |
| | 102,975 | 102,975 |
| M.9% Series due 2022, Mississippi Business Finance Corp. | | |
| | 30,000 | 30,000 |
| Auction Rate due 2022, avg rate 3.63%, Independence County - Mississippi (b) | | |
| | 16,030 | 16,030 |
| L.6% Series due 2022, Mississippi Business Finance Corp. (b) | | |
| | 90,000 | 90,000 |
| N.2% Series due 2026, Claiborne County - Mississippi | | |
| N.6% Series due 2028, West Feliciana Parish - Louisiana (g) | 40,000 | 40,000 |

| | | |
|---|---|---|
| | 60,000 | 60,000 |
| Auction Rate due 2030, avg rate 3.66%, St. Charles Parish - Louisiana (b) | | |
| | 991,035 | 991,035 |
| Total governmental bonds | | |
| Other Long-Term Debt: | | |
| | $217,676 | $297,289 |
| Note Payable to NYPA, non-interest bearing, 4.8% implicit rate | | |
| | 2,251,000 | 820,000 |
| M year Bank Credit Facility, weighted avg rate 5.524% (Note 4) | | |
| | 60,000 | 60,000 |
| Bank term loan, Entergy Corporation, avg rate 5.43%, due 2010 | | |
| | - | 35,000 |
| Bank term loan, Entergy Corporation, avg rate 3.08%, due 2008 | | |
| | 72,000 | 72,000 |
| N.17% Notes due March 2008, Entergy Corporation | | |
| | 15,000 | 15,000 |
| N.23% Notes due March 2008, Entergy Corporation | | |
| | 150,000 | 150,000 |
| N.13% Notes due September 2008, Entergy Corporation | | |
| | 267,000 | 267,000 |
| O.75% Notes due December 2009, Entergy Corporation | | |
| | 75,000 | 75,000 |
| N.58% Notes due May 2010, Entergy Corporation | | |
| | 140,000 | 140,000 |
| N.9% Notes due November 2010, Entergy Corporation | | |
| | 500,000 | 500,000 |
| O.625% Notes initially due February 2011, Entergy Corporation (c) | | |
| | 86,000 | 86,000 |
| O.06% Notes due March 2011, Entergy Corporation | | |
| | 176,904 | 168,723 |
| Long-term DOE Obligation (d) | | |
| | 247,725 | 247,725 |
| Waterford 3 Lease Obligation 7.45% (Note 10) | | |
| | 322,005 | 345,340 |
| Grand Gulf Lease Obligation 5.13% (Note 10) | | |
| | 93,500 | - |
| M.51% Series Senior Secured, Series A due October 2013, Entergy Gulf States Reconstruction Funding | | |

| | | |
|---|---|---|
| M.79% Series Senior Secured, Series A due October 2018, Entergy Gulf States Reconstruction Funding | 121,600 | - |
| M.93% Series Senior Secured, Series A due June 2022, Entergy Gulf States Reconstruction Funding | 114,400 | - |
| Unamortized Premium and Discount - Net | (5,596) | (5,991) |
| Other | 30,446 | 40,542 |
| Total Long-Term Debt | 10,724,892 | 8,979,663 |
| Less Amount Due Within One Year | 996,757 | 181,576 |
| Long-Term Debt Excluding Amount Due Within One Year | $9,728,135 | $8,798,087 |
| | | |
| Fair Value of Long-Term Debt (e) | $9,351,702 | $8,106,540 |

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(a) Consists of pollution control revenue bonds and environmental revenue bonds.

(b) The bonds are secured by a series of collateral first mortgage bonds.

(c) In December 2005, Entergy Corporation sold 10 million equity units with a stated amount of $50 each. An equity unit consists of (1) a note, initially due February 2011 and initially bearing interest at an annual rate of 5.75%, and (2) a purchase contract that obligates the holder of the equity unit to purchase for $50 between 0.5705 and 0.7074 shares of Entergy Corporation common stock on or before February 17, 2009. Entergy will pay the holders quarterly contract adjustment payments of 1.875% per year on the stated amount of $50 per equity unit. Under the terms of the purchase contracts, Entergy Corporation will issue between 5,705,000 and 7,074,000 shares of common stock in the settlement of the purchase contracts (subject to adjustment under certain circumstances).

(d) Pursuant to the Nuclear Waste Policy Act of 1982, Entergy's nuclear owner/licensee subsidiaries have contracts with the DOE for spent nuclear fuel disposal service. The contracts include a one-time fee for generation prior to April 7, 1983. Entergy Arkansas is the only Entergy company that generated electric power with nuclear fuel prior to that date and includes the one-time fee, plus accrued interest, in long-term debt.

(e) The fair value excludes lease obligations and long-term DOE obligations, and includes debt due within one year. It is determined using bid prices reported by dealer markets and by nationally recognized investment banking firms.

(f) Pending developments in the Entergy New Orleans bankruptcy proceeding, Entergy deconsolidated Entergy New Orleans and reported its financial position and results under the equity method of accounting in 2005 and 2006. Entergy reconsolidated Entergy New Orleans in 2007.

(g) Entergy Gulf States Louisiana remains primarily liable for all of the long-term debt issued by Entergy Gulf States, Inc. that was outstanding on December 31, 2007. Under a debt assumption agreement with Entergy Gulf States Louisiana, Entergy Texas assumed approximately 46% of this long-term debt.

The annual long-term debt maturities (excluding lease obligations) for debt outstanding as of December 31, 2007, for the next five years are as follows:

| | Amount (In Thousands) |
|---|---|
| 2008 | $970,002 |
| 2009 | $515,950 |
| 2010 | $762,061 |

| | |
|---|---|
| 2011 | $896,961 |
| 2012 | $2,537,488 |

In November 2000, Entergy's Non-Utility Nuclear business purchased the FitzPatrick and Indian Point 3 power plants in a seller-financed transaction. Entergy issued notes to NYPA with seven annual installments of approximately $108 million commencing one year from the date of the closing, and eight annual installments of $20 million commencing eight years from the date of the closing. These notes do not have a stated interest rate, but have an implicit interest rate of 4.8%. In accordance with the purchase agreement with NYPA, the purchase of Indian Point 2 in 2001 resulted in Entergy's Non-Utility Nuclear business becoming liable to NYPA for an additional $10 million per year for 10 years, beginning in September 2003. This liability was recorded upon the purchase of Indian Point 2 in September 2001, and is included in the note payable to NYPA balance above. In July 2003, a payment of $102 million was made prior to maturity on the note payable to NYPA. Under a provision in a letter of credit supporting these notes, if certain of the Utility operating companies or System Energy were to default on other indebtedness, Entergy could be required to post collateral to support the letter of credit.

Covenants in the Entergy Corporation notes require it to maintain a consolidated debt ratio of 65% or less of its total capitalization. If Entergy's debt ratio exceeds this limit, or if Entergy or certain of the Utility operating companies default on other indebtedness or are in bankruptcy or insolvency proceedings, an acceleration of the notes' maturity dates may occur.



Entergy Gulf States Louisiana, Entergy Louisiana, Entergy Mississippi, Entergy Texas, and System Energy have received FERC long-term financing orders authorizing long-term securities issuances. Entergy Arkansas has received an APSC long-term financing order authorizing long-term securities issuances. The long-term securities issuances of Entergy New Orleans are limited to amounts authorized by the City Council, and it intends to file a request during 2008 for renewal of its authority.

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.

Long-term debt for the Registrant Subsidiaries as of December 31, 2007 and 2006 consisted of:

| | 2007 | 2006 |
|---|---|---|
| | (In Thousands) | |
| Entergy Arkansas | | |
| **Mortgage Bonds:** | | |
| L.50% Series due May 2010 | $100,000 | $100,000 |
| M.4% Series due May 2018 | 150,000 | 150,000 |
| M.0% Series due July 2018 | 115,000 | 115,000 |
| M.66% Series due February 2025 | 175,000 | 175,000 |
| N.7% Series due April 2032 | 100,000 | 100,000 |

| | | |
|---|---|---|
| N.0% Series due November 2032 | 100,000 | 100,000 |
| M.9% Series due June 2033 | 100,000 | 100,000 |
| N.38% Series due November 2034 | 60,000 | 60,000 |
| Total mortgage bonds | 900,000 | 900,000 |
| | | |
| Governmental Bonds (a): | | |
| N.3% Series due 2016, Pope County (d) | 19,500 | 19,500 |
| L.6% Series due 2017, Jefferson County (d) | 54,700 | 54,700 |
| N.3% Series due 2020, Pope County | 120,000 | 120,000 |
| M.0% Series due 2021, Independence County (d) | 45,000 | 45,000 |
| Total governmental bonds | 239,200 | 239,200 |
| | | |
| **Other Long-Term Debt** | | |
| Long-term DOE Obligation (b) | 176,904 | 168,723 |
| Unamortized Premium and Discount - Net | (1,579) | (1,722) |
| | | |
| **Total Long-Term Debt** | 1,314,525 | 1,306,201 |
| Less Amount Due Within One Year | - | - |
| Long-Term Debt Excluding Amount Due Within One Year | $1,314,525 | $1,306,201 |
| | | |
| Fair Value of Long-Term Debt (c) | $1,100,603 | $1,113,055 |

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| | 2007 | 2006 |
|---|---|---|
| | (In Thousands) | |
| Entergy Gulf States Louisiana | | |
| **Mortgage Bonds (e):** | | |
| K.6% Series due June 2008 | $325,000 | $325,000 |
| Libor + 0.75% Series due December 2008 | 350,000 | 350,000 |
| Libor + 0.4% Series due December 2009 | 219,470 | 225,000 |
| M.12% Series due August 2010 | 100,000 | 100,000 |
| L.875% Series due November 2011 | 200,000 | 200,000 |
| N.0% Series due December 2012 | 140,000 | 140,000 |
| M.6% Series due December 2014 | 50,000 | 50,000 |
| M.70% Series due June 2015 | 200,000 | 200,000 |
| M.25% Series due August 2015 | 200,000 | 200,000 |
| N.2% Series due July 2033 | 240,000 | 240,000 |
| N.18% Series due March 2035 | 85,000 | 85,000 |
| Total mortgage bonds | 2,109,470 | 2,115,000 |
| | | |
| Governmental Bonds (a) (e): | | |
| M.45% Series due 2010, Calcasieu Parish | 22,095 | 22,095 |
| N.75% Series due 2012, Calcasieu Parish | 48,285 | 48,285 |
| N.7% Series due 2013, Pointe Coupee Parish | 17,450 | 17,450 |
| M.7% Series due 2014, Iberville Parish | 21,600 | 21,600 |
| M.8% Series due 2015, West Feliciana Parish | 28,400 | 28,400 |
| O.0% Series due 2015, West Feliciana Parish | 39,000 | 39,000 |
| M.8% Series due 2016, West Feliciana Parish | 20,000 | 20,000 |
| N.6% Series due 2028, West Feliciana Parish | 40,000 | 40,000 |

| | | |
|---|---|---|
| Total governmental bonds | 236,830 | 236,830 |
| | | |
| **Other Long-Term Debt** | | |
| Unamortized Premium and Discount - Net | (1,107) | (2,284) |
| Other | 3,920 | 8,781 |
| | | |
| **Total Long-Term Debt** | 2,349,113 | 2,358,327 |
| Less Amount Due Within One Year | 675,000 | - |
| Long-Term Debt Excluding Amount Due Within One Year | $1,674,113 | $2,358,327 |
| | | |
| Fair Value of Long-Term Debt (c) | $2,283,411 | $2,323,973 |

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| | 2007 | 2006 |
|---|---|---|
| | (In Thousands) | |
| Entergy Louisiana | | |
| Mortgage Bonds: | | |
| L.67% Series due June 2010 | $55,000 | $55,000 |
| M.83% Series due November 2010 | 150,000 | 150,000 |
| M.09% Series due September 2014 | 115,000 | 115,000 |
| M.56% Series due September 2015 | 100,000 | 100,000 |
| M.5% Series due April 2019 | 100,000 | 100,000 |
| O.6% Series due April 2032 | 150,000 | 150,000 |
| N.4% Series due October 2034 | 70,000 | 70,000 |
| N.3% Series due September 2035 | 100,000 | 100,000 |
| Total mortgage bonds | 840,000 | 840,000 |
| | | |
| Governmental Bonds (a): | | |
| Auction Rate due 2030, avg rate 3.66%, St. Charles Parish (d) | 60,000 | 60,000 |
| Total governmental bonds | 60,000 | 60,000 |
| | | |
| Other Long-Term Debt: | | |
| Waterford 3 Lease Obligation 7.45% (Note 10) | 247,725 | 247,725 |
| Unamortized Premium and Discount - Net | (65) | (78) |
| | | |
| Total Long-Term Debt | 1,147,660 | 1,147,647 |
| Less Amount Due Within One Year | - | - |
| Long-Term Debt Excluding Amount Due Within One Year | $1,147,660 | $1,147,647 |
| | | |
| Fair Value of Long-Term Debt (c) | $874,816 | $869,941 |

| | 2007 | 2006 |
|---|---|---|
| | (In Thousands) | |
| <u>Entergy Mississippi</u> | | |
| Mortgage Bonds: | | |
| L.35% Series due April 2008 | $- | $100,000 |
| L.65% Series due May 2011 | 80,000 | 80,000 |
| M.15% Series due February 2013 | 100,000 | 100,000 |
| M.92% Series due February 2016 | 100,000 | 100,000 |
| L.95% Series due June 2018 | 95,000 | 95,000 |
| N.0% Series due November 2032 | 75,000 | 75,000 |
| O.25% Series due December 2032 | 100,000 | 100,000 |
| N.25% Series due April 2034 | 100,000 | 100,000 |
| Total mortgage bonds | 650,000 | 750,000 |
| Governmental Bonds (a): | | |
| L.60% Series due 2022, Mississippi Business Finance Corp.(d) | 16,030 | 16,030 |
| Auction Rate due 2022, avg rate 3.63%, Independence County (d) | 30,000 | 30,000 |
| Total governmental bonds | 46,030 | 46,030 |
| Other Long-Term Debt: | | |
| Unamortized Premium and Discount - Net | (764) | (843) |
| Total Long-Term Debt | 695,266 | 795,187 |
| Less Amount Due Within One Year | - | - |
| Long-Term Debt Excluding Amount Due Within One Year | $695,266 | $795,187 |
| Fair Value of Long-Term Debt (c) | $670,940 | $778,757 |

| | 2007 | 2006 |
|---|---|---|
| | (In Thousands) | |
| <u>Entergy New Orleans</u> | | |
| Mortgage Bonds: | | |
| K.875% Series due August 2008 | $30,000 | $30,000 |
| L.98% Series due July 2010 | 30,000 | 30,000 |
| M.25% Series due August 2013 | 70,000 | 70,000 |
| N.75% Series due October 2017 | 25,000 | 25,000 |
| M.6% Series due September 2024 | 34,862 | 34,975 |
| M.65% Series due September 2029 | 39,865 | 39,960 |
| Total mortgage bonds | 229,727 | 229,935 |
| Other Long-Term Debt: | | |
| Affiliate Notes Payable | 74,230 | - |
| Unamortized Premium and Discount - Net | (45) | (60) |

| | | |
|---|---|---|
| Total Long-Term Debt | 303,912 | 229,875 |
| Less Amount Due Within One Year | 30,000 | - |
| Long-Term Debt Excluding Amount Due Within One Year | $273,912 | $229,875 |
| | | |
| Fair Value of Long-Term Debt (c) | $219,642 | $218,500 |

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| | 2007 | 2006 |
|---|---|---|
| | (In Thousands) | |
| System Energy | | |
| Mortgage Bonds: | | |
| L.875% Series due October 2007 | $- | $70,000 |
| N.2% Series due October 2012 | 70,000 | - |
| Total mortgage bonds | 70,000 | 70,000 |
| | | |
| Governmental Bonds (a): | | |
| M.875% Series due 2022, Mississippi Business Finance Corp. | 216,000 | 216,000 |
| M.9% Series due 2022, Mississippi Business Finance Corp. | 102,975 | 102,975 |
| N.2% Series due 2026, Claiborne County | 90,000 | 90,000 |
| Total governmental bonds | 408,975 | 408,975 |
| | | |
| Other Long-Term Debt: | | |
| Grand Gulf Lease Obligation 5.13% (Note 10) | 322,005 | 345,340 |
| Unamortized Premium and Discount - Net | (1,013) | (1,066) |
| | | |
| Total Long-Term Debt | 799,967 | 823,249 |
| Less Amount Due Within One Year | 26,701 | 93,335 |
| Long-Term Debt Excluding Amount Due Within One Year | $773,266 | $729,914 |
| | | |
| Fair Value of Long-Term Debt (c) | $481,401 | $479,649 |

(a) Consists of pollution control revenue bonds and environmental revenue bonds.

(b) Pursuant to the Nuclear Waste Policy Act of 1982, Entergy's nuclear owner/licensee subsidiaries have contracts with the DOE for spent nuclear fuel disposal service. The contracts include a one-time fee for generation prior to April 7, 1983. Entergy Arkansas is the only Entergy company that generated electric power with nuclear fuel prior to that date and includes the one-time fee, plus accrued interest, in long-term debt.

(c) The fair value excludes lease obligations and long-term DOE obligations, and includes debt due within one year. It is determined using bid prices reported by dealer markets and by nationally recognized investment banking firms.

(d) The bonds are secured by a series of collateral first mortgage bonds.

(e) Entergy Gulf States Louisiana remains primarily liable for all of the long-term debt issued by Entergy Gulf States, Inc. that was outstanding on December 31, 2007. Under a debt assumption agreement with Entergy Gulf States Louisiana, Entergy Texas assumed approximately 46% of this long-term debt. Entergy Gulf States Louisiana recorded an assumption asset on its balance sheet to reflect the long-term debt assumed by Entergy Texas.

The annual long-term debt maturities (excluding lease obligations) for debt outstanding as of December 31, 2007, for the next five years are as follows:

| | Entergy Arkansas | Entergy Gulf States Louisiana | Entergy Louisiana | Entergy Mississippi | Entergy New Orleans | System Energy |
|---|---|---|---|---|---|---|
| | | | (In Thousands) | | | |
| 2008 | - | $675,000 | - | - | $30,000 | - |
| 2009 | - | $219,470 | - | - | - | - |
| 2010 | $100,000 | $122,095 | $205,000 | - | $30,000 | - |
| 2011 | - | $200,000 | - | $80,000 | - | - |
| 2012 | - | $188,285 | - | - | - | $70,000 |

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Entergy Texas Securitization Bonds

In April 2007, the PUCT issued a financing order authorizing the issuance of securitization bonds to recover $353 million of Entergy Texas' Hurricane Rita reconstruction costs and up to $6 million of transaction costs, offset by $32 million of related deferred income tax benefits. In June 2007, Entergy Gulf States Reconstruction Funding I, LLC, a company wholly-owned and consolidated by Entergy Texas, issued $329.5 million of senior secured transition bonds (securitization bonds), as follows:

| | **Amount** |
|---|---|
| | (In Thousands) |
| Senior Secured Transition Bonds, Series A: | |
| Tranche A-1 (5.51%) due October 2013 | $93,500 |
| Tranche A-2 (5.79%) due October 2018 | 121,600 |
| Tranche A-3 (5.93%) due June 2022 | 114,400 |
| Total senior secured transition bonds | $329,500 |

Although the principal amount of each tranche is not due until the dates given above, Entergy Gulf States Reconstruction Funding expects to make principal payments on the bonds over the next five years in the amounts of $19.1 million for 2008, $17.7 million for 2009, $18.6 million for 2010, $19.7 million for 2011, and $20.8 million for 2012. All of the scheduled principal payments for 2008-2012 are for Tranche A-1, except for $2.3 million for Tranche A-2 in 2012.

With the proceeds, Entergy Gulf States Reconstruction Funding purchased from Entergy Texas the transition property, which is the right to recover from customers through a transition charge amounts sufficient to service the securitization bonds. Entergy Texas began cost recovery through the transition charge in July 2007. The creditors of Entergy Texas do not have recourse to the assets or revenues of Entergy Gulf States Reconstruction Funding, including the transition property, and the creditors of Entergy Gulf States Reconstruction Funding do not have recourse to the assets or revenues of Entergy Texas. Entergy Texas has no payment obligations to Entergy Gulf States Reconstruction Funding except to remit transition charge collections.

Entergy Texas Debt Assumption Agreement

Entergy Gulf States Louisiana remains primarily liable for all of the long-term debt issued by Entergy Gulf States, Inc. that was outstanding on December 31, 2007. Under a debt assumption agreement with Entergy Gulf States Louisiana, Entergy Texas assumed its pro rata share of this long-term debt, which was approximately 46%. The pro rata share of the long-term debt assumed by Entergy Texas was determined by first determining the net assets for each company on a book value basis, and then calculating a debt assumption ratio that resulted in the common equity ratios for each company being approximately the same as the Entergy Gulf States, Inc. common equity ratio immediately prior to the jurisdictional separation. Entergy Texas' debt assumption does not discharge Entergy Gulf States Louisiana's liability for the long-term debt. To secure its debt assumption obligations, Entergy Texas granted to Entergy Gulf States Louisiana a first lien on Entergy Texas' assets that were previously subject to the Entergy Gulf States, Inc. mortgage. Entergy Texas has until December 31, 2010 to repay the assumed debt.

Entergy New Orleans Affiliate Notes

Pursuant to its plan of reorganization, in May 2007 Entergy New Orleans issued notes due in three years in satisfaction of its affiliate prepetition accounts payable (approximately $74 million, including interest), including its indebtedness to the Entergy System money pool. Entergy New Orleans included in the principal amount of the notes accrued interest from September 23, 2005 at the Louisiana judicial rate of interest for 2005 (6%) and 2006 (8%), and at the Louisiana judicial rate of interest plus 1% for 2007 through the date of issuance of the notes. Entergy New Orleans will pay interest on the notes from their date of issuance at the Louisiana judicial rate of interest plus 1%. The Louisiana judicial rate of interest is 9.5% for 2007 and 8.5% for 2008.

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Tax Exempt Bond Audit

**(Entergy Louisiana)**

The Internal Revenue Service (IRS) is auditing certain Tax Exempt Bonds (Bonds) issued by St. Charles Parish, State of Louisiana (the Issuer). The Bonds were issued to finance previously unfinanced acquisition costs expended by Entergy Louisiana to acquire certain radioactive solid waste disposal facilities (the Facilities) at the Waterford Steam Electric Generating Station. In March and April 2005, the IRS issued proposed adverse determinations that the Issuer's 7.0% Series bonds due 2022, 7.5% Series bonds due 2021, and 7.05% Series bonds due 2022 are not tax exempt. The stated basis for these determinations was that radioactive waste did not constitute "solid waste" within the provisions of the Internal Revenue Code and therefore the Facilities did not qualify as solid waste disposal facilities. The Issuer has requested administrative appeals of the proposed adverse determinations with respect to the Bonds to the IRS Office of Appeals. The Issuer and Entergy Louisiana intend to continue to contest vigorously these matters. The three series of Bonds are the only series of bonds issued by the Issuer for the benefit of Entergy Louisiana that are the subject of audits by the IRS.

NOTE 6. PREFERRED EQUITY (Entergy Corporation, Entergy Arkansas, Entergy Gulf States Louisiana, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans)

The number of shares and units authorized and outstanding and dollar value of preferred stock, preferred membership interests, and minority interest for Entergy Corporation subsidiaries as of December 31, 2007 and 2006 are presented below. All series of the Utility preferred stock are redeemable at the option of the related company.

| | Shares/Units Authorized | | Shares/Units Outstanding | | | |
|---|---|---|---|---|---|---|
| | 2007 | 2006 | 2007 | 2006 | 2007 | 2006 |
| Entergy Corporation | | | | | (Dollars in Thousands) | |
| **Utility:** | | | | | | |

| | | | | | | |
|---|---|---|---|---|---|---|
| **Preferred Stock or Preferred Membership Interests without sinking fund:** | | | | | | |
| Entergy Arkansas, 4.32%-7.88% Series | 3,413,500 | 3,413,500 | 3,413,500 | 3,413,500 | $116,350 | $116,350 |
| Entergy Gulf States Louisiana, Series A 8.25 % | 100,000 | - | 100,000 | - | 10,000 | - |
| Entergy Gulf States Louisiana, 4.20%-7.56% Series | - | 473,268 | - | 473,268 | - | 47,327 |
| Entergy Louisiana, 6.95% Series (a) | 1,000,000 | 1,000,000 | 840,000 | 1,000,000 | 84,000 | 100,000 |
| Entergy Mississippi, 4.36%-6.25% Series | 1,403,807 | 1,403,807 | 1,403,807 | 1,403,807 | 50,381 | 50,381 |
| Entergy New Orleans, 4.36%-5.56% Series(e) | 197,798 | - | 197,798 | - | 19,780 | - |
| Total Utility Preferred Stock or Preferred Membership Interests without sinking fund | 6,115,105 | 6,290,575 | 5,955,105 | 6,290,575 | 280,511 | 314,058 |
| Energy Commodity Services: Preferred Stock without sinking fund: | | | | | | |
| Entergy Asset Management, 11.50% rate (b) | 1,000,000 | 1,000,000 | 297,376 | 297,376 | 29,738 | 29,738 |
| Other | - | - | - | - | 913 | 1,117 |
| Total Preferred Stock or Preferred Membership Interests without sinking fund | 7,115,105 | 7,290,575 | 6,252,481 | 6,587,951 | $311,162 | $344,913 |

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| | | | | | | |
|---|---|---|---|---|---|---|
| Utility: | | | | | | |
| **Preferred Stock with sinking fund:** | | | | | | |
| Entergy Gulf States Louisiana, Adjustable Rate 7.0% (c) | - | 105,000 | - | 105,000 | $- | $10,500 |
| Total Preferred Stock with sinking fund | - | 105,000 | - | 105,000 | $- | $10,500 |

| | | |
|---|---|---|
| Fair Value of Preferred Stock with sinking fund (d) | $- | $7,950 |

(a) In 2007, Entergy Louisiana Holdings, an Entergy subsidiary, purchased 160,000 of these shares from the holders.

(b) Subsequent to December 31, 2007, the rate was reset to 8.95%. The preferred stockholders' agreement provides that each December 31 either Entergy Asset Management or the preferred shareholders may request that the preferred dividend rate be reset. If Entergy Asset Management and the preferred shareholders are unable to agree on a dividend reset rate, a preferred shareholder can request that its shares be sold to a third party. If Entergy Asset Management is unable to sell the preferred shares within 75 days, the preferred shareholder has the right to take control of the Entergy Asset Management board of directors for the purpose of liquidating the assets of Entergy Asset Management in order to repay the preferred shares and any accrued dividends.

(c) Represents weighted-average annualized rate for 2006.

(d) Fair value was determined using bid prices reported by dealer markets and by nationally recognized investment banking firms. There is additional disclosure of fair value of financial instruments in Note 16 to the financial statements.

(e) Pending developments in the Entergy New Orleans bankruptcy proceeding, Entergy deconsolidated Entergy New Orleans and reported its financial position and results under the equity method of accounting in 2005 and 2006. Entergy reconsolidated Entergy New Orleans in 2007.

All outstanding preferred stock and membership interests are cumulative.

At December 31, 2007, Entergy Gulf States Louisiana had outstanding 100,000 units of no par value 8.25% Series Preferred Membership Interests that were initially issued by Entergy Gulf States, Inc. as preference stock. The preference shares were converted into the preferred units as part of the jurisdictional separation. The distributions are cumulative and payable quarterly beginning March 15, 2008. The preferred membership interests are redeemable on or after December 15, 2015, at Entergy Gulf States Louisiana's option, at the fixed redemption price of $100 per unit.

In December 2007, Entergy Gulf States, Inc. redeemed all outstanding shares of the following series of preferred stock:

| Series of Entergy Gulf States Louisiana Preferred Stock | Redemption Price Per Share |
|---|---|
| 4.50% Preferred Stock, Cumulative, $100 par value | $105.00 |
| 4.40% Preferred Stock, Cumulative, $100 par value | $108.00 |
| 4.40% Preferred Stock, Cumulative, $100 par value | $103.00 |
| 4.20% Preferred Stock, Cumulative, $100 par value | $102.818 |
| 4.44% Preferred Stock, Cumulative, $100 par value | $103.75 |
| 5.00% Preferred Stock, Cumulative, $100 par value | $104.25 |
| 5.08% Preferred Stock, Cumulative, $100 par value | $104.63 |
| 4.52% Preferred Stock, Cumulative, $100 par value | $103.57 |
| 6.08% Preferred Stock, Cumulative, $100 par value | $103.34 |
| 7.56% Preferred Stock, Cumulative, $100 par value | $101.80 |
| Adjustable Rate A Preferred Stock, Cumulative, $100 par value | $100.00 |
| Adjustable Rate B Preferred Stock, Cumulative, $100 par value | $100.00 |

Entergy Gulf States Louisiana's preferred stock with sinking fund retirements were 34,500 shares in 2006 and 2005. Entergy Gulf States Louisiana has no annual sinking fund requirements for its preferred membership interests outstanding.

The number of shares and units authorized and outstanding and dollar value of preferred stock and membership interests for Entergy Arkansas, Entergy Gulf States Louisiana, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans as of December 31, 2007 and 2006 are presented below. All series of the Utility operating companies' preferred stock and membership interests are redeemable at the respective company's option at the call prices presented. Dividends and distributions paid on all of Entergy's preferred stock and membership interests series are eligible for the dividends received deduction. The dividends received deduction is limited by Internal Revenue Code section 244 for the following preferred stock series: Entergy Arkansas 4.72%, Entergy Mississippi 4.56%, and Entergy New Orleans 4.75%.

| | Shares Authorized and Outstanding | | Dollars (In Thousands) | | Call Price Per Share as of December 31, |
|---|---|---|---|---|---|
| | 2007 | 2006 | 2007 | 2006 | 2007 |
| Entergy Arkansas Preferred Stock | | | | | |
| **Without sinking fund:** | | | | | |
| Cumulative, $100 par value: | | | | | |
| L.32% Series | 70,000 | 70,000 | $7,000 | $7,000 | $103.65 |
| L.72% Series | 93,500 | 93,500 | 9,350 | 9,350 | $107.00 |
| L.56% Series | 75,000 | 75,000 | 7,500 | 7,500 | $102.83 |
| L.56% 1965 Series | 75,000 | 75,000 | 7,500 | 7,500 | $102.50 |
| N.08% Series | 100,000 | 100,000 | 10,000 | 10,000 | $102.83 |
| Cumulative, $25 par value: | | | | | |
| N.45% Series (a) | 3,000,000 | 3,000,000 | 75,000 | 75,000 | $- |
| Total without sinking fund | 3,413,500 | 3,413,500 | $116,350 | $116,350 | |

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| | Shares/Units Authorized and Outstanding | | Dollars (In Thousands) | | Call Price Per Share/Unit as of December 31, |
|---|---|---|---|---|---|
| | 2007 | 2006 | 2007 | 2006 | 2007 |
| Entergy Gulf States Louisiana Preferred Membership Interests | | | | | |
| Cumulative, $100 liquidation value, | | | | | |
| 8.25% Series (b) | 100,000 | - | $10,000 | $- | $- |
| | | | | | |
| Authorized 6,000,000 shares, $100 par value, cumulative | | | | | |
| **Without sinking fund:** | | | | | |
| L.40% Series | - | 51,173 | - | 5,117 | $- |
| L.50% Series | - | 5,830 | - | 583 | $- |
| L.40% 1949 Series | - | 1,655 | - | 166 | $- |
| L.20% Series | - | 9,745 | - | 975 | $- |
| L.44% Series | - | 14,804 | - | 1,480 | $- |

| | | | | | |
|---|---|---|---|---|---|
| M.00% Series | - | 10,993 | - | 1,099 | $- |
| M.08% Series | - | 26,845 | - | 2,685 | $- |
| L.52% Series | - | 10,564 | - | 1,056 | $- |
| N.08% Series | - | 32,829 | - | 3,283 | $- |
| O.56% Series | - | 308,830 | - | 30,883 | $- |
| Total without sinking fund | 100,000 | 473,268 | $10,000 | $47,327 | |
| **With sinking fund:** | | | | | |
| Adjustable Rate-A, 7.0% (c) | - | 60,000 | $- | $6,000 | $- |
| Adjustable Rate-B, 7.0% (c) | - | 45,000 | - | 4,500 | $- |
| Total with sinking fund | - | 105,000 | $- | $10,500 | |
| Fair Value of Preferred Membership Interests with Sinking Fund (d) | | | $- | $7,950 | |

| | Units Authorized and Outstanding | | Dollars (In Thousands) | | Call Price Per Unit as of December 31, |
|---|---|---|---|---|---|
| | 2007 | 2006 | 2007 | 2006 | 2007 |
| <u>Entergy Louisiana Preferred Membership Interests</u> | | | | | |
| **Without sinking fund:** | | | | | |
| Cumulative, $100 liquidation value: | | | | | |
| N.95% Series (e) | 1,000,000 | 1,000,000 | $100,000 | $100,000 | $- |
| Total without sinking fund | 1,000,000 | 1,000,000 | $100,000 | $100,000 | |

| | Shares Authorized and Outstanding | | Dollars (In Thousands) | | Call Price Per Share as of December 31, |
|---|---|---|---|---|---|
| | 2007 | 2006 | 2007 | 2006 | 2007 |
| <u>Entergy Mississippi Preferred Stock</u> | | | | | |
| **Without sinking fund:** | | | | | |
| Cumulative, $100 par value: | | | | | |
| L.36% Series | 59,920 | 59,920 | $5,992 | $5,992 | $103.88 |
| L.56% Series | 43,887 | 43,887 | 4,389 | 4,389 | $107.00 |
| L.92% Series | 100,000 | 100,000 | 10,000 | 10,000 | $102.88 |
| Cumulative, $25 par value | | | | | |
| N.25% Series (f) | 1,200,000 | 1,200,000 | 30,000 | 30,000 | $- |
| Total without sinking fund | 1,403,807 | 1,403,807 | $50,381 | $50,381 | |

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| | Shares Authorized and Outstanding | | Dollars (In Thousands) | | Call Price Per Share as of December 31, |
|---|---|---|---|---|---|

| | 2007 | 2006 | 2007 | 2006 | 2007 |
|---|---|---|---|---|---|
| Entergy New Orleans Preferred Stock | | | | | |
| **Without sinking fund:** | | | | | |
| Cumulative, $100 par value: | | | | | |
| L.75% Series | 77,798 | 77,798 | $7,780 | $7,780 | $105.00 |
| L.36% Series | 60,000 | 60,000 | 6,000 | 6,000 | $104.58 |
| M.56% Series | 60,000 | 60,000 | 6,000 | 6,000 | $102.59 |
| Total without sinking fund | 197,798 | 197,798 | $19,780 | $19,780 | |

(a) Series is non-callable until April 2011; thereafter callable at par.

(b) Series is non-callable until January 2016; thereafter callable at par.

(c) Represents weighted-average annualized rates for 2006.

(d) Fair values were determined using bid prices reported by dealer markets and by nationally recognized investment banking firms. There is an additional disclosure of fair value of financial instruments in Note 16 to the financial statements.

(e) Series is non-callable until December 2010; thereafter callable at par.

(f) Series is non-callable until August 2010; thereafter callable at par.

NOTE 7. COMMON EQUITY (Entergy Corporation, Entergy Arkansas, Entergy Gulf States Louisiana, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, and System Energy)

Common Stock

Treasury Stock

Treasury stock activity for Entergy for 2007, 2006, and 2005 is as follows:

| | 2007 | | 2006 | | 2005 | |
|---|---|---|---|---|---|---|
| | Treasury Shares | Cost (In Thousands) | Treasury Shares | Cost (In Thousands) | Treasury Shares | Cost (In Thousands) |
| Beginning Balance, January 1 | 45,506,311 | $2,644,390 | 40,644,602 | $2,161,960 | 31,345,028 | $1,432,019 |
| Repurchases | 11,581,842 | 1,215,578 | 6,672,000 | 584,193 | 12,280,500 | 878,188 |
| Issuances: | | | | | | |
| Employee Stock-Based Compensation Plans | (2,029,686) | (124,801) | (1,803,471) | (101,393) | (2,965,006) | (147,888) |
| Directors' Plan | (4,620) | (302) | (6,820) | (370) | (15,920) | (359) |
| Ending Balance, December 31 | 55,053,847 | $3,734,865 | 45,506,311 | $2,644,390 | 40,644,602 | $2,161,960 |

Entergy Corporation reissues treasury shares to meet the requirements of the Stock Plan for Outside Directors (Directors' Plan), two Equity Ownership Plans of Entergy Corporation and Subsidiaries, the Equity Awards Plan of Entergy Corporation and Subsidiaries, and certain other stock benefit plans. The Directors' Plan awards to non-employee directors a portion of their compensation in the form of a fixed number of shares of Entergy Corporation common stock.

In January 2007, the Board approved a repurchase program under which Entergy is authorized to repurchase up to $1.5 billion of its common stock, which Entergy expects to complete in 2008. In January 2008, the Board authorized an incremental $500 million share repurchase program to enable Entergy to consider opportunistic purchases in response to equity market conditions.



The amount of repurchases may vary as a result of material changes in business results or capital spending or new investment opportunities.

The Board had previously approved a program under which Entergy was authorized to repurchase up to $1.5 billion of its common stock through 2006. Entergy completed this program in the fourth quarter 2006.

Retained Earnings and Dividend Restrictions

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, 2007, Entergy Arkansas and Entergy Mississippi had restricted retained earnings unavailable for distribution to Entergy Corporation of $396.4 million and $121.6 million, respectively. Entergy Corporation received dividend payments from subsidiaries totaling $625 million in 2007, $950 million in 2006, and $424 million in 2005.

The Federal Power Act restricts the ability of a public utility to pay dividends out of capital. As a result of its restructuring and the related accounting, Entergy Louisiana, LLC applied to the FERC for a declaratory order to pay distributions on its common and preferred membership interests from the following sources: (1) the amount of Entergy Louisiana, Inc.'s retained earnings immediately prior to its restructuring on December 31, 2005; (2) an amount in excess of the amount in (1) over a transition period not expected to last more than 3 years as long as Entergy Louisiana, LLC's proprietary capital ratio is, and will remain, above 30%; and (3) the amount of Entergy Louisiana, LLC's retained earnings after the restructuring. The FERC granted the declaratory order on January 23, 2006. Distributions paid by Entergy Louisiana, LLC on its common membership interests to Entergy Louisiana Holdings, Inc. may, in turn, be paid by Entergy Louisiana Holdings, Inc. to Entergy Corporation without the need for FERC approval. As a wholly-owned subsidiary, Entergy Louisiana Holdings, Inc. dividends its earnings to Entergy Corporation at a percentage determined monthly.

NOTE 8. COMMITMENTS AND CONTINGENCIES (Entergy Corporation, Entergy Arkansas, Entergy Gulf States Louisiana, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, and System Energy)

Entergy and the Registrant Subsidiaries are involved in a number of legal, regulatory, and tax proceedings before various courts, regulatory commissions, and governmental agencies in the ordinary course of business. While management is unable to predict the outcome of such proceedings, management does not believe that the ultimate resolution of these matters will have a material adverse effect on Entergy's results of operations, cash flows, or financial condition. Entergy discusses regulatory proceedings in Note 2 to the financial statements and discusses tax proceedings in Note 3 to the financial statements.

Vidalia Purchased Power Agreement

Entergy Louisiana has an agreement extending through the year 2031 to purchase energy generated by a hydroelectric facility known as the Vidalia project. Entergy Louisiana made payments under the contract of approximately $130.8 million in 2007, $107.1 million in 2006, and $115.1 million in 2005. If the maximum percentage (94%) of the energy is made available to Entergy Louisiana, current production projections would require estimated payments of approximately $144.5 million in 2008, and a total of $3.0 billion for the years 2009 through 2031. Entergy Louisiana currently recovers the costs of the purchased energy through its fuel adjustment clause. In an LPSC-approved settlement related to tax benefits from the tax treatment of the Vidalia contract, Entergy Louisiana agreed to credit rates by $11 million each year for up to ten years, beginning in October 2002. In addition, in accordance with an LPSC settlement, Entergy Louisiana credited rates in August 2007 by $11.8 million (including interest) as a result of a settlement with the IRS of the 2001 tax treatment of the Vidalia contract. The provisions of the



settlement also provide that the LPSC shall not recognize or use Entergy Louisiana's use of the cash benefits from the tax treatment in setting any of Entergy Louisiana's rates. Therefore, to the extent Entergy Louisiana's use of the proceeds would ordinarily have reduced its rate base, no change in rate base shall be reflected for ratemaking purposes.

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Nuclear Insurance

Third Party Liability Insurance

The Price-Anderson Act provides insurance for the public in the event of a nuclear power plant accident. The costs of this insurance are borne by the nuclear power industry. Congress amended and renewed the Price-Anderson Act in 2005 for a term through 2025. The Price-Anderson Act requires nuclear power plants to show evidence of financial protection in the event of a nuclear accident. This protection must consist of two levels:

1. The primary level is private insurance underwritten by American Nuclear Insurers and provides public liability insurance coverage of $300 million. If this amount is not sufficient to cover claims arising from an accident, the second level, Secondary Financial Protection, applies.
2. Within the Secondary Financial Protection level, each nuclear reactor has a contingent obligation to pay a retrospective premium, equal to its proportionate share of the loss in excess of the primary level, up to a maximum of $100.6 million per reactor per incident (Entergy's maximum total contingent obligation per incident is $1.1 billion). This consists of a $95.8 million maximum retrospective premium plus a five percent surcharge that may be payable, if needed, at a rate that is presently set at $15 million per year per nuclear power reactor. There are no terrorism limitations.

Currently, 104 nuclear reactors are participating in the Secondary Financial Protection program. The product of the maximum retrospective premium assessment to the nuclear power industry and the number of nuclear power reactors provides over $10 billion in insurance coverage to compensate the public in the event of a nuclear power reactor accident.

Entergy Arkansas has two licensed reactors and Entergy Gulf States Louisiana, Entergy Louisiana, and System Energy each have one licensed reactor (10% of Grand Gulf is owned by a non-affiliated company (SMEPA) that which would share on a pro-rata basis in any retrospective premium assessment to System Energy under the Price-Anderson Act). Entergy's Non-Utility Nuclear business owns and operates six nuclear power reactors and owns the shutdown Indian Point 1 reactor.

An additional but temporary contingent liability had existed for all nuclear power reactor owners because of a previous Nuclear Worker Tort (long-term bodily injury caused by exposure to nuclear radiation while employed at a nuclear power plant) insurance program that was in place from 1988 to 1998. This contingent premium assessment feature expired on December 31, 2007.

Property Insurance

Entergy's nuclear owner/licensee subsidiaries are members of certain mutual insurance companies that provide property damage coverage, including decontamination and premature decommissioning expense, to the members' nuclear generating plants. These programs are underwritten by Nuclear Electric Insurance Limited (NEIL). As of December 31, 2007, Entergy was insured against such losses per the following structures:

Utility Plants (ANO 1 and 2, Grand Gulf, River Bend, and Waterford 3)

- Primary Layer (per plant) - $500 million per occurrence
- Excess Layer (per plant) - $750 million per occurrence
- Blanket Layer (shared among the Utility plants) - $350 million per occurrence
- Total limit - $1.6 billion per occurrence



- Deductibles:
  - ♦ $2.5 million per occurrence - Turbine/generator damage
  - ♦ $2.5 million per occurrence - Other than turbine/generator damage

Note: ANO 1 and 2 share in the Primary Layer with one policy in common for that site because the policy is issued on a per site basis.

Non-Utility Nuclear Plants (Indian Point 2 and 3, FitzPatrick, Pilgrim, Vermont Yankee, Palisades, and Big Rock Point)

- Primary Layer (per plant) - $500 million per occurrence
- Excess Layer - $615 million per occurrence
- Total limit - $1.115 billion per occurrence
- Deductibles:
  - ♦ $2.5 million per occurrence - Turbine/generator damage
  - ♦ $2.5 million per occurrence - Other than turbine/generator damage

Note: Indian Point 2 and 3 share in the Primary Layer with one policy in common for that site because the policy is issued on a per site basis. Big Rock Point has its own Primary policy with no excess coverage.

In addition, Waterford 3, Grand Gulf, and the Non-Utility Nuclear plants are also covered under NEIL's Accidental Outage Coverage program. This coverage provides certain fixed indemnities in the event of an unplanned outage that results from a covered NEIL property damage loss, subject to a deductible. The following summarizes this coverage as of December 31, 2007:

Waterford 3

- $2.95 million weekly indemnity
- $413 million maximum indemnity
- Deductible: 26 week waiting period

Grand Gulf

- $100,000 weekly indemnity
- $14 million maximum indemnity
- Deductible: 26 week waiting period

Indian Point 2 & 3 and Palisades

(Indian Point 2 & 3 share the limits)

- $4.5 million weekly indemnity
- $490 million maximum indemnity
- Deductible: 12 week waiting period

FitzPatrick and Pilgrim

(each plant has an individual policy with the noted parameters)

- $4.0 million weekly indemnity
- $490 million maximum indemnity
- Deductible: 12 week waiting period

Vermont Yankee

- $4.0 million weekly indemnity
- $435 million maximum indemnity
- Deductible: 12 week waiting period



Under the property damage and accidental outage insurance programs, Entergy nuclear plants could be subject to assessments should losses exceed the accumulated funds available from NEIL. As of December 31, 2007, the maximum amounts of such possible assessments per occurrence were as follows:

| | Assessments (In Millions) |
|---|---|
| Utility: | |
| Entergy Arkansas | $20.7 |
| Entergy Gulf States Louisiana | $15.5 |
| Entergy Louisiana | $17.1 |
| Entergy Mississippi | $0.06 |
| Entergy New Orleans | $0.06 |
| System Energy | $13.6 |
| | |
| Non-Utility Nuclear | $86.8 |

Entergy maintains property insurance for its nuclear units in excess of the NRC's minimum requirement of $1.06 billion per site for nuclear power plant licensees. NRC regulations provide that the proceeds of this insurance must be used, first, to render the reactor safe and stable, and second, to complete decontamination operations. Only after proceeds are dedicated for such use and regulatory approval is secured would any remaining proceeds be made available for the benefit of plant owners or their creditors.

In the event that one or more acts of non-certified terrorism causes property damage under one or more or all nuclear insurance policies issued by NEIL (including, but not limited to, those described above) within 12 months from the date the first property damage occurs, the maximum recovery under all such nuclear insurance policies shall be an aggregate of $3.24 billion plus the additional amounts recovered for such losses from reinsurance, indemnity, and any other sources applicable to such losses. There is no aggregate limit involving one or more acts of certified terrorism.

Conventional Property Insurance

Entergy's conventional property insurance program provides coverage up to $400 million on an Entergy system-wide basis for all operational perils including direct physical loss or damage due to machinery breakdown, electrical failure, fire, lightning, hail, and explosion on an "each and every loss" basis. In addition to this coverage, the program provides coverage up to $350 million on an Entergy system-wide basis for all natural perils including named windstorm, earthquake and flood on an annual aggregate basis. The coverage is subject to a $20 million self-insured retention per occurrence for operational perils or a 2% of the insured loss retention per occurrence for natural perils (up to a $35 million maximum self-insured retention). Covered property generally includes power plants, substations, facilities, inventories, and gas distribution-related properties. Excluded property generally includes above-ground transmission and distribution lines, poles, and towers. The primary property program consists of a $150 million layer in excess of the self-insured retention and is placed through various insurers. The excess program consists of a $250 million layer in excess of the $150 million primary program for operational perils and a $150 million layer in excess of the $150 million primary program for natural perils and is placed on a quota share basis through several insurers. The natural perils additional layer program consists of a $50 million layer in excess the $150 million excess program and is also placed on a quota share basis through several insurers. Coverage is in place for Entergy Corporation, the Registrant Subsidiaries, and certain other Entergy subsidiaries, including the owners of the Non-Utility Nuclear power plants.

In addition to the conventional property insurance program, Entergy has purchased additional coverage ($20 million per occurrence) for some of its non-regulated, non-generation assets. This policy serves to buy-down the $20 million deductible and is placed on a scheduled location basis. The applicable deductibles are $100,000 to $250,000.



Hurricane Katrina and Hurricane Rita Claims

Entergy has received a total of $134.5 million as of December 31, 2007 on its Hurricane Katrina and Hurricane Rita insurance claims, including $69.5 million that Entergy received in the second quarter 2007 in settlement of its Hurricane Katrina claim with one of its two excess insurers. Of the $134.5 million received, $70.7 million was allocated to Entergy New Orleans, $33.2 million to Entergy Gulf States, Inc. (including $20.7 million to Entergy Texas), and $24.8 million to Entergy Louisiana. In the third quarter 2007, Entergy filed a lawsuit in the U.S. District Court for the Eastern District of Louisiana against its other excess insurer on the Hurricane Katrina claim. At issue in the lawsuit is whether any policy exclusions limit the extent of coverage provided by that insurer.

There was an aggregation limit of $1 billion for all parties insured by the primary insurer for any one occurrence at the time of the Hurricane Katrina and Rita losses, and the primary insurer notified Entergy that it expects claims for both Hurricanes Katrina and Rita to materially exceed this limit. Entergy currently estimates that its remaining net insurance recoveries for the losses caused by the hurricanes, including the effects of the primary insurance aggregation limit being exceeded and the litigation against the excess insurer, will be approximately $270 million, including $31 million for Entergy Gulf States Louisiana, $27 million for Entergy Louisiana, $151 million for Entergy New Orleans and $51 million for Entergy Texas.

To the extent that Entergy New Orleans receives insurance proceeds for future construction expenditures associated with rebuilding its gas system, the October 2006 City Council resolution approving the settlement of Entergy New Orleans' rate and storm-cost recovery filings requires Entergy New Orleans to record those proceeds in a designated sub-account of other deferred credits. This other deferred credit is shown as "Gas system rebuild insurance proceeds" on Entergy New Orleans' balance sheet.

NYPA Value Sharing Agreements

Non-Utility Nuclear's purchase of the FitzPatrick and Indian Point 3 plants from NYPA included value sharing agreements with NYPA. In October 2007, Non-Utility Nuclear and NYPA amended and restated the value sharing agreements to clarify and amend certain provisions of the original terms. Under the amended value sharing agreements, Non-Utility Nuclear will make annual payments to NYPA based on the generation output of the Indian Point 3 and FitzPatrick plants from January 2007 through December 2014. Non-Utility Nuclear will pay NYPA $6.59 per MWh for power sold from Indian Point 3, up to an annual cap of $48 million, and $3.91 per MWh for power sold from FitzPatrick, up to an annual cap of $24 million. The annual payment for each year is due by January 15 of the following year, with the payment for year 2007 output due on January 15, 2008. If Entergy or an Entergy affiliate ceases to own the plants, then, after January 2009, the annual payment obligation terminates for generation after the date that Entergy ownership ceases.

Non-Utility Nuclear will record its liability for payments to NYPA as power is generated and sold by Indian Point 3 and FitzPatrick. Non-Utility Nuclear recorded a $72 million liability for generation through December 31, 2007. An amount equal to the liability will be recorded to the plant asset account as contingent purchase price consideration for the plants. This amount will be depreciated over the expected remaining useful life of the plants.

Non-Utility Nuclear had previously calculated that $0 was owed to NYPA under the value sharing agreements for generation output in 2005 and 2006. In November 2006, NYPA filed a demand for arbitration claiming that $90.5 million was due to NYPA for 2005 under these agreements, and NYPA filed in April 2007 an amended demand for arbitration claiming that an additional $54 million was due to NYPA for 2006 under the value sharing agreements. As part of their agreement to amend the value sharing agreements, Non-Utility Nuclear and NYPA waived all present and future claims under the previous value sharing terms, including the claims for 2005 and 2006 pending before the arbitrator.



Waterford 3 Lease Obligations

**(Entergy Louisiana)**

On September 28, 1989, Entergy Louisiana entered into three identical transactions for the sale and leaseback of undivided interests (aggregating approximately 9.3%) in Waterford 3. In July 1997, Entergy Louisiana caused the lessors to issue $307.6 million aggregate principal amount of Waterford 3 Secured Lease Obligation Bonds, 8.09% Series due 2017, to refinance the outstanding bonds originally issued to finance the purchase of the undivided interests by the lessors. The lease payments were reduced to reflect the lower interest costs. Upon the occurrence of certain events, Entergy Louisiana may be obligated to pay amounts sufficient to permit the termination of the lease transactions and may be required to assume the outstanding bonds issued to finance, in part, the lessors' acquisition of the undivided interests in Waterford 3.

Employment and Labor-related Proceedings

The Registrant Subsidiaries and other Entergy subsidiaries are responding to various lawsuits in both state and federal courts and to other labor-related proceedings filed by current and former employees. These actions include, but are not limited to, allegations of wrongful employment actions; wage disputes and other claims under the Fair Labor Standards Act or its state counterparts; claims of race, gender and disability discrimination; disputes arising under collective bargaining agreements; unfair labor practice proceedings and other administrative proceedings before the National Labor Relations Board; claims of retaliation; and claims for or regarding benefits under various Entergy Corporation sponsored plans. Entergy and the Registrant Subsidiaries are responding to these suits and proceedings and deny liability to the claimants.

Asbestos and Hazardous Material Litigation

**(Entergy Gulf States Louisiana, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans)**

Numerous lawsuits have been filed in federal and state courts in Texas, Louisiana, and Mississippi primarily by contractor employees in the 1950-1980 timeframe against Entergy Gulf States, Inc., Entergy Louisiana, Entergy New Orleans, and Entergy Mississippi as premises owners of power plants, for damages caused by alleged exposure to asbestos or other hazardous material. Many other defendants are named in these lawsuits as well. Presently, there are approximately 600 lawsuits involving approximately 8,000 claimants. Management believes that adequate provisions have been established to cover any exposure. Additionally, negotiations continue with insurers to recover reimbursements. Management believes that loss exposure has been and will continue to be handled successfully so that the ultimate resolution of these matters will not be material, in the aggregate, to the financial position or results of operation of these companies.

System Fuels

**(Entergy Arkansas, Entergy Mississippi, and Entergy New Orleans)**

The Utility operating companies that are owners of System Fuels have made loans to System Fuels to finance its fuel procurement, delivery, and storage activities. The following loans outstanding to System Fuels as of December 31, 2007 mature in 2008:

| Owner | Ownership Percentage | Loan Outstanding at December 31, 2007 |
|---|---|---|
| Entergy Arkansas | 35% | $11.0 million |
| Entergy Louisiana Holdings, Inc. | 33% | $14.2 million |
| Entergy Mississippi | 19% | $5.5 million |
| Entergy New Orleans | 13% | $3.3 million |

Grand Gulf - Related Agreements

Capital Funds Agreement (System Energy)

System Energy has entered into agreements with Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans whereby they are obligated to purchase their respective entitlements of capacity and energy from System Energy's 90% interest in Grand Gulf, and to make payments that, together with other available funds, are adequate to cover System Energy's operating expenses. System Energy would have to secure funds from other sources, including Entergy Corporation's obligations under the Capital Funds Agreement, to cover any shortfalls from payments received from Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans under these agreements.

Unit Power Sales Agreement (Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, and System Energy)

System Energy has agreed to sell all of its 90% share of capacity and energy from Grand Gulf to Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans in accordance with specified percentages (Entergy Arkansas-36%, Entergy Louisiana-14%, Entergy Mississippi-33%, and Entergy New Orleans-17%) as ordered by FERC. Charges under this agreement are paid in consideration for the purchasing companies' respective entitlement to receive capacity and energy and are payable irrespective of the quantity of energy delivered so long as the unit remains in commercial operation. The agreement will remain in effect until terminated by the parties and the termination is approved by FERC, most likely upon Grand Gulf's retirement from service. Monthly obligations are based on actual capacity and energy costs. The average monthly payments for 2007 under the agreement are approximately $17.1 million for Entergy Arkansas, $6.8 million for Entergy Louisiana, $13.9 million for Entergy Mississippi, and $8.3 million for Entergy New Orleans.

Availability Agreement (Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, and System Energy)

Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans are individually obligated to make payments or subordinated advances to System Energy in accordance with stated percentages (Entergy Arkansas-17.1%, Entergy Louisiana-26.9%, Entergy Mississippi-31.3%, and Entergy New Orleans-24.7%) in amounts that, when added to amounts received under the Unit Power Sales Agreement or otherwise, are adequate to cover all of System Energy's operating expenses as defined, including an amount sufficient to amortize the cost of Grand Gulf 2 over 27 years. (See Reallocation Agreement terms below.) System Energy has assigned its rights to payments and advances to certain creditors as security for certain obligations. Since commercial operation of Grand Gulf began, payments under the Unit Power Sales Agreement have exceeded the amounts payable under the Availability Agreement. Accordingly, no payments under the Availability Agreement have ever been required. If Entergy Arkansas or Entergy Mississippi fails to make its Unit Power Sales Agreement payments, and System Energy is unable to obtain funds from other sources, Entergy Louisiana and Entergy New Orleans could become subject to claims or demands by System Energy or its creditors for payments or advances under the Availability Agreement (or the assignments thereof) equal to the difference between their required Unit Power Sales Agreement payments and their required Availability Agreement payments.

Reallocation Agreement (Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, and System Energy)

System Energy, Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans entered into the Reallocation Agreement relating to the sale of capacity and energy from Grand Gulf and the related costs, in which

Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans agreed to assume all of Entergy Arkansas' responsibilities and obligations with respect to Grand Gulf under the Availability Agreement. FERC's decision allocating a portion of Grand Gulf capacity and energy to Entergy Arkansas supersedes the Reallocation Agreement as it relates to Grand Gulf. Responsibility for any Grand Gulf 2 amortization amounts has been individually allocated (Entergy



Louisiana-26.23%, Entergy Mississippi-43.97%, and Entergy New Orleans-29.80%) under the terms of the Reallocation Agreement. However, the Reallocation Agreement does not affect Entergy Arkansas' obligation to System Energy's lenders under the assignments referred to in the preceding paragraph. Entergy Arkansas would be liable for its share of such amounts if Entergy Louisiana, Entergy Mississippi, and Entergy New Orleans were unable to meet their contractual obligations. No payments of any amortization amounts will be required so long as amounts paid to System Energy under the Unit Power Sales Agreement, including other funds available to System Energy, exceed amounts required under the Availability Agreement, which is expected to be the case for the foreseeable future.

Reimbursement Agreement (System Energy)

In December 1988, System Energy entered into two separate, but identical, arrangements for the sale and leaseback of an approximate aggregate 11.5% ownership interest in Grand Gulf. In connection with the equity funding of the sale and leaseback arrangements, letters of credit are required to be maintained to secure certain amounts payable for the benefit of the equity investors by System Energy under the leases. The current letters of credit are effective until May 29, 2009.

Under the provisions of the reimbursement agreement relating to the letters of credit, System Energy has agreed to a number of covenants regarding the maintenance of certain capitalization and fixed charge coverage ratios. System Energy agreed, during the term of the reimbursement agreement, to maintain a ratio of debt to total liabilities and equity less than or equal to 70%. In addition, System Energy must maintain, with respect to each fiscal quarter during the term of the reimbursement agreement, a ratio of adjusted net income to interest expense of at least 1.50 times earnings. As of December 31, 2007, System Energy's debt ratio was approximately 31.9%, and its fixed charge coverage ratio for 2007 was approximately 4.2, calculated, in each case, as prescribed in the reimbursement agreement.

## NOTE 9. ASSET RETIREMENT OBLIGATIONS (Entergy Corporation, Entergy Arkansas, Entergy Gulf States Louisiana, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, and System Energy)

SFAS 143, "Accounting for Asset Retirement Obligations," requires the recording of liabilities for all legal obligations associated with the retirement of long-lived assets that result from the normal operation of those assets. For Entergy, substantially all of its asset retirement obligations consist of its liability for decommissioning its nuclear power plants. In addition, an insignificant amount of removal costs associated with non-nuclear power plants is also included in the decommissioning line item on the balance sheets.

These liabilities are recorded at their fair values (which are the present values of the estimated future cash outflows) in the period in which they are incurred, with an accompanying addition to the recorded cost of the long-lived asset. The asset retirement obligation is accreted each year through a charge to expense, to reflect the time value of money for this present value obligation. The accretion will continue through the completion of the asset retirement activity. The amounts added to the carrying amounts of the long-lived assets will be depreciated over the useful lives of the assets. The application of SFAS 143 is expected to be earnings neutral to the rate-regulated business of the Registrant Subsidiaries.

In accordance with ratemaking treatment and as required by SFAS 71, the depreciation provisions for the Utility operating companies and System Energy include a component for removal costs that are not asset retirement obligations under SFAS 143. In accordance with regulatory accounting principles, the Utility operating companies and System Energy have recorded regulatory assets (liabilities) in the following amounts to reflect their estimates of the difference between estimated incurred removal costs and estimated removal costs recovered in rates:

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| | December 31, | |
|---|---|---|
| | 2007 | 2006 |
| | (In Millions) | |
| Entergy Arkansas | $23.0 | $45.0 |
| Entergy Gulf States Louisiana | ($13.9) | $5.6 |
| Entergy Louisiana | ($64.0) | $2.3 |
| Entergy Mississippi | $35.7 | $41.2 |
| Entergy New Orleans | $1.5 | $13.9 |
| Entergy Texas | ($4.9) | ($1.8) |
| System Energy | $16.9 | $20.7 |

The cumulative decommissioning and retirement cost liabilities and expenses recorded in 2007 by Entergy were as follows:

| | Liabilities as of December 31, 2006 | Accretion | Change in Cash Flow Estimate | Spending | Liabilities as of December 31, 2007 |
|---|---|---|---|---|---|
| | | | (In Millions) | | |
| Utility: | | | | | |
| Entergy Arkansas | $472.8 | $32.8 | $- | $- | $505.6 |
| Entergy Gulf States Louisiana | $191.0 | $16.9 | ($3.1)(a) | $- | $204.8 |
| Entergy Louisiana | $238.5 | $18.6 | $- | $- | $257.1 |
| Entergy Mississippi | $4.3 | $0.2 | $- | $- | $4.5 |
| Entergy New Orleans | $2.6 | $0.2 | $- | $- | $2.8 |
| Entergy Texas | $2.9 | $0.2 | $- | $- | $3.1 |
| System Energy | $342.8 | $25.8 | $- | $- | $368.6 |
| Non-Utility Nuclear (b) | $993.0 | $78.6 | $100.4 | ($30.4) | $1,141.6 |
| Other | $1.1 | $- | $- | $- | $1.1 |

(a) Represents the $3.1 million allocated to Entergy Texas as part of the jurisdictional separation.

(b) The Non-Utility Nuclear liability as of December 31, 2006 includes $219.7 million for the Palisades nuclear plant which was acquired in April 2007.

Entergy periodically reviews and updates estimated decommissioning costs. The actual decommissioning costs may vary from the estimates because of regulatory requirements, changes in technology, and increased costs of labor, materials, and equipment. As described below, during 2005, 2006, and 2007 Entergy updated decommissioning cost estimates for certain Non-Utility Nuclear plants.

In the fourth quarter 2007, Entergy's Non-Utility Nuclear business recorded an increase of $100 million in decommissioning liabilities for certain of its plants as a result of revised decommissioning cost studies. The revised estimates resulted in the recognition of a $100 million asset retirement obligation asset that will be depreciated over the remaining life of the units.

In the third quarter 2006, Entergy's Non-Utility Nuclear business recorded a reduction of $27.0 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 $27.0 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.



In the first quarter 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 retirement cost recorded at the time of adoption of SFAS 143.

For the Indian Point 3 and FitzPatrick plants purchased in 2000, NYPA retained the decommissioning trusts and the decommissioning liability. NYPA and Entergy executed decommissioning agreements, which specify their decommissioning obligations. NYPA has the right to require Entergy to assume the decommissioning liability provided that it assigns the corresponding decommissioning trust, up to a specified level, to Entergy. If the decommissioning liability is retained by NYPA, Entergy will perform the decommissioning of the plants at a price equal to the lesser of a pre-specified level or the amount in the decommissioning trusts. Entergy believes that the amounts available to it under either scenario are sufficient to cover the future decommissioning costs without any additional contributions to the trusts.

Entergy maintains decommissioning trust funds that are committed to meeting the costs of decommissioning the nuclear power plants. The fair values of the decommissioning trust funds and the related asset retirement obligation regulatory assets of Entergy as of December 31, 2007 are as follows:

| | Decommissioning Trust Fair Values | Regulatory Asset |
|---|---|---|
| | (In Millions) | |
| Utility: | | |
| ANO 1 and ANO 2 | $466.3 | $139.4 |
| River Bend | $366.1 | $5.9 |
| Waterford 3 | $222.0 | $66.2 |

| | | |
|---|---|---|
| Grand Gulf | $315.7 | $95.5 |
| Non-Utility Nuclear | $1,937.5 | $- |



NOTE 10. LEASES (Entergy Corporation, Entergy Arkansas, Entergy Gulf States Louisiana, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, and System Energy)

General

As of December 31, 2007, Entergy Corporation and subsidiaries had capital leases and non-cancelable operating leases for equipment, buildings, vehicles, and fuel storage facilities (excluding nuclear fuel leases and the Grand Gulf and Waterford 3 sale and leaseback transactions) with minimum lease payments as follows:

| Year | Operating Leases | Capital Leases |
|---|---|---|
| | (In Thousands) | |
| 2008 | $98,717 | $3,553 |
| 2009 | 139,188 | 2,037 |
| 2010 | 60,982 | 2,037 |
| 2011 | 44,923 | 2,037 |
| 2012 | 31,567 | 2,037 |
| Years thereafter | 132,884 | 3,657 |
| Minimum lease payments | 508,261 | 15,358 |
| Less: Amount representing interest | - | 3,361 |
| Present value of net minimum lease payments | $508,261 | $11,997 |

Total rental expenses for all leases (excluding nuclear fuel leases and the Grand Gulf and Waterford 3 sale and leaseback transactions) amounted to $78.8 million in 2007, $78.0 million in 2006, and $71.2 million in 2005.

As of December 31, 2007, the Registrant Subsidiaries had capital leases and non-cancelable operating leases for equipment, buildings, vehicles, and fuel storage facilities (excluding nuclear fuel leases and the sale and leaseback transactions) with minimum lease payments as follows:

Capital Leases

| Year | Entergy Arkansas | Entergy Mississippi |
|---|---|---|
| | (In Thousands) | |
| 2008 | $1,753 | $1,800 |
| 2009 | 237 | 1,800 |
| 2010 | 237 | 1,800 |

| | | |
|---|---|---|
| 2011 | 237 | 1,800 |
| 2012 | 237 | 1,800 |
| Years thereafter | 1,857 | 1,800 |
| Minimum lease payments | 4,558 | 10,800 |
| Less: Amount representing interest | 1,676 | 1,685 |
| Present value of net minimum lease payments | $2,882 | $9,115 |

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Operating Leases

| Year | Entergy Arkansas | Entergy Gulf States Louisiana | Entergy Louisiana (In Thousands) | Entergy Mississippi | Entergy New Orleans |
|---|---|---|---|---|---|
| 2008 | $22,961 | $12,296 | $9,400 | $8,912 | $965 |
| 2009 | 58,852 | 21,144 | 8,245 | 8,086 | 851 |
| 2010 | 8,286 | 8,697 | 6,787 | 7,356 | 711 |
| 2011 | 6,634 | 7,797 | 5,601 | 4,633 | 425 |
| 2012 | 5,354 | 7,284 | 4,637 | 3,913 | 198 |
| Years thereafter | 8,607 | 72,475 | 6,659 | 18,709 | 655 |
| Minimum lease payments | $110,694 | $129,693 | $41,329 | $51,609 | $3,805 |

Rental Expenses

| Year | Entergy Arkansas | Entergy Gulf States Louisiana | Entergy Louisiana | Entergy Mississippi | Entergy New Orleans | System Energy |
|---|---|---|---|---|---|---|
| | | | (In Millions) | | | |
| 2007 | $15.9 | $17.0 | $10.4 | $5.4 | $1.5 | $1.3 |
| 2006 | $15.6 | $16.4 | $8.8 | $5.0 | $2.0 | $1.2 |
| 2005 | $15.3 | $15.6 | $9.8 | $2.8 | $1.5 | $1.3 |

In addition to the above rental expense, railcar operating lease payments and oil tank facilities lease payments are recorded in fuel expense in accordance with regulatory treatment. Railcar operating lease payments were $9.0 million in 2007, $12.1 million in 2006, and $6.6 million in 2005 for Entergy Arkansas and $4.8 million in 2007, $3.1 million in 2006, and $1.9 million in 2005 for Entergy Gulf States Louisiana. Oil tank facilities lease payments for Entergy Mississippi were $3.4 million in 2007, $3.8 million in 2006, and $3.5 million for 2005.

Nuclear Fuel Leases

As of December 31, 2007, arrangements to lease nuclear fuel existed in an aggregate amount up to $155 million for Entergy Arkansas, $100 million for Entergy Gulf States Louisiana, $110 million for Entergy Louisiana, and $135 million for System Energy. As of December 31, 2007, the unrecovered cost base of nuclear fuel leases amounted to approximately $124.6 million for Entergy Arkansas, $90.3 million for Entergy Gulf States Louisiana, $44.5 million for Entergy Louisiana, and $81.6 million for System Energy.

The lessors finance the acquisition and ownership of nuclear fuel through loans made under revolving credit agreements, the issuance of commercial paper, and the issuance of intermediate-term notes. The credit agreements for Entergy Arkansas, Entergy Gulf States Louisiana, Entergy Louisiana, and System Energy each have a termination date of August 12, 2010. The termination dates may be extended from time to time with the consent of the lenders. The intermediate-term notes issued pursuant to these fuel lease arrangements have varying maturities through September 15, 2011. It is expected that additional financing under the leases will be arranged as needed to acquire additional fuel, to pay interest, and to pay maturing debt. However, if such additional financing cannot be arranged, the lessee in each case must repurchase sufficient nuclear fuel to allow the lessor to meet its obligations in accordance with the fuel lease.



Lease payments are based on nuclear fuel use. The table below represents the total nuclear fuel lease payments (principal and interest), as well as the separate interest component charged to operations, in 2007, 2006, and 2005 for the four Registrant Subsidiaries that own nuclear power plants:

| | 2007 | | 2006 | | 2005 | |
|---|---|---|---|---|---|---|
| | Lease Payments | Interest | Lease Payments | Interest | Lease Payments | Interest |
| | | | (In Millions) | | | |
| Entergy Arkansas | $61.7 | $5.8 | $55.0 | $5.0 | $47.5 | $3.9 |
| Entergy Gulf States Louisiana | 31.5 | 2.8 | 28.1 | 3.6 | 27.2 | 3.5 |
| Entergy Louisiana | 44.2 | 4.0 | 35.5 | 2.4 | 30.9 | 2.6 |
| System Energy | 30.4 | 4.0 | 32.8 | 3.6 | 30.2 | 2.9 |
| Total | $167.8 | $16.6 | $151.4 | $14.6 | $135.8 | $12.9 |

Sale and Leaseback Transactions

Waterford 3 Lease Obligations

In 1989, Entergy Louisiana sold and leased back 9.3% of its interest in Waterford 3 for the aggregate sum of $353.6 million. The lease has an approximate term of 28 years. The lessors financed the sale-leaseback through the issuance of Waterford 3 Secured Lease Obligation Bonds. The lease payments made by Entergy Louisiana are sufficient to service the debt.

In 1994, Entergy Louisiana did not exercise its option to repurchase the 9.3% interest in Waterford 3. As a result, Entergy Louisiana issued $208.2 million of non-interest bearing first mortgage bonds as collateral for the equity portion of certain amounts payable under the lease.

In 1997, the lessors refinanced the outstanding bonds used to finance the purchase of the 9.3% interest in Waterford 3 at lower interest rates, which reduced Entergy Louisiana's annual lease payments.

Upon the occurrence of certain events, Entergy Louisiana may be obligated to assume the outstanding bonds used to finance the purchase of the 9.3% interest in the unit and to pay an amount sufficient to withdraw from the lease transaction. Such events include lease events of default, events of loss, deemed loss events, or certain adverse

"Financial Events." "Financial Events" include, among other things, failure by Entergy Louisiana, following the expiration of any applicable grace or cure period, to maintain (i) total equity capital (including preferred membership interests) at least equal to 30% of adjusted capitalization, or (ii) a fixed charge coverage ratio of at least 1.50 computed on a rolling 12 month basis.

As of December 31, 2007, Entergy Louisiana's total equity capital (including preferred stock) was 57.0% of adjusted capitalization and its fixed charge coverage ratio for 2007 was 3.7.

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As of December 31, 2007, Entergy Louisiana had future minimum lease payments (reflecting an overall implicit rate of 7.45%) in connection with the Waterford 3 sale and leaseback transactions, which are recorded as long-term debt, as follows:

| | Amount (In Thousands) |
|---|---|
| 2008 | $22,606 |
| 2009 | 32,452 |
| 2010 | 35,138 |
| 2011 | 50,421 |
| 2012 | 39,067 |
| Years thereafter | 164,158 |
| Total | 343,842 |
| Less: Amount representing interest | 96,117 |
| Present value of net minimum lease payments | $247,725 |

Grand Gulf Lease Obligations

In December 1988, System Energy sold 11.5% of its undivided ownership interest in Grand Gulf for the aggregate sum of $500 million. Subsequently, System Energy leased back the 11.5% interest in the unit for a term of 26-1/2 years. System Energy has the option of terminating the lease and repurchasing the 11.5% interest in the unit at certain intervals during the lease. Furthermore, at the end of the lease term, System Energy has the option of renewing the lease or repurchasing the 11.5% interest in Grand Gulf.

In May 2004, System Energy caused the Grand Gulf lessors to refinance the outstanding bonds that they had issued to finance the purchase of their undivided interest in Grand Gulf. The refinancing is at a lower interest rate, and System Energy's lease payments have been reduced to reflect the lower interest costs.

System Energy is required to report the sale-leaseback as a financing transaction in its financial statements. For financial reporting purposes, System Energy expenses the interest portion of the lease obligation and the plant depreciation. However, operating revenues include the recovery of the lease payments because the transactions are accounted for as a sale and leaseback for ratemaking purposes. Consistent with a recommendation contained in a FERC audit report, System Energy initially recorded as a net regulatory asset the difference between the recovery of the lease payments and the amounts expensed for interest and depreciation and continues to record this difference as a regulatory asset or liability on an ongoing basis, resulting in a zero net balance for the regulatory asset at the end of the lease term. The amount of this net regulatory asset was $36.6 million and $51.1 million as of December 31, 2007 and 2006, respectively.

As of December 31, 2007, System Energy had future minimum lease payments (reflecting an implicit rate of 5.13%), which are recorded as long-term debt as follows:

| | Amount (In Thousands) |
|---|---|
| 2008 | $47,128 |
| 2009 | 47,760 |
| 2010 | 48,569 |
| 2011 | 49,437 |
| 2012 | 49,959 |
| Years thereafter | 154,436 |
| Total | 397,289 |
| Less: Amount representing interest | 75,284 |
| Present value of net minimum lease payments | $322,005 |



NOTE 11. RETIREMENT, OTHER POSTRETIREMENT BENEFITS, AND DEFINED CONTRIBUTION PLANS (Entergy Corporation, Entergy Arkansas, Entergy Gulf States Louisiana, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, and System Energy)

Qualified Pension Plans

Entergy has seven qualified pension plans covering substantially all of its employees: "Entergy Corporation Retirement Plan for Non-Bargaining Employees," "Entergy Corporation Retirement Plan for Bargaining Employees," "Entergy Corporation Retirement Plan II for Non-Bargaining Employees," "Entergy Corporation Retirement Plan II for Bargaining Employees," "Entergy Corporation Retirement Plan III," "Entergy Corporation Retirement Plan IV for Non-Bargaining Employees," and "Entergy Corporation Retirement Plan IV for Bargaining Employees." The Registrant Subsidiaries participate in two of these plans: "Entergy Corporation Retirement Plan for Non-Bargaining Employees" and "Entergy Corporation Retirement Plan for Bargaining Employees." Except for the Entergy Corporation Retirement Plan III, the pension plans are noncontributory and provide pension benefits that are based on employees' credited service and compensation during the final years before retirement. The Entergy Corporation Retirement Plan III includes a mandatory employee contribution of 3% of earnings during the first 10 years of plan participation, and allows voluntary contributions from 1% to 10% of earnings for a limited group of employees.

Entergy Corporation and its subsidiaries fund pension costs in accordance with contribution guidelines established by the Employee Retirement Income Security Act of 1974, as amended, and the Internal Revenue Code of 1986, as amended. The assets of the plans include common and preferred stocks, fixed-income securities, interest in a money market fund, and insurance contracts. The Registrant Subsidiaries' pension costs are recovered from customers as a component of cost of service in each of their jurisdictions. Entergy uses a December 31 measurement date for its pension plans.

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. This is measured as the difference between plan assets at fair value and the benefit obligation. Employers are to record previously unrecognized gains and losses, prior service costs, and the remaining transition asset or obligation as a result of adopting SFAS 87 and SFAS 106 as other comprehensive income (OCI) and/or as a regulatory asset reflective of the recovery mechanism for pension and OPEB costs in the Utility's jurisdictions. For the portion of Entergy Gulf States Louisiana that is not regulated, the unrecognized prior service cost, gains and losses, and transition asset/obligation for its pension and other postretirement benefit obligations are recorded as other comprehensive income. Entergy Gulf States Louisiana and Entergy Louisiana recover other postretirement benefits costs on a pay as you go basis and will record the unrecognized prior service cost, gains and losses, and transition obligation for its other postretirement benefit obligation as other comprehensive income. SFAS 158 also requires that changes in the funded status be recorded as other comprehensive income and/or a regulatory asset in the period in which the changes occur.

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Components of Qualified Net Pension Cost and Other Amounts Recognized as a Regulatory Asset and/or Other Comprehensive Income (OCI)

Entergy Corporation's and its subsidiaries' total 2007, 2006, and 2005 qualified pension costs and amounts recognized as a regulatory asset and/or other comprehensive income, including amounts capitalized, included the following components:

| | 2007 | 2006 | 2005 |
|---|---|---|---|
| | | (In Thousands) | |
| Net periodic pension cost: | | | |
| Service cost - benefits earned during the period | $96,565 | $92,706 | $82,520 |
| Interest cost on projected benefit obligation | 185,170 | 167,257 | 155,477 |
| Expected return on assets | (203,521) | (177,930) | (159,544) |
| Amortization of transition asset | - | - | (662) |
| Amortization of prior service cost | 5,531 | 5,462 | 4,863 |
| Recognized net loss | 45,775 | 43,721 | 35,604 |
| Curtailment loss | 2,336 | - | - |
| Special termination benefit loss | 4,018 | - | - |
| Net periodic pension costs | $135,874 | $131,216 | $118,258 |
| | | | |
| Other changes in plan assets and benefit obligations recognized as a regulatory asset and/or OCI (before tax) | | | |
| Arising this period: | | | |
| Prior services cost | $11,339 | | |
| Net gain | (68,853) | | |
| Amounts reclassified from regulatory asset and/or accumulated OCI to net periodic pension cost in the current year: | | | |
| Amortization of prior service credit | (5,531) | | |
| Amortization of net gain | (45,775) | | |
| Total | (108,820) | | |
| | | | |
| Total recognized as net periodic pension cost, regulatory asset, and/or OCI (before tax) | $27,054 | | |

| | | |
|---|---|---|
| Estimated amortization amounts from regulatory asset and/or accumulated OCI to net periodic cost in the following year | | |
| Prior service cost | $5,064 | $5,531 |
| Net loss | $25,641 | $44,316 |

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The Registrant Subsidiaries' total 2007, 2006, and 2005 qualified pension costs and amounts recognized as a regulatory asset and/or other comprehensive income, including amounts capitalized, included the following components:

| 2007 | Entergy Arkansas | Entergy Gulf States Louisiana | Entergy Louisiana | Entergy Mississippi | Entergy New Orleans | System Energy |
|---|---|---|---|---|---|---|
| | | | (In Thousands) | | | |
| Net periodic pension cost: | | | | | | |
| Service cost - benefits earned during the period | $14,550 | $12,043 | $8,924 | $4,357 | $1,878 | $4,083 |
| Interest cost on projected benefit obligation | 41,992 | 32,556 | 25,003 | 13,484 | 5,040 | 6,841 |
| Expected return on assets | (44,037) | (43,001) | (31,232) | (15,349) | (5,786) | (8,543) |
| Amortization of prior service cost | 1,649 | 1,217 | 640 | 455 | 178 | 49 |
| Recognized net loss | 10,885 | 2,492 | 5,733 | 2,998 | 1,471 | 600 |
| Special termination benefit loss | 1,538 | 443 | 607 | - | - | 211 |
| Net pension cost | $26,577 | $5,750 | $9,675 | $5,945 | $2,781 | $3,241 |
| | | | | | | |
| Other changes in plan assets and benefit obligations recognized as a regulatory asset and/or OCI (before tax) | | | | | | |
| Arising this period: | | | | | | |
| Net (gain)/loss | ($1,470) | ($7,115) | ($9,098) | ($5,388) | $1,221 | ($1,405) |
| Amounts reclassified from regulatory asset and/or accumulated OCI to net periodic pension cost in the current year: | | | | | | |
| Amortization of prior service credit | (1,649) | (1,218) | (640) | (455) | (178) | (49) |
| Amortization of net gain | (10,885) | (2,492) | (5,733) | (2,998) | (1,471) | (600) |
| Total | ($14,004) | ($10,825) | ($15,471) | ($8,841) | ($428) | ($2,054) |

| | | | | | | |
|---|---|---|---|---|---|---|
| Total recognized as net periodic pension cost, regulatory asset, and/or OCI (before tax) | $12,573 | ($5,075) | ($5,796) | ($2,896) | $2,353 | $1,187 |
| Estimated amortization amounts from regulatory asset and/or accumulated OCI to net periodic cost in the following year | | | | | | |
| Prior service cost | $892 | $438 | $478 | $361 | $207 | $34 |
| Net loss | $8,611 | $654 | $3,196 | $1,704 | $1,201 | $360 |



| 2006 | Entergy Arkansas | Entergy Gulf States Louisiana | Entergy Louisiana | Entergy Mississippi | Entergy New Orleans | System Energy |
|---|---|---|---|---|---|---|
| | | | (In Thousands) | | | |
| Net periodic pension cost: | | | | | | |
| Service cost - benefits earned during the period | $14,505 | $11,972 | $8,730 | $4,308 | $2,004 | $4,123 |
| Interest cost on projected benefit obligation | 39,660 | 31,657 | 24,206 | 13,008 | 5,127 | 6,417 |
| Expected return on assets | (39,335) | (40,702) | (28,454) | (14,733) | (3,534) | (7,101) |
| Amortization of prior service cost | 1,662 | 1,234 | 562 | 513 | 225 | 49 |
| Recognized net loss | 9,749 | 2,559 | 6,036 | 2,899 | 2,035 | 668 |
| Net pension cost | $26,241 | $6,720 | $11,080 | $5,995 | $5,857 | $4,156 |
| Estimated amortization amounts from regulatory asset and/or accumulated OCI to net periodic cost in the following year | | | | | | |
| Prior service cost | $1,649 | $1,218 | $640 | $455 | $178 | $49 |
| Net loss | $10,492 | $2,492 | $5,519 | $2,889 | $1,417 | $579 |

| 2005 | Entergy Arkansas | Entergy Gulf States Louisiana | Entergy Louisiana | Entergy Mississippi | Entergy New Orleans | System Energy |
|---|---|---|---|---|---|---|
| | | | (In Thousands) | | | |
| Net periodic pension cost: | | | | | | |

| | | | | | | |
|---|---|---|---|---|---|---|
| Service cost - benefits earned during the period | $12,893 | $10,646 | $7,712 | $3,902 | $1,799 | $3,621 |
| Interest cost on projected benefit obligation | 38,132 | 30,193 | 23,307 | 12,620 | 4,876 | 5,701 |
| Expected return on assets | (35,835) | (39,424) | (26,681) | (14,292) | (3,407) | (5,554) |
| Amortization of transition asset | - | - | - | - | - | (277) |
| Amortization of prior service cost | 1,662 | 1,234 | 562 | 513 | 225 | 50 |
| Recognized net loss | 7,885 | 1,646 | 4,687 | 2,249 | 1,805 | 877 |
| Net pension cost | $24,737 | $4,295 | $9,587 | $4,992 | $5,298 | $4,418 |

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Qualified Pension

**Obligations, Plan Assets, Funded Status, Amounts Not Yet Recognized and Recognized in the Balance Sheet for Entergy Corporation and its subsidiaries as of December 31, 2007 and 2006:**

| | December 31, | |
|---|---|---|
| | 2007 | 2006 |
| | (In Thousands) | |
| Change in Projected Benefit Obligation (PBO) | | |
| Balance at beginning of year | $3,122,043 | $2,894,008 |
| Service cost | 96,565 | 92,706 |
| Interest cost | 185,170 | 167,257 |
| Acquisitions and amendments | 52,142 | - |
| Curtailments | 2,603 | - |
| Special termination benefits | 4,018 | - |
| Actuarial (gain)/loss | (81,757) | 4,372 |
| Employee contributions | 971 | 1,003 |
| Benefits paid | (134,031) | (123,272) |
| Balance at end of year | $3,247,724 | $3,036,074 |
| | | |
| Change in Plan Assets | | |
| Fair value of assets at beginning of year | $2,508,354 | $1,994,879 |
| Actual return on plan assets | 190,616 | 270,976 |
| Employer contributions | 176,742 | 318,470 |
| Employee contributions | 971 | 1,003 |
| Acquisition | 21,731 | - |
| Benefits paid | (134,031) | (123,272) |
| Fair value of assets at end of year | $2,764,383 | $2,462,056 |
| | | |
| Funded status | ($483,341) | ($574,018) |

Amount recognized in the balance sheet (funded status under SFAS 158)

| | | |
|---|---|---|
| Non-current liabilities | ($483,341) | ($574,018) |
| Amount recognized as a regulatory asset | | |
| Prior service cost | $16,564 | $14,388 |
| Net loss | 436,789 | 498,502 |
| | $453,353 | $512,890 |
| Amount recognized as OCI (before tax) | | |
| Prior service cost | $2,649 | $9,544 |
| Net loss | 69,581 | 82,378 |
| | $72,230 | $91,922 |

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Qualified Pension Obligations, Plan Assets, Funded Status, and Amounts Not Yet Recognized and Recognized in the Balance Sheet for the Registrant Subsidiaries as of December 31, 2007 and 2006:

| 2007 | Entergy Arkansas | Entergy Gulf States Louisiana | Entergy Louisiana | Entergy Mississippi (In Thousands) | Entergy New Orleans | System Energy |
|---|---|---|---|---|---|---|
| Change in Projected Benefit Obligation (PBO) | | | | | | |
| Balance at 12/31/06 | $718,888 | $556,737 | $428,320 | $231,465 | $85,970 | $115,217 |
| Service cost | 14,550 | 12,043 | 8,924 | 4,357 | 1,878 | 4,083 |
| Interest cost | 41,992 | 32,556 | 25,003 | 13,484 | 5,040 | 6,841 |
| Special termination benefits | 1,538 | 442 | 607 | - | - | 211 |
| Actuarial (gain)/loss | (3,628) | (9,177) | (9,789) | (5,840) | 331 | (3,232) |
| Benefits paid | (38,982) | (28,694) | (23,678) | (13,504) | (4,087) | (2,603) |
| Jurisdictional separation | - | (245,910) | - | - | - | - |
| Balance at 12/31/07 | $734,358 | $317,997 | $429,387 | $229,962 | $89,132 | $120,517 |
| Change in Plan Assets | | | | | | |
| Fair value of assets at 12/31/06 | $568,076 | $539,733 | $407,101 | $201,112 | $46,298 | $87,369 |
| Actual return on plan assets | 41,878 | 40,939 | 30,541 | 14,897 | 4,896 | 6,716 |
| Employer contributions | 6,987 | 25,346 | - | 784 | 43,585 | 5,688 |
| Benefits paid | (38,982) | (28,694) | (23,678) | (13,504) | (4,087) | (2,603) |
| Jurisdictional separation | - | (242,144) | - | - | - | - |
| Fair value of assets at 12/31/07 | $577,959 | $335,180 | $413,964 | $203,289 | $90,692 | $97,170 |
| Funded status | ($156,399) | $17,183 | ($15,423) | ($26,673) | $1,560 | ($23,347) |
| Amounts recognized in the balance sheet (funded | | | | | | |

| | | | | | | |
|---|---|---|---|---|---|---|
| status) | | | | | | |
| Non-current assets | $ - | $35,992 | $ - | $ - | $1,560 | $ - |
| Non-current liabilities | (156,399) | (18,809) | (15,423) | (26,673) | - | (23,347) |
| Total funded status | ($156,399) | $17,183 | ($15,423) | ($26,673) | $1,560 | ($23,347) |
| | | | | | | |
| Amounts recognized as regulatory asset | | | | | | |
| Prior service cost | $3,204 | $1,095 | $1,998 | $1,211 | $635 | $137 |
| Net loss | 151,612 | 17,329 | 67,157 | 35,348 | 21,939 | 19,121 |
| | $154,816 | $18,424 | $69,155 | $36,559 | $22,574 | $19,258 |
| | | | | | | |
| Amounts recognized as OCI (before tax) | | | | | | |
| Prior service cost | $ - | $191 | $ - | $ - | $ - | $ - |
| Net loss | - | 3,022 | - | - | - | - |
| | $ - | $3,213 | $ - | $ - | $ - | $ - |

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| 2006 | Entergy Arkansas | Entergy Gulf States Louisiana | Entergy Louisiana | Entergy Mississippi | Entergy New Orleans | System Energy |
|---|---|---|---|---|---|---|
| | | | (In Thousands) | | | |
| Change in Projected Benefit Obligation (PBO) | | | | | | |
| Balance at 12/31/05 | $690,125 | $550,514 | $421,453 | $227,009 | $88,749 | $109,728 |
| Service cost | 14,505 | 11,972 | 8,730 | 4,308 | 2,004 | 4,123 |
| Interest cost | 39,660 | 31,657 | 24,206 | 13,008 | 5,127 | 6,417 |
| Actuarial (gain)/loss | 12,107 | (9,565) | (3,244) | 413 | (6,046) | (2,702) |
| Benefits paid | (37,509) | (27,841) | (22,825) | (13,273) | (3,864) | (2,350) |
| Balance at 12/31/06 | $718,888 | $556,737 | $428,320 | $231,465 | $85,970 | $115,216 |
| | | | | | | |
| Change in Plan Assets | | | | | | |
| Fair value of assets at 12/31/05 | $431,327 | $483,541 | $330,931 | $175,355 | $44,684 | $67,171 |
| Actual return on plan assets | 59,714 | 61,931 | 44,947 | 22,672 | 5,478 | 9,511 |
| Employer contributions | 114,544 | 22,102 | 54,048 | 16,357 | - | 13,037 |
| Benefits paid | (37,509) | (27,841) | (22,825) | (13,272) | (3,864) | (2,350) |

| | | | | | | |
|---|---|---|---|---|---|---|
| Fair value of assets at 12/31/06 | $568,076 | $539,733 | $407,101 | $201,112 | $46,298 | $87,369 |
| Funded status | ($150,812) | ($17,004) | ($21,219) | ($30,353) | ($39,672) | ($27,847) |
| Amounts recognized in the balance sheet (funded status under SFAS 158) | | | | | | |
| Non-current assets | $ - | $ - | $ - | $ - | $ - | $ - |
| Non-current liabilities | ($150,812) | ($17,004) | ($21,219) | ($30,353) | ($39,672) | ($27,847) |
| Total funded status | ($150,812) | ($17,004) | ($21,219) | ($30,353) | ($39,672) | ($27,847) |
| Amounts recognized as a regulatory asset | | | | | | |
| Prior service cost | $4,853 | $3,014 | $2,638 | $1,666 | $812 | $186 |
| Net loss | 163,966 | 44,600 | 81,987 | 43,734 | 22,191 | 21,126 |
| | $168,819 | $47,614 | $84,625 | $45,400 | $23,003 | $21,312 |
| Amounts recognized as OCI (before tax) | | | | | | |
| Prior service cost | $ - | $455 | $ - | $ - | $ - | $ - |
| Net loss | - | 6,736 | - | - | - | - |
| | $ - | $7,191 | $ - | $ - | $ - | $ - |



<u>Other Postretirement Benefits</u>

Entergy also currently provides health care and life insurance benefits for retired employees. Substantially all employees may become eligible for these benefits if they reach retirement age while still working for Entergy. Entergy uses a December 31 measurement date for its postretirement benefit plans.

Effective January 1, 1993, Entergy adopted SFAS 106, which required a change from a cash method to an accrual method of accounting for postretirement benefits other than pensions. At January 1, 1993, the actuarially determined accumulated postretirement benefit obligation (APBO) earned by retirees and active employees was estimated to be approximately $241.4 million for Entergy (other than the former Entergy Gulf States) and $128 million for Entergy Gulf States, Inc. (now split into Entergy Gulf States Louisiana and Entergy Texas.) Such obligations are being amortized over a 20-year period that began in 1993. For the most part, the Utility recovers SFAS 106 costs from customers and is required to contribute postretirement benefits collected in rates to an external trust.

Entergy Arkansas, Entergy Mississippi, Entergy New Orleans, and Entergy Texas have received regulatory approval to recover SFAS 106 costs through rates. Entergy Arkansas began recovery in 1998, pursuant to an APSC order. This order also allowed Entergy Arkansas to amortize a regulatory asset (representing the difference between SFAS 106 costs and cash expenditures for other postretirement benefits incurred for a five-year period that began January 1, 1993) over a 15-year period that began in January 1998.

The LPSC ordered Entergy Gulf States Louisiana and Entergy Louisiana to continue the use of the pay-as-you-go method for ratemaking purposes for postretirement benefits other than pensions. However, the LPSC retains the flexibility to examine individual companies' accounting for postretirement benefits to determine if special exceptions to this order are warranted.

Pursuant to regulatory directives, Entergy Arkansas, Entergy Mississippi, Entergy New Orleans, Entergy Texas, and System Energy contribute the postretirement benefit obligations collected in rates to trusts. System Energy is funding, on behalf of Entergy Operations, postretirement benefits associated with Grand Gulf.

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Components of Net Other Postretirement Benefit Cost and Other Amounts Recognized as a Regulatory Asset and/or Other Comprehensive Income (OCI)

Entergy Corporation's and its subsidiaries' total 2007, 2006, and 2005 other postretirement benefit costs, including amounts capitalized and amounts recognized as a regulatory asset and/or other comprehensive income, including amounts capitalized, included the following components:

| | 2007 | 2006 | 2005 |
|---|---|---|---|
| | | (In Thousands) | |
| Other post retirement costs: | | | |
| Service cost - benefits earned during the period | $44,137 | $41,480 | $37,310 |
| Interest cost on APBO | 63,231 | 57,263 | 51,883 |
| Expected return on assets | (25,298) | (19,024) | (17,402) |
| Amortization of transition obligation | 3,831 | 2,169 | 3,368 |
| Amortization of prior service cost | (15,836) | (14,751) | (13,738) |
| Recognized net loss | 18,972 | 22,789 | 22,295 |
| Special termination benefits | 603 | - | - |
| Net other postretirement benefit cost | $89,640 | $89,926 | $83,716 |
| Other changes in plan assets and benefit obligations recognized as a regulatory asset and /or OCI (before tax) | | | |
| Arising this period: | | | |
| Prior service credit for period | ($3,520) | | |
| Net gain | (15,013) | | |
| Amounts reclassified from regulatory asset and /or accumulated OCI to net periodic pension cost in the current year: | | | |
| Amortization of transition obligation | (3,831) | | |
| Amortization of prior service cost | 15,836 | | |
| Amortization of net loss | (18,972) | | |
| Total | ($25,500) | | |

| | | |
|---|---|---|
| Total recognized as net periodic other postretirement cost, regulatory asset, and/or OCI (before tax) | $64,140 | |
| Estimated amortization amounts from regulatory asset and/or accumulated OCI to net periodic cost in the following year | | |
| Transition obligation | $3,831 | $3,831 |
| Prior service cost | ($16,417) | ($15,837) |
| Net loss | $15,676 | $18,974 |



Total 2007, 2006, and 2005 other postretirement benefit costs of the Registrant Subsidiaries, including amounts capitalized and deferred, included the following components:

| 2007 | Entergy Arkansas | Entergy Gulf States Louisiana | Entergy Louisiana | Entergy Mississippi | Entergy New Orleans | System Energy |
|---|---|---|---|---|---|---|
| | | | (In Thousands) | | | |
| Other post retirement costs: | | | | | | |
| Service cost - benefits earned during the period | $6,099 | $6,188 | $3,890 | $1,904 | $1,019 | $1,804 |
| Interest cost on APBO | 12,147 | 11,504 | 7,764 | 4,195 | 3,480 | I,732 |
| Expected return on assets | (8,923) | (6,787) | - | (3,275) | (2,729) | (1,878) |
| Amortization of transition obligation | 821 | 604 | 382 | 351 | 1,662 | 9 |
| Amortization of prior service cost/(credit) | (788) | 872 | 467 | (246) | 361 | (1,130) |
| Recognized net loss | 6,001 | 3,169 | 3,059 | 2,449 | 1,129 | 591 |
| Special termination benefits | 251 | 79 | 124 | - | - | 38 |
| Net other postretirement benefit cost | $15,608 | $15,629 | $15,686 | $5,378 | $4,922 | $1,166 |
| | | | | | | |
| Other changes in plan assets and benefit obligations recognized as a regulatory asset and/or OCI (before tax) | | | | | | |
| Arising this period: | | | | | | |
| Net (gain)/loss | $4,045 | $7,031 | ($522) | ($2,046) | $1,226 | $2,034 |
| Amounts reclassified from regulatory asset and/or accumulated OCI to net periodic pension cost in the current year: | | | | | | |

| | | | | | | |
|---|---|---|---|---|---|---|
| Amortization of transition obligation | (821) | (604) | (382) | (351) | (1,662) | (9) |
| Amortization of prior service (cost)/credit | 788 | (872) | (467) | 246 | (361) | 1,130 |
| Amortization of net loss | (6,001) | (3,169) | (3,059) | (2,449) | (1,129) | (591) |
| Total | ($1,989) | $2,386 | ($4,430) | ($4,600) | ($1,926) | $2,564 |
| Total recognized as net periodic other postretirement cost, regulatory asset, and/or OCI (before tax) | $13,619 | $18,015 | $11,256 | $778 | $2,996 | $3,730 |
| Estimated amortization amounts from regulatory asset and/or accumulated OCI to net periodic cost in the following year | | | | | | |
| Transition (asset)/obligation | $821 | $338 | | | | |