ENTERGY CORP /DE/
Form 10-Q
August 07, 2014
Table of Contents

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

FORM 10-Q

(Mark One)

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

For the Quarterly Period Ended June 30, 2014
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 (a Delaware corporation) 639 Loyola Avenue New Orleans, Louisiana 70113 Telephone (504) 576-4000 72-1229752	1-31508	ENTERGY MISSISSIPPI, INC. (a Mississippi corporation) 308 East Pearl Street Jackson, Mississippi 39201 Telephone (601) 368-5000 64-0205830
1-10764	ENTERGY ARKANSAS, INC. (an Arkansas corporation) 425 West Capitol Avenue Little Rock, Arkansas 72201 Telephone (501) 377-4000 71-0005900	0-05807	ENTERGY NEW ORLEANS, INC. (a Louisiana corporation) 1600 Perdido Street New Orleans, Louisiana 70112 Telephone (504) 670-3700 72-0273040
0-20371	ENTERGY GULF STATES LOUISIANA, L.L.C. (a Louisiana limited liability company) 446 North Boulevard Baton Rouge, Louisiana 70802 Telephone (800) 368-3749 74-0662730	1-34360	ENTERGY TEXAS, INC. (a Texas corporation) 350 Pine Street Beaumont, Texas 77701 Telephone (409) 981-2000 61-1435798

1-32718	ENTERGY LOUISIANA, LLC (a Texas limited liability company) 446 North Boulevard Baton Rouge, Louisiana 70802 Telephone (800) 368-3749 75-3206126	1-09067	SYSTEM ENERGY RESOURCES, INC. (an Arkansas corporation) Echelon One 1340 Echelon Parkway Jackson, Mississippi 39213 Telephone (601) 368-5000 72-0752777

Table of Contents

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 R No o

Indicate by check mark whether the registrants have submitted electronically and posted on Entergy's corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes R No o

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 the definitions of "large accelerated filer," "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	ü			
Entergy Arkansas, Inc.			ü	
Entergy Gulf States Louisiana, L.L.C.			ü	
Entergy Louisiana, LLC			ü	
Entergy Mississippi, Inc.			ü	
Entergy New Orleans, Inc.			ü	
Entergy Texas, Inc.			ü	
System Energy Resources, Inc.			ü	

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

Common Stock Outstanding		Outstanding at July 31, 2014
Entergy Corporation	($0.01 par value)	179,608,009

Entergy Corporation, Entergy Arkansas, Inc., Entergy Gulf States Louisiana, L.L.C., Entergy Louisiana, LLC, Entergy Mississippi, Inc., Entergy New Orleans, Inc., Entergy Texas, Inc., and System Energy Resources, Inc. separately file this combined Quarterly Report on Form 10-Q. Information contained herein relating to any individual company is filed by such company on its own behalf. Each company reports herein only as to itself and makes no other representations whatsoever as to any other company. This combined Quarterly Report on Form 10-Q supplements and updates the Annual Report on Form 10-K for the calendar year ended December 31, 2013 and the Quarterly Report on Form 10-Q for the quarter ended March 31, 2014, filed by the individual registrants with the SEC, and should be read in conjunction therewith.

Table of Contents

ENTERGY CORPORATION AND SUBSIDIARIES
INDEX TO QUARTERLY REPORT ON FORM 10-Q
June 30, 2014

Table of Contents
ENTERGY CORPORATION AND SUBSIDIARIES
INDEX TO QUARTERLY REPORT ON FORM 10-Q
June 30, 2014

Table of Contents

FORWARD-LOOKING INFORMATION

In this combined report and from time to time, Entergy Corporation and the Registrant Subsidiaries each makes statements as a registrant 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 “may,” “will,” “could,” “project,” “believe,” “anticipate,” “intend,” “expect,” “estimate,” “potential,” “plan,” “predict,” “forecast,” and other similar words or expressions are intended to identify forward-looking statements but are not the only means to identify these statements. Although each of these registrants believes that these forward-looking statements and the underlying assumptions are reasonable, it cannot provide assurance that they will prove correct. Any forward-looking statement is based on information current as of the date of this combined report and speaks only as of the date on which such statement is made. Except to the extent required by the federal securities laws, these registrants undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

Forward-looking statements involve a number of risks and uncertainties. There are factors that could cause actual results to differ materially from those expressed or implied in the forward-looking statements, including those factors discussed or incorporated by reference in (a) Item 1A. Risk Factors in the Form 10-K, (b) Management’s Financial Discussion and Analysis in the Form 10-K and in this report, 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, Entergy’s utility supply plan, and recovery of fuel and purchased power costs;
- the termination of Entergy Arkansas’s participation in the System Agreement, which occurred in December 2013, the termination of Entergy Mississippi’s participation in the System Agreement in November 2015, the termination of Entergy Texas’s, Entergy Gulf States Louisiana’s, and Entergy Louisiana’s participation in the System Agreement after expiration of the proposed 60-month notice period or such other period as approved by the FERC;
- regulatory and operating challenges and uncertainties and economic risks associated with the Utility operating companies’ move to the MISO RTO, which occurred in December 2013, including the effect of current or projected RTO market rules and system conditions in the MISO markets, the allocation of MISO system transmission upgrade costs, and the effect of planning decisions that MISO makes with respect to future transmission investments by the Utility operating companies;
- 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, and the application of more stringent transmission reliability requirements or market power criteria by the FERC;
- changes in the regulation or regulatory oversight of Entergy’s nuclear generating facilities and nuclear materials and fuel, including with respect to the planned or potential shutdown of nuclear generating facilities owned or operated by the Entergy Wholesale Commodities business, and the effects of new or existing safety or environmental concerns regarding nuclear power plants and nuclear fuel;
- resolution of pending or future applications, and related regulatory proceedings and litigation, for license renewals or modifications or other authorizations required of nuclear generating facilities;
- the performance of and deliverability of power from Entergy’s generation resources, including 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 merchant generating facilities and the ability to hedge, meet credit support requirements for hedges, sell power forward or otherwise reduce the market price risk associated with those facilities, including the Entergy Wholesale Commodities nuclear plants;
- 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 or state energy legislation or legislation subjecting energy derivatives used in hedging and risk management transactions to governmental regulation;

Table of Contents
FORWARD-LOOKING INFORMATION (Concluded)

- changes in environmental, tax, and other laws, including requirements for reduced emissions of sulfur, nitrogen, greenhouse gases, mercury, and other regulated air emissions, and changes in costs of compliance with environmental and other laws and regulations;
- uncertainty regarding the establishment of interim or permanent sites for spent nuclear fuel and nuclear waste storage and disposal and the level of spent fuel disposal fees charged by the U.S. government related to such sites;
- variations in weather and the occurrence of hurricanes and other storms and disasters, including uncertainties associated with efforts to remediate the effects of hurricanes, ice storms, or other weather events and the recovery of costs associated with restoration, including accessing funded storm reserves, federal and local cost recovery mechanisms, securitization, and insurance;
- effects of climate change;
- changes in the quality and availability of water supplies and the related regulation of water use and diversion;
- Entergy’s ability to manage its capital projects and operation and maintenance costs;
- Entergy’s ability to purchase and sell assets at attractive prices and on other attractive terms;
- the economic climate, and particularly economic conditions in Entergy’s Utility service area and the Northeast United States and events that could influence economic conditions in those areas;
- 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 share repurchase programs, 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 or proceedings;
- changes in technology, including with respect to new, developing, or alternative sources of generation;
- the potential effects of threatened or actual terrorism, cyber attacks or data security breaches, including increased security costs, and war or a catastrophic event such as a nuclear accident or a natural gas pipeline explosion;
- Entergy’s ability to attract and retain talented management and directors;
- changes in accounting standards and corporate governance;
- declines in the market prices of marketable securities and resulting funding requirements for Entergy’s defined benefit pension and other postretirement benefit plans;
- future wage and employee benefit costs, including changes in discount rates and returns on benefit plan assets;
- changes in decommissioning trust fund values or earnings or in the timing of or cost to decommission nuclear plant sites;
- the implementation of the shutdown of Vermont Yankee by the end of 2014 and the related decommissioning of Vermont Yankee;
- the effectiveness of Entergy’s risk management policies and procedures and the ability and willingness of its counterparties to satisfy their financial and performance commitments;
- factors that could lead to impairment of long-lived assets; and
- the ability to successfully complete merger, acquisition, or divestiture plans, regulatory or other limitations imposed as a result of merger, acquisition, or divestiture, and the success of the business following a merger, acquisition, or divestiture.

Table of Contents

DEFINITIONS

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

Abbreviation or Acronym	Term
AFUDC	Allowance for Funds Used During Construction
ALJ	Administrative Law Judge
ANO 1 and 2	Units 1 and 2 of Arkansas Nuclear One (nuclear), owned by Entergy Arkansas
APSC	Arkansas Public Service Commission
ASLB	Atomic Safety and Licensing Board, the board within the NRC that conducts hearings and performs other regulatory functions that the NRC authorizes
ASU	Accounting Standards Update issued by the FASB
Board	Board of Directors of Entergy Corporation
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
D.C. Circuit	U.S. Court of Appeals for the District of Columbia Circuit
DOE	United States Department of Energy
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 formally created as part of 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 Texas	Entergy Texas, Inc., a company formally created as part of 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.
Entergy Wholesale Commodities (EWC)	Entergy's non-utility business segment primarily comprised of the ownership and operation of six nuclear power plants, the ownership of interests in non-nuclear power plants, and the sale of the electric power produced by those plants to wholesale customers
EPA	United States Environmental Protection Agency
ERCOT	Electric Reliability Council of Texas
FASB	Financial Accounting Standards Board
FERC	Federal Energy Regulatory Commission
FitzPatrick	James A. FitzPatrick Nuclear Power Plant (nuclear), owned by an Entergy subsidiary in the Entergy Wholesale Commodities business segment
Form 10-K	Annual Report on Form 10-K for the calendar year ended December 31, 2013 filed with the SEC by Entergy Corporation and its Registrant Subsidiaries
FTR	Financial transmission right
Grand Gulf	Unit No. 1 of Grand Gulf Nuclear 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, LLC
Indian Point 2	Unit 2 of Indian Point Energy Center (nuclear), owned by an Entergy subsidiary in the Entergy Wholesale Commodities business segment

Indian Point 3	Unit 3 of Indian Point Energy Center (nuclear), owned by an Entergy subsidiary in the Entergy Wholesale Commodities business segment

v

Table of Contents

DEFINITIONS (Concluded)

Abbreviation or Acronym	Term
IRS	Internal Revenue Service
ISO	Independent System Operator
kW	Kilowatt, which equals one thousand watts
kWh	Kilowatt-hour(s)
LPSC	Louisiana Public Service Commission
MISO	Midcontinent Independent System Operator, Inc., a regional transmission organization
MMBtu	One million British Thermal Units
MPSC	Mississippi Public Service Commission
MW	Megawatt(s), which equals one thousand kilowatts
MWh	Megawatt-hour(s)
Net debt to net capital ratio	Gross debt less cash and cash equivalents divided by total capitalization less cash and cash equivalents
Net MW in operation	Installed capacity owned and operated
NRC	Nuclear Regulatory Commission
NYPA	New York Power Authority
Palisades	Palisades Power Plant (nuclear), owned by an Entergy subsidiary in the Entergy Wholesale Commodities business segment
Pilgrim	Pilgrim Nuclear Power Station (nuclear), owned by an Entergy subsidiary in the Entergy Wholesale Commodities business segment
PPA	Purchased power agreement or power purchase agreement
PUCT	Public Utility Commission of Texas
Registrant Subsidiaries	Entergy Arkansas, Inc., Entergy Gulf States Louisiana, L.L.C., Entergy Louisiana, LLC, Entergy Mississippi, Inc., Entergy New Orleans, Inc., Entergy Texas, Inc., and System Energy Resources, Inc.
River Bend	River Bend Station (nuclear), owned by Entergy Gulf States Louisiana
RTO	Regional transmission organization
SEC	Securities and Exchange Commission
SMEPA	South Mississippi Electric Power Association, which owns a 10% interest in Grand Gulf
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. Entergy Arkansas terminated its participation in the System Agreement effective December 18, 2013.
System Energy	System Energy Resources, Inc.
TWh	Terawatt-hour(s), which equals one billion kilowatt-hours
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
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
Vermont Yankee	Vermont Yankee Nuclear Power Station (nuclear), owned by an Entergy subsidiary in the Entergy Wholesale Commodities business segment
Waterford 3	Unit No. 3 (nuclear) of the Waterford Steam Electric Station, 100% owned or leased by Entergy Louisiana

weather-adjusted usage	Electric usage excluding the effects of deviations from normal weather

vi

Table of Contents

ENTERGY CORPORATION AND SUBSIDIARIES

MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS

Entergy operates primarily through two business segments: Utility and Entergy Wholesale Commodities.

- The Utility business segment includes the generation, transmission, distribution, and sale of electric power in portions of Arkansas, Mississippi, Texas, and Louisiana, including the City of New Orleans; and operation of a small natural gas distribution business.
- The Entergy Wholesale Commodities business segment includes the ownership and operation of six nuclear power plants located in the northern United States and the sale of the electric power produced by those plants to wholesale customers. In August 2013, Entergy announced plans to close and decommission Vermont Yankee. The plant is expected to cease power production in the fourth quarter 2014 after its current fuel cycle. Entergy Wholesale Commodities also provides services to other nuclear power plant owners and owns interests in non-nuclear power plants that sell the electric power produced by those plants to wholesale customers.

Results of Operations

Second Quarter 2014 Compared to Second Quarter 2013

Following are income statement variances for Utility, Entergy Wholesale Commodities, Parent & Other, and Entergy comparing the second quarter 2014 to the second quarter 2013 showing how much the line item increased or (decreased) in comparison to the prior period:

	Utility	Entergy Wholesale Commodities	Parent & Other (a)	Entergy
	(In Thousands)			
2nd Quarter 2013 Consolidated Net Income (Loss)	$200,555	$11,531	($44,031)	$168,055
Net revenue (operating revenue less fuel expense, purchased power, and other regulatory charges/credits)	46,765	88,371	(4,789)	130,347
Other operation and maintenance expenses	(30,646)	9,037	(5,977)	(27,586)
Taxes other than income taxes	4,798	2,901	149	7,848
Depreciation and amortization	13,557	20,631	38	34,226
Other income	(16,036)	(1,466)	(1,773)	(19,275)
Interest expense	5,484	(655)	2,005	6,834
Other expenses	1,999	5,895	—	7,894
Income taxes	23,958	34,164	(2,492)	55,630
2nd Quarter 2014 Consolidated Net Income (Loss)	$212,134	$26,463	($44,316)	$194,281

(a) Parent & Other includes eliminations, which are primarily intersegment activity.

Refer to "ENTERGY CORPORATION AND SUBSIDIARIES - SELECTED OPERATING RESULTS" for further information with respect to operating statistics.

Table of Contents
Entergy Corporation and Subsidiaries
Management's Financial Discussion and Analysis

Net Revenue

Utility

Following is an analysis of the change in net revenue comparing the second quarter 2014 to the second quarter 2013:

	Amount (In Millions)
2013 net revenue	$1,371
Retail electric price	36
Asset retirement obligation	16
Volume/weather	(4)
Other	(1)
2014 net revenue	$1,418

The retail electric price variance is primarily due to:

- an annual base rate increase at Entergy Arkansas, as approved by the APSC, effective January 2014;
- a formula rate plan increase at Entergy Mississippi, as approved by the MPSC, effective September 2013;
- an annual base rate increase at Entergy Texas, effective April 2014, as a result of the PUCT's order in the September 2013 rate case;
- an increase in the energy efficiency rider at Entergy Arkansas, as approved by the APSC, effective July 2013. Energy efficiency revenues are largely offset by costs included in other operation and maintenance expenses and have minimal effect on net income; and
- an increase in Entergy Mississippi's storm damage rider, as approved by the MPSC, effective October 2013. The increase in the storm damage rider is offset by other operation and maintenance expenses and has no effect on net income.

See Note 2 to the financial statements herein and in the Form 10-K for a discussion of rate proceedings.

The asset retirement obligation affects net revenue because Entergy records a regulatory credit for the difference between asset retirement obligation-related expenses and trust earnings plus asset retirement obligation-related costs collected in revenue. The variance for the second quarter 2014 compared to the second quarter 2013 is primarily caused by an increase in the regulatory credits because of a decrease in decommissioning trust earnings.

The volume/weather variance is primarily due to the effect of less favorable weather on residential and commercial sales in second quarter 2014 as compared to the second quarter 2013, substantially offset by an increase in sales to industrial customers, primarily due to expansions in the chemicals and refining industries and growth in the small industrial segments.

Table of Contents
Entergy Corporation and Subsidiaries
Management's Financial Discussion and Analysis

Entergy Wholesale Commodities

Following is an analysis of the change in net revenue comparing the second quarter 2014 to the second quarter 2013:

	Amount (In Millions)
2013 net revenue	$383
Nuclear volume	60
Nuclear realized price changes	24
Mark-to-market value changes	17
Nuclear fuel expenses	(6)
Other	(7)
2014 net revenue	$471

As shown in the table above, net revenue for Entergy Wholesale Commodities increased by $88 million in the second quarter 2014 compared to the second quarter 2013 primarily due to:

- higher volume in its nuclear fleet resulting from fewer unplanned and refueling outage days in second quarter 2014 as compared to second quarter 2013, partially offset by a larger exercise of resupply options in second quarter 2013 compared to second quarter 2014 provided for in purchase power agreements where Entergy Wholesale Commodities may elect to supply power from another source when the plant is not running. Amounts related to the exercise of resupply options are included in the GWh billed in the table below;
- higher capacity prices;
- mark-to-market activity, which was positive for the quarter. See Note 8 to the financial statements herein for discussion of derivative instruments; and
- an increase in nuclear fuel expenses primarily due to increased generation as a result of fewer outage days, partially offset by lower DOE spent fuel disposal fees.

Following are key performance measures for Entergy Wholesale Commodities for the second quarter 2014 and 2013:

	2014	2013
Owned capacity (MW) (a)	6,068	6,612
GWh billed	11,533	11,172
Average realized revenue per MWh	$49.75	$47.36
Entergy Wholesale Commodities Nuclear Fleet		
Capacity factor	95%	82%
GWh billed	10,588	9,789
Average realized revenue per MWh	$49.79	$46.40
Refueling Outage Days:		
Pilgrim	—	45
Vermont Yankee	—	5

(a) The reduction in owned capacity is due to the retirement of the 544 MW Ritchie Unit 2 in November 2013.

Realized Revenue per MWh for Entergy Wholesale Commodities Nuclear Plants

See "MANAGEMENT’S FINANCIAL DISCUSSION AND ANALYSIS – Results of Operations - Realized Revenue per MWh for Entergy Wholesale Commodities Nuclear Plants" in the Form 10-K for a discussion

3

of the effects of sustained low natural gas prices and power market structure challenges on market prices for electricity in the New York and New England power regions over the past few years.

Other Income Statement Items

Utility

Other operation and maintenance expenses decreased from $587 million for the second quarter 2013 to $556 million for the second quarter 2014 primarily due to:

- a decrease of $22 million in payroll, compensation, and benefits costs primarily due to fewer employees, an increase in the discount rates used to determine net periodic pension and other postretirement benefit costs, and other postretirement benefit plan design changes. See "MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS – Critical Accounting Estimates" in the Form 10-K and Note 6 to the financial statements herein for further discussion of benefits costs;
- a decrease of $14 million resulting from costs incurred in 2013 related to the generator stator incident at ANO, including an offset for insurance proceeds. See "ANO Damage and Outage" below for further discussion of the incident;
- a decrease of $13 million resulting from costs incurred in 2013 related to the now-terminated plan to spin off and merge the Utility's transmission business;
- a decrease of $10 million in fossil-fueled generation expenses primarily resulting from a lower scope of work done during plant outages in 2014 as compared to the same period in 2013; and
- a decrease of $5 million due to costs incurred in 2013 related to the implementation of and transition to the MISO RTO.

The decrease was partially offset by:

- an increase of $8 million due to administration fees in 2014 related to participation in the MISO RTO. The net income effect is partially offset due to deferrals of these fees in certain jurisdictions. See Note 2 to the financial statements in the Form 10-K for further information on deferrals;
- an increase of $7 million in energy efficiency costs at Entergy Arkansas and Entergy Texas. These costs are recovered through energy efficiency riders and have a minimal effect on net income; and
- an increase of $6 million in storm damage accruals primarily at Entergy Arkansas effective January 2014, as approved by the APSC, and Entergy Mississippi effective October 2013, as approved by the MPSC.

Depreciation and amortization expenses increased primarily due to additions to plant in service and an increase in Entergy Arkansas depreciation rates.

Other income decreased primarily due to a decrease in earnings on decommissioning trust fund investments.

Entergy Wholesale Commodities

Depreciation and amortization expenses increased primarily due to a change effective in 2014 in the estimated average useful lives of plant in service as a result of a new depreciation study as well as additions to plant in service. The depreciation rate on average depreciable property for Entergy Wholesale Commodities property is approximately 5.6% in 2014.

Other operation and maintenance expenses increased from $252 million for the second quarter 2013 to $261 million for the second quarter 2014 primarily due to:

- $10 million in expenses incurred in the second quarter 2014 related to the shutdown of Vermont Yankee including severance and retention costs. See “Impairment of Long-Lived Assets” in Note 11 to the financial

4

statements herein for discussion regarding the planned shutdown of the Vermont Yankee plant by the end of 2014; and

- $5 million in transmission service credits received in the second quarter 2013.

The increase was partially offset by:

- a decrease of $5 million in compensation and benefits costs primarily due to fewer employees, an increase in the discount rates used to determine net periodic pension and other postretirement benefit costs, and other postretirement benefit plan design changes. See "MANAGEMENT’S FINANCIAL DISCUSSION AND ANALYSIS - Critical Accounting Estimates" in the Form 10-K and Note 6 to the financial statements herein for further discussion of benefits costs; and
- a decrease of $4 million due to the absence of expenses from Entergy Solutions District Energy, which was sold in November 2013.

Income Taxes

The effective income tax rate was 39.9% for the second quarter 2014. The difference in the effective income tax rate for the second quarter 2014 versus the statutory rate of 35% was primarily due to state income taxes, the provision for uncertain tax positions, and certain book and tax differences related to utility plant items.

The effective income tax rate was 30.3% for the second quarter 2013. The difference in the effective income tax rate for the second quarter 2013 versus the statutory rate of 35% was primarily due to lower state income taxes resulting from a state deferred tax adjustment. Also contributing to the lower rate were book and tax differences related to the allowance for equity funds used during construction, partially offset by certain book and tax differences related to utility plant items.

Six Months Ended June 30, 2014 Compared to Six Months Ended June 30, 2013

Following are income statement variances for Utility, Entergy Wholesale Commodities, Parent & Other, and Entergy comparing the six months ended June 30, 2014 to the six months ended June 30, 2013 showing how much the line item increased or (decreased) in comparison to the prior period:

	Utility	Entergy Wholesale Commodities	Parent & Other (a)	Entergy
	(In Thousands)			
2013 Consolidated Net Income (Loss)	$328,391	$93,646	($86,999)	$335,038
Net revenue (operating revenue less fuel expense, purchased power, and other regulatory charges/credits)	160,856	343,394	(7,609)	496,641
Other operation and maintenance expenses	(53,165)	12,575	(3,273)	(43,863)
Taxes other than income taxes	8,019	2,988	214	11,221
Depreciation and amortization	20,583	41,536	(46)	62,073
Other income	(12,060)	(4,301)	(1,676)	(18,037)
Interest expense	12,080	1,338	985	14,403
Other expenses	4,150	9,263	—	13,413
Income taxes	67,946	96,106	(7,991)	156,061

2014 Consolidated Net Income (Loss)	$417,574	$268,933	($86,173)	$600,334

(a) Parent & Other includes eliminations, which are primarily intersegment activity.

5

Refer to "ENTERGY CORPORATION AND SUBSIDIARIES - SELECTED OPERATING RESULTS" for further information with respect to operating statistics.

Net Revenue

Utility

Following is an analysis of the change in net revenue comparing the six months ended June 30, 2014 to the six months ended June 30, 2013:

	Amount (In Millions)
2013 net revenue	$2,594
Retail electric price	69
Volume/weather	66
Asset retirement obligation	21
Other	5
2014 net revenue	$2,755

The retail electric price variance is primarily due to:

- a formula rate plan increase at Entergy Mississippi, as approved by the MPSC, effective September 2013;
- an increase in the energy efficiency rider at Entergy Arkansas, as approved by the APSC, effective July 2013. Energy efficiency revenues are largely offset by costs included in other operation and maintenance expenses and have minimal effect on net income;
- an annual base rate increase at Entergy Arkansas, as approved by the APSC, effective January 2014;
- an annual base rate increase at Entergy Texas, effective April 2014, as a result of the PUCT's order in the September 2013 rate case;
- an increase in Entergy Mississippi's storm damage rider, as approved by the MPSC, effective October 2013. The increase in the storm damage rider is offset by other operation and maintenance expenses and has no effect on net income; and
- an increase in purchased power capacity costs at Entergy Louisiana and Entergy Gulf States Louisiana that are recovered through base rates set in the annual formula rate plan mechanisms.

See Note 2 to the financial statements herein and in the Form 10-K for a discussion of rate proceedings.

The volume/weather variance is primarily due to an increase of 2,823 GWh, or 6%, in billed electricity usage, including the effect of more favorable weather on residential and commercial sales in the six months ended June 30, 2014 as compared to the six months ended June 30, 2013 and an increase in sales to industrial customers. The increase in industrial sales was primarily due to expansions, recovery of a major refining customer from an unplanned outage in 2013, and continued moderate growth in the manufacturing sector.

The asset retirement obligation affects net revenue because Entergy records a regulatory credit for the difference between asset retirement obligation-related expenses and trust earnings plus asset retirement obligation-related costs collected in revenue. The variance for the six months ended June 30, 2014 as compared to the six months ended June 30, 2013 is primarily caused by an increase in the regulatory credits because of a decrease in decommissioning trust earnings.

6

Entergy Wholesale Commodities

Following is an analysis of the change in net revenue comparing the six months ended June 30, 2014 to the six months ended June 30, 2013:

	Amount (In Millions)
2013 net revenue	$876
Nuclear realized price changes	261
Nuclear volume	62
Mark-to-market value changes	46
Nuclear fuel expenses	(8)
Other	(18)
2014 net revenue	$1,219

As shown in the table above, net revenue for Entergy Wholesale Commodities increased by $343 million in the six months ended June 30, 2014 compared to the six months ended June 30, 2013 primarily due to:

- higher realized wholesale energy prices primarily due to increases in Northeast market power prices and higher capacity prices. Entergy Wholesale Commodities’ hedging strategies routinely include financial instruments that manage operational and liquidity risk. These positions, in addition to a larger-than-normal unhedged position in 2014 due to Vermont Yankee being in its final year of operation, allowed Entergy Wholesale Commodities to benefit from increases in Northeast market power prices;
- higher volume in its nuclear fleet resulting from fewer unplanned and refueling outage days in the six months ended June 30, 2014 compared to the six months ended June 30, 2013, partially offset by a larger exercise of resupply options in the six months ended June 30, 2013 compared to the six months ended June 30, 2014 provided for in purchase power agreements where Entergy Wholesale Commodities may elect to supply power from another source when the plant is not running. Amounts related to the exercise of resupply options are included in the GWh billed in the table below;
- mark-to-market activity, which was positive for the six months ended June 30, 2014. See Note 8 to the financial statements herein for discussion of derivative instruments; and
- an increase in nuclear fuel expenses primarily due to increased generation as a result of fewer outage days, partially offset by lower DOE spent fuel disposal fees.

Following are key performance measures for Entergy Wholesale Commodities for the six months ended June 30, 2014 and 2013:

	2014	2013
Owned capacity (MW) (a)	6,068	6,612
GWh billed	21,547	21,559
Average realized revenue per MWh	$68.77	$52.80
Entergy Wholesale Commodities Nuclear Fleet		
Capacity factor	89%	82%
GWh billed	19,667	19,035
Average realized revenue per MWh	$67.83	$51.95
Refueling Outage Days:		
Indian Point 2	24	—
Indian Point 3	—	28
Palisades	56	—
Pilgrim	—	45
Vermont Yankee	—	27

(a) The reduction in owned capacity is due to the retirement of the 544 MW Ritchie Unit 2 in November 2013.

Other Income Statement Items

Utility

Other operation and maintenance expenses decreased from $1,107 million for the six months ended June 30, 2013 to $1,054 million for the six months ended June 30, 2014 primarily due to:

- a decrease of $37 million in payroll, compensation, and benefits costs primarily due to fewer employees, an increase in the discount rates used to determine net periodic pension and other postretirement benefit costs, and other postretirement benefit plan design changes. See "MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS – Critical Accounting Estimates" in the Form 10-K and Note 6 to the financial statements herein for further discussion of benefits costs;
- a decrease of $23 million in fossil-fueled generation expenses primarily resulting from a lower scope of work done during plant outages in 2014 as compared to the same period in 2013;
- a decrease of $19 million resulting from costs incurred in 2013 related to the now-terminated plan to spin off and merge the Utility's transmission business;
- a decrease of $14 million resulting from costs incurred in 2013 related to the generator stator incident at ANO, including an offset for insurance proceeds. See "ANO Damage and Outage" below for further discussion of the incident; and
- a decrease of $9 million due to costs incurred in 2013 related to the implementation of and transition to the MISO RTO.

The decrease was partially offset by:

- an increase of $18 million due to administration fees in 2014 related to participation in the MISO RTO. The net income effect is partially offset due to deferrals of these fees in certain jurisdictions. See Note 2 to the financial statements in the Form 10-K for further information on deferrals;

- an increase of $14 million in energy efficiency costs at Entergy Arkansas and Entergy Texas. These costs are recovered through energy efficiency riders and have a minimal effect on net income; and

8

Table of Contents

- an increase of $13 million in storm damage accruals primarily at Entergy Arkansas effective January 2014, as approved by the APSC, and at Entergy Mississippi effective October 2013, as approved by the MPSC.

Depreciation and amortization expenses increased primarily due to additions to plant in service and an increase in Entergy Arkansas depreciation rates.

Other income decreased primarily due to a decrease in earnings on decommissioning trust fund investments.

Interest expense increased primarily due to net debt issuances of first mortgage bonds by Entergy Louisiana in the second and third quarters of 2013 and the lease renewal in December 2013 of the Grand Gulf sale leaseback. See Note 5 to the financial statements in the Form 10-K for more details of long-term debt.

Entergy Wholesale Commodities

Depreciation and amortization expenses increased primarily due to a change effective in 2014 in the estimated average useful lives of plant in service as a result of a new depreciation study as well as additions to plant in service.

Other operation and maintenance expenses increased from $483 million for the six months ended June 30, 2013 to $496 million for the six months ended June 30, 2014 primarily due to:

- $19 million in expenses incurred in the six months ended June 30, 2014 related to the shutdown of Vermont Yankee including severance and retention costs. See “Impairment of Long-Lived Assets” in Note 11 to the financial statements herein for discussion regarding the planned shutdown of the Vermont Yankee plant by the end of 2014; and
- $8 million in transmission service credits received in the six months ended June 30, 2013.

The increase was partially offset by:

- a decrease of $9 million in compensation and benefits costs primarily due to fewer employees, an increase in the discount rates used to determine net periodic pension and other postretirement benefit costs, and other postretirement benefit plan design changes. See "MANAGEMENT’S FINANCIAL DISCUSSION AND ANALYSIS - Critical Accounting Estimates" in the Form 10-K and Note 6 to the financial statements herein for further discussion of benefits costs; and
- a decrease of $7 million due to the absence of expenses from Entergy Solutions District Energy, which was sold in November 2013.

Income Taxes

The effective income tax rate was 36.5% for the six months ended June 30, 2014. The difference in the effective income tax rate for the six months ended June 30, 2014 versus the statutory rate of 35% was primarily due to the provision for uncertain tax positions and certain book and tax differences related to utility plant items, partially offset by book and tax differences related to the allowance for equity funds used during construction and from a deferred state income tax reduction related to a New York tax law change. See Note 10 to the financial statements herein for a discussion of the New York tax law change.

The effective income tax rate was 36.2% for the six months ended June 30, 2013. The difference in the effective income tax rate for the six months ended June 30, 2013 versus the statutory rate of 35% was primarily due to certain book and tax differences related to utility plant items, partially offset by book and tax differences related to the allowance for equity funds used during construction and lower state income taxes resulting from a state deferred tax adjustment.

Table of Contents
Entergy Corporation and Subsidiaries
Management's Financial Discussion and Analysis

Entergy Wholesale Commodities Authorizations to Operate Its Nuclear Power Plants

See the Form 10-K for a discussion of the NRC operating licenses for Indian Point 2 and Indian Point 3 and the NRC license renewal applications in process for these plants. Following is an update to the discussion regarding the NRC proceedings. In April 2014 the ASLB granted Entergy’s motion to dismiss as moot a contention by Riverkeeper alleging that the Final Supplemental Environmental Impact Statement failed to adequately address endangered species issues. At the same time, the ASLB denied a motion filed by Riverkeeper in August 2013 to amend its endangered species contention. These ASLB decisions were not appealed and are now final, leaving three Track 2 contentions. The NRC staff expects to issue a further supplemental Safety Evaluation Report no later than November 7, 2014. Testimony on the remaining Track 2 contentions has not been completed, and Track 2 hearings have not been scheduled.

In proceedings before the New York State Department of Environmental Conservation (NYSDEC), the ALJs conducted an additional legislative hearing and issues conference in July 2014 triggered by NYSDEC staff’s proposal of permanent outages to protect fish organisms as an alternative form of best technology available. The ALJs stated at the issues conference that as a result of comments received, hearings on NYSDEC staff’s alternative best technology available proposal preliminarily scheduled for January 2015 would be postponed to a future date.

With respect to Entergy’s first Coastal Zone Management Act (CZMA) initiative (previous review), in May 2014 the New York State Department of State (NYSDOS) responded to questions the NRC staff submitted in December 2013. In July 2014, Entergy submitted comments on NYSDOS’s responses and NYSDOS filed a reply to those comments. The NRC staff advised the ASLB that it plans to issue further questions on previous review to NYSDOS and Entergy by late September 2014. With respect to Entergy’s second CZMA initiative (grandfathering), briefing of Entergy’s appeal to the intermediate New York State court was completed and the court stated it will schedule oral argument in October 2014.

See “Critical Accounting Estimates - Nuclear Decommissioning Costs” below and “Impairment of Long-Lived Assets” in Note 11 to the financial statements herein for discussions regarding the planned shutdown of the Vermont Yankee plant by the end of 2014.

ANO Damage and Outage

See "MANAGEMENT’S FINANCIAL DISCUSSION AND ANALYSIS - ANO Damage and Outage" in the Form 10-K for a discussion of the ANO stator incident. The total cost of assessment, restoration of off-site power, site restoration, debris removal, and replacement of damaged property and equipment was approximately $95 million as of June 30, 2014. In addition, Entergy Arkansas incurred replacement power costs for ANO 2 power during its outage and incurred incremental replacement power costs for ANO 1 power because the outage extended beyond the originally-planned duration of the refueling outage. In February 2014 the APSC approved Entergy Arkansas’s request to exclude from the calculation of its revised energy cost rate $65.9 million of deferred fuel and purchased energy costs incurred in 2013 as a result of the ANO stator incident. The APSC authorized Entergy Arkansas to retain the $65.9 million in its deferred fuel balance with recovery to be reviewed in a later period after more information regarding various claims associated with the ANO stator incident is available.

Entergy Arkansas is assessing its options for recovering damages that resulted from the stator drop, including its insurance coverage and legal action. Entergy is a member of Nuclear Electric Insurance Limited (NEIL), a mutual insurance company that provides property damage coverage to the members’ nuclear generating plants, including ANO. NEIL has notified Entergy that it believes that a $50 million course of construction sublimit applies to any loss associated with the lifting apparatus failure and stator drop at ANO. Entergy has responded that it disagrees with NEIL's position and is evaluating its options for enforcing its rights under the policy. On July 12, 2013, Entergy Arkansas filed a complaint in the Circuit Court in Pope County, Arkansas against the owner of the heavy-lifting apparatus that collapsed, an engineering firm, a contractor, and certain individuals asserting claims of breach of contract, negligence, and gross negligence in connection with their responsibility for the stator drop. During 2014, Entergy Arkansas collected $33 million from NEIL and is pursuing additional recoveries due under the policy.

Shortly after the stator incident, the NRC deployed an augmented inspection team to review the plant's response. In July 2013 a second team of NRC inspectors visited ANO to evaluate certain items that were identified as requiring follow-up inspection to determine whether performance deficiencies existed. In March 2014 the NRC issued an inspection report on the follow-up inspection that discussed two preliminary findings, one that was preliminarily determined to be “red with high safety significance” for Unit 1 and one that was preliminarily determined to be “yellow with substantial safety significance” for Unit 2, with the NRC indicating further that these preliminary findings may warrant additional regulatory oversight. This report also noted that one additional item related to flood barrier effectiveness was still under review.

In May 2014 the NRC met with Entergy during a regulatory conference to discuss the preliminary red and yellow findings and Entergy's response to the findings. During the regulatory conference, Entergy presented information on the facts and assumptions the NRC used to assess the potential findings. The NRC used the information provided by Entergy at the regulatory conference to finalize its decision regarding the inspection team’s findings. In a letter dated June 23, 2014, the NRC classified both findings as “yellow with substantial safety significance.” In an assessment follow-up letter for ANO dated July 29, 2014, the NRC stated that given the two yellow findings, it determined that the performance at ANO is in the “degraded cornerstone column,” or column 3, of the NRC’s reactor oversight process action matrix beginning the first quarter 2014. The NRC plans to conduct supplemental inspection activity to review the actions taken to address the yellow findings. Corrective actions in response to the NRC’s findings have been taken and remain ongoing at ANO. Entergy will continue to interact with the NRC to address the NRC’s findings.

Liquidity and Capital Resources

See "MANAGEMENT’S FINANCIAL DISCUSSION AND ANALYSIS - Liquidity and Capital Resources" in the Form 10-K for a discussion of Entergy’s capital structure, capital expenditure plans and other uses of capital, and sources of capital. Following are updates to that discussion.

Capital Structure

Entergy’s capitalization is balanced between equity and debt, as shown in the following table.

	June 30, 2014		December 31, 2013	
Debt to capital	56.9	%	57.9	%
Effect of excluding the securitization bonds	(1.5	%)	(1.6	%)
Debt to capital, excluding securitization bonds (a)	55.4	%	56.3	%
Effect of subtracting cash	(1.3	%)	(1.5	%)
Net debt to net capital, excluding securitization bonds (a)	54.1	%	54.8	%

(a) Calculation excludes the Arkansas, Louisiana, and Texas securitization bonds, which are non-recourse to Entergy Arkansas, Entergy Louisiana, and Entergy Texas, respectively.

Net debt consists of debt less cash and cash equivalents. Debt consists of notes payable and commercial paper, capital lease obligations, and long-term debt, including the currently maturing portion. Capital consists of debt, common shareholders’ equity, and subsidiaries’ preferred stock without sinking fund. Net capital consists of capital less cash and cash equivalents. Entergy uses the debt to capital ratios excluding securitization bonds in analyzing its financial condition and believes they provide useful information to its investors and creditors in evaluating Entergy’s financial condition because the securitization bonds are non-recourse to Entergy, as more fully described in Note 5 to the financial statements in the Form 10-K. Entergy also uses the net debt to net capital ratio excluding securitization bonds in analyzing its financial condition and believes it provides useful information to its investors and creditors in evaluating Entergy's financial condition because net debt indicates Entergy's outstanding debt position that could not be readily satisfied by cash and cash equivalents on hand.

Table of Contents
Entergy Corporation and Subsidiaries
Management's Financial Discussion and Analysis

Entergy Corporation has in place a credit facility that has a borrowing capacity of $3.5 billion and expires in March 2019. Entergy Corporation has the ability to issue letters of credit against 50% of the total borrowing capacity of the facility. Following is a summary of the borrowings outstanding and capacity available under the facility as of June 30, 2014:

Capacity	Borrowings	Letters of Credit	Capacity Available
(In Millions)			
$3,500	$195	$8	$3,297

A covenant in Entergy Corporation's credit facility requires Entergy to maintain a consolidated debt ratio of 65% or less of its total capitalization. The calculation of this debt ratio under Entergy Corporation's credit facility is different than the calculation of the debt to capital ratio above. Entergy is currently in compliance with the covenant. If Entergy fails to meet this ratio, or if Entergy or one of the Utility operating companies (except Entergy New Orleans) defaults on other indebtedness or is in bankruptcy or insolvency proceedings, an acceleration of the facility's maturity date may occur. See Note 4 to the financial statements herein for additional discussion of the Entergy Corporation credit facility and discussion of the Registrant Subsidiaries' credit facilities.

See Note 4 to the financial statements herein for additional discussion of the Entergy Corporation commercial paper program. As of June 30, 2014, Entergy Corporation had $909 million of commercial paper outstanding.

Capital Expenditure Plans and Other Uses of Capital

See the table and discussion in the Form 10-K under "MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS - Liquidity and Capital Resources - Capital Expenditure Plans and Other Uses of Capital," that sets forth the amounts of planned construction and other capital investments by operating segment for 2014 through 2016.

Following are the amounts of Entergy's planned construction and other capital investments by operating segment for 2014 through 2016.

Planned construction and capital investments	2014	2015	2016
	(In Millions)		
Utility:			
Generation	$660	$490	$605
Transmission	540	645	605
Distribution	685	565	580
Other	160	180	150
Total	2,045	1,880	1,940
Entergy Wholesale Commodities	420	380	230
Total	$2,465	$2,260	$2,170

The updated capital plan for 2014-2016 reflects additional spending for 2014 storms, potential new generation resource requirements, transmission to support economic development and reliability, partially offset by a shift in environmental compliance spending due to a likely later compliance date as well as other capital plan refinements.

Ninemile Point Unit 6 Self-Build Project

See the Form 10-K for a discussion of Entergy Louisiana’s construction of a combined-cycle gas turbine generating facility (Ninemile 6) at its existing Ninemile Point electric generating station. The Ninemile 6 capacity and energy will be allocated 55% to Entergy Louisiana, 25% to Entergy Gulf States Louisiana, and 20% to Entergy New

Orleans. Under terms approved by the LPSC, costs may be recovered through Entergy Louisiana’s and Entergy Gulf States Louisiana’s formula rate plans beginning in the month after the unit is placed in service. In July 2014, Entergy Louisiana and Entergy Gulf States Louisiana filed an unopposed stipulation with the LPSC that estimates a first year revenue requirement associated with Ninemile 6 of $57.1 million for Entergy Louisiana and $28.5 million for Entergy Gulf States Louisiana. A hearing on the stipulation is scheduled to be held before an ALJ in August 2014. Entergy New Orleans expects to recover the costs associated with Ninemile 6 through a rider until new base rates are established in its next base rate proceeding.

Dividends

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 July 2014 meeting, the Board declared a dividend of $0.83 per share, which is the same quarterly dividend per share that Entergy has paid since the second quarter 2010.

Sources of Capital

Hurricane Isaac

As discussed in the Form 10-K, total restoration costs for the repair and replacement of electric facilities damaged by Hurricane Isaac were $73.8 million for Entergy Gulf States Louisiana and $247.7 million for Entergy Louisiana. In January 2013, Entergy Gulf States Louisiana and Entergy Louisiana drew $65 million and $187 million, respectively, from their funded storm reserve escrow accounts. In April 2013, Entergy Gulf States Louisiana and Entergy Louisiana filed a joint application with the LPSC relating to Hurricane Isaac system restoration costs. Following an evidentiary hearing and recommendations by the ALJ, the LPSC voted in June 2014 to approve a series of orders which (i) quantify the amount of Hurricane Isaac system restoration costs prudently incurred ($66.5 million for Entergy Gulf States Louisiana and $224.3 million for Entergy Louisiana); (ii) determine the level of storm reserves to be re-established ($90 million for Entergy Gulf States Louisiana and $200 million for Entergy Louisiana); (iii) authorize Entergy Gulf States Louisiana and Entergy Louisiana to utilize Louisiana Act 55 financing for Hurricane Isaac system restoration costs; and (iv) grant other requested relief associated with storm reserves and Act 55 financing of Hurricane Isaac system restoration costs. Approvals for the Act 55 financings were obtained from the Louisiana Utilities Restoration Corporation (LURC) and the Louisiana State Bond Commission.

In August 2014 the Louisiana Local Government Environmental Facilities and Community Development Authority (LCDA) issued $71 million in bonds under Act 55 of the Louisiana Legislature. From the $69 million of bond proceeds loaned by the LCDA to the LURC, the LURC deposited $3 million in a restricted escrow account as a storm damage reserve for Entergy Gulf States Louisiana and transferred $66 million directly to Entergy Gulf States Louisiana. From the bond proceeds received by Entergy Gulf States Louisiana from the LURC, Entergy Gulf States Louisiana then immediately used the $66 million to acquire 662,426.80 Class C preferred, non-voting, membership interest units of Entergy Holdings Company LLC, a company wholly-owned and consolidated by Entergy, that carry a 7.5% annual distribution rate. Distributions are payable quarterly commencing on September 15, 2014, and the membership interests have a liquidation price of $100 per unit. The preferred membership interests are callable at the option of Entergy Holdings Company LLC after ten years under the terms of the LLC agreement. The terms of the membership interests include certain financial covenants to which Entergy Holdings Company LLC is subject, including the requirement to maintain a net worth of at least $1.75 billion.

In August 2014 the LCDA issued another $243.85 million in bonds under Act 55 of the Louisiana Legislature. From the $240 million of bond proceeds loaned by the LCDA to the LURC, the LURC deposited $13 million in a restricted escrow account as a storm damage reserve for Entergy Louisiana and transferred $227 million directly to Entergy Louisiana. From the bond proceeds received by Entergy Louisiana from the LURC, Entergy Louisiana then immediately used the $227 million to acquire 2,272,725.89 Class C preferred, non-voting, membership interest units of Entergy Holdings Company LLC that carry a 7.5% annual distribution rate. Distributions are payable quarterly commencing on September 15, 2014, and the membership interests have a liquidation price of $100 per unit. The preferred membership interests are callable at the option of Entergy Holdings Company LLC after ten years under the terms of the LLC agreement. The terms of the membership interests include certain financial covenants to which Entergy Holdings Company LLC is subject, including the requirement to maintain a net worth of at least $1.75 billion.

Entergy, Entergy Gulf States Louisiana, and Entergy Louisiana will not report the bonds on their balance sheets because the bonds are the obligation of the LCDA and there is no recourse against Entergy, Entergy Gulf States Louisiana, or Entergy Louisiana in the event of a bond default. To service the bonds, Entergy Gulf States Louisiana and Entergy Louisiana will collect a system restoration charge on behalf of the LURC, and remit the collections to the bond indenture trustee. Entergy, Entergy Gulf States Louisiana, and Entergy Louisiana will not report the collections as revenue because they are merely acting as the billing and collection agents for the state.

Total restoration costs for the repair and replacement of Entergy New Orleans’s electric facilities damaged by Hurricane Isaac were $47.3 million. Entergy New Orleans withdrew $17.4 million from the storm reserve escrow account to partially offset these costs. In February 2014, Entergy New Orleans made a filing with the City Council seeking certification of the Hurricane Isaac costs. In July 2014 the City Council adopted a procedural schedule that provides for hearings on the merits in September 2015.

Cash Flow Activity

As shown in Entergy’s Consolidated Statements of Cash Flows, cash flows for the six months ended June 30, 2014 and 2013 were as follows:

	2014	2013
	(In Millions)	
Cash and cash equivalents at beginning of period	$739	$533
Cash flow provided by (used in):		
Operating activities	1,529	1,116
Investing activities	(1,391)	(1,305)
Financing activities	(227)	(33)
Net decrease in cash and cash equivalents	(89)	(222)
Cash and cash equivalents at end of period	$650	$311

Operating Activities

Net cash provided by operating activities increased by $413 million for the six months ended June 30, 2014 compared to the six months ended June 30, 2013 primarily due to:

- higher Entergy Wholesale Commodities and Utility net revenues in 2014 as compared to the same period in 2013, as discussed previously;
- a decrease in income tax payments of $69 million in the six months ended June 30, 2014 compared to the six months ended June 30, 2013; and
- approximately $25 million in spending in 2013 related to the generator stator incident at ANO, as discussed previously.

The increase was partially offset by an increase of $94 million in pension contributions in 2014 and decreased recovery of fuel costs. See "MANAGEMENT’S FINANCIAL DISCUSSION AND ANALYSIS – Critical Accounting Estimates" in the Form 10-K and Note 6 to the financial statements herein for a discussion of qualified pension and other postretirement benefits funding.

Investing Activities

Net cash flow used in investing activities increased by $86 million for the six months ended June 30, 2014 compared to the six months ended June 30, 2013 primarily due to:

- the withdrawal of a total of $252 million from Entergy Louisiana’s and Entergy Gulf States Louisiana’s storm reserve escrow accounts in 2013 as a result of Hurricane Isaac. See Note 2 to the financial statements herein and in the Form 10-K for a discussion of Hurricane Isaac;
- deposit of Entergy Louisiana bond proceeds with a trustee in June 2014. Entergy Louisiana issued $170 million of 5.0% Series first mortgage bonds in June 2014 and used the proceeds, in July 2014, to redeem, prior to maturity, its $70 million of 6.4% Series first mortgage bonds due October 2034 and its $100 million of 6.3% Series first mortgage bonds due September 2035; and
- an increase in nuclear fuel purchases due to variations from year to year in the timing and pricing of fuel reload requirements, material and services deliveries, and the timing of cash payments during the nuclear fuel cycle.

The increase was partially offset by:

- a decrease in construction expenditures, primarily in the Utility business, including a decrease in spending on the Ninemile 6 self-build project, spending in 2013 on the generator stator incident at ANO, and spending in 2013 on the Waterford 3 steam generator project, partially offset by an increase in storm restoration spending;
- a change in collateral deposit activity, reflected in the “Increase in other investments” line on the Consolidated Statement of Cash Flows, as Entergy received net deposits of $28 million in 2014 and returned net deposits of $34 million in 2013. Entergy Wholesale Commodities’s forward sales contracts are discussed in the “Market and Credit Risk Sensitive Instruments” section below; and
- $24 million in insurance proceeds received in the first quarter 2014 for property damages related to the generator stator incident at ANO, as discussed above.

Financing Activities

Net cash flow used in financing activities increased by $194 million for the six months ended June 30, 2014 compared to the six months ended June 30, 2013 primarily due to:

- long-term debt activity providing approximately $7 million of cash in 2014 compared to using $36 million of cash in 2013. Included in the long-term debt activity is $60 million in 2014 and $605 million in 2013 for the repayment of borrowings on the Entergy Corporation long-term credit facility;
- Entergy Corporation repaid $136 million of commercial paper in 2014 and issued, in part, $283 million in 2013 to repay borrowings on its long-term credit facility;
- a net increase of $188 million in 2014 in short-term borrowings by the nuclear fuel company variable interest entities;
- $70 million in short-term borrowings under the Utility operating companies’ credit facilities in 2013;
- an increase of $65 million in treasury stock issuances in 2014 primarily due to a larger amount of previously repurchased Entergy Corporation common stock issued in 2014 to satisfy stock option exercises; and
- the repurchase of $18 million of common stock in 2014.

For details of long-term debt activity and Entergy’s commercial paper program in 2014, see Note 4 to the financial statements herein and Note 5 to the financial statements in the Form 10-K.

Rate, Cost-recovery, and Other Regulation

See "MANAGEMENT’S FINANCIAL DISCUSSION AND ANALYSIS - Rate, Cost-recovery, and Other Regulation" in the Form 10-K for discussions of rate regulation, federal regulation, and related regulatory proceedings.

State and Local Rate Regulation and Fuel-Cost Recovery

See Note 2 to the financial statements herein for updates to the discussion in the Form 10-K regarding these proceedings.

Federal Regulation

See the Form 10-K for a discussion of federal regulatory proceedings. Following are updates to that discussion.

Entergy's Integration Into the MISO Regional Transmission Organization

As discussed in the Form 10-K, on December 19, 2013, the Utility operating companies successfully completed their planned integration into the MISO RTO.

In January 2013, Occidental Chemical Corporation filed with the FERC a petition for declaratory judgment and complaint against MISO alleging that MISO's proposed treatment of Qualifying Facilities (QFs) in the Entergy region is unduly discriminatory in violation of sections 205 and 206 of the Federal Power Act and violates the Public Utility Regulatory Policies Act (PURPA) and the FERC's implementing regulations. Occidental's filing asks that the FERC declare that MISO's QF integration plan is unlawful, find that the plan cannot be implemented because MISO did not file it pursuant to section 205 of the Federal Power Act, and direct that MISO modify certain aspects of the plan. Entergy sought to intervene and filed a protest to the pleadings.

In February 2014, Occidental filed a petition for enforcement against the LPSC. Occidental's petition for enforcement alleges that the LPSC's January 2014 order, which approved Entergy Gulf States Louisiana's and Entergy Louisiana's application for modification of Entergy's methodology for calculating avoided cost rates paid to QFs, is inconsistent with the requirements of PURPA and the FERC's regulations implementing PURPA. In April 2014 the FERC issued a "Notice Of Intent Not To Act At This Time" with respect to Occidental's petition for enforcement against the LPSC. The FERC concluded that Occidental's petition for enforcement largely raises the same issues as those raised in the January 2013 complaint and petition for declaratory order that Occidental had filed against MISO, and that the two proceedings should be addressed at the same time. The FERC reserved its ability to issue a further order or to take further action at a future date should it find that doing so is appropriate.

In April 2014, Occidental filed a complaint in federal district court for the Middle District of Louisiana against the LPSC and Entergy Louisiana that challenges the January 2014 order issued by the LPSC on grounds similar to those raised in the 2013 complaint and 2014 petition for enforcement that Occidental previously filed at the FERC. The district court complaint seeks a declaration that the January 2014 order conflicts with and is preempted by PURPA and the Supremacy Clause of the United States Constitution, and also seeks an injunction prohibiting the LPSC and Entergy Louisiana from enforcing or utilizing the practices approved in the order. The district court complaint seeks damages from Entergy Louisiana and a declaration from the district court that in pursuing the January 2014 order Entergy Louisiana breached an existing agreement with Occidental and an implied covenant of good faith and fair dealing. Entergy Louisiana has moved to stay the district court proceeding, asserting that the FERC has primary jurisdiction to address Occidental's claims and should be allowed to do so in the context of Occidental's 2013 complaint.

In February 2013, Entergy Services, on behalf of the Utility operating companies, made a filing with the FERC requesting to adopt the standard Attachment O formula rate template used by transmission owners to establish transmission rates within MISO. The filing proposed four transmission pricing zones for the Utility operating companies, one for Entergy Arkansas, one for Entergy Mississippi, one for Entergy Texas, and one for Entergy Louisiana, Entergy Gulf States Louisiana, and Entergy New Orleans. In June 2013 the FERC issued an order accepting the use of four transmission pricing zones and set for hearing and settlement judge procedures those issues of material fact that FERC decided could not be resolved based on the existing record. Several parties, including the City Council, filed requests for rehearing of the June 2013 order. In February 2014 the FERC issued an order addressing the rehearing requests. Among other things, the FERC denied rehearing and affirmed its prior decision allowing the four transmission pricing zones for the Utility operating companies in MISO. The FERC granted rehearing and set for hearing and settlement judge proceedings certain challenges of MISO’s regional through and out rates. In March 2014 certain parties filed a request for rehearing of the FERC’s February 2014 order on issues related to MISO’s regional through and out rates. In February 2014 and April 2014 various parties appealed the FERC’s June 2013 and February 2014 orders to the U.S. Court of Appeals for the D.C. Circuit where the appeals have been consolidated for further proceedings.

System Agreement

Utility Operating Company Notices of Termination of System Agreement Participation

As discussed in the Form 10-K, in February 2014, Entergy Louisiana and Entergy Gulf States Louisiana provided notice of their respective decisions to terminate their participation in the System Agreement and made a filing with the FERC seeking acceptance of the notice. In the FERC filing, Entergy Louisiana and Entergy Gulf States Louisiana requested an effective date of February 14, 2019 or such other effective date approved by the FERC for the termination. In March 2014 the City Council submitted comments to the FERC regarding the notices of termination. The City Council requested the FERC either to condition its acceptance of the notices on compliance with the prior 96-month notice termination period, or in the alternative, to consolidate the notice filings with the proceeding related to the Utility operating companies’ proposal to shorten the System Agreement’s termination notice period from 96 months to 60 months, and to set all of the proceedings for hearing. Also in March 2014, Entergy Louisiana and Entergy Gulf States Louisiana filed a response to the City Council’s comments requesting that the FERC accept the notices without hearing and with an effective date subject to and consistent with the notice period established by the FERC in the proceeding related to the Utility operating companies’ proposal to shorten the System Agreement’s termination notice period. Entergy Louisiana, Entergy Gulf States Louisiana, Entergy New Orleans, and Entergy Texas continue to explore with the LPSC staff, City Council advisors, and the PUCT staff the early termination of the System Agreement on a consensual basis.

Market and Credit Risk Sensitive Instruments

Commodity Price Risk

Power Generation

As a wholesale generator, Entergy Wholesale Commodities’ core business is selling energy, measured in MWh, to its customers. Entergy Wholesale Commodities enters into forward contracts with its customers and also sells energy in the day ahead or spot markets. In addition to selling the energy produced by its plants, Entergy Wholesale Commodities sells unforced capacity, which allows load-serving entities to meet specified reserve and related requirements placed on them by the ISOs in their respective areas. Entergy Wholesale Commodities’ forward physical power contracts consist of contracts to sell energy only, contracts to sell capacity only, and bundled contracts in which it sells both capacity and energy. While the terminology and payment mechanics vary in these contracts, each of these types of contracts requires Entergy Wholesale Commodities to deliver MWh of energy, make capacity available, or both. In addition to its forward physical power contracts, Entergy Wholesale Commodities also uses a combination of financial contracts, including swaps, collars, and options, to manage forward commodity price risk. Certain hedge volumes have price downside and upside relative to market price movement. The contracted minimum, expected value, and sensitivities are provided in the table below to show potential variations. The sensitivities may not reflect the total maximum upside potential from higher market prices. The information contained in the following table represents projections at a point in time and will vary over time based on numerous factors, such as future market prices, contracting activities, and generation. Following is a summary of Entergy Wholesale Commodities' current forward capacity and generation contracts as well as total revenue projections based on market prices as of June 30, 2014 (2014 represents the remainder of the year):

Entergy Wholesale Commodities Nuclear Portfolio

	2014	2015	2016	2017	2018
Energy					
Percent of planned generation under contract (a):					
Unit-contingent (b)	24%	28%	16%	14%	14%
Unit-contingent with availability guarantees (c)	18%	15%	14%	15%	3%
Firm LD (d)	60%	39%	10%	—%	—%
Offsetting positions (e)	(25%)	—%	—%	—%	—%
Total	77%	82%	40%	29%	17%
Planned generation (TWh) (f) (g)	20	35	36	35	35
Average revenue per MWh on contracted volumes:					
Minimum	$44	$45	$47	$51	$56
Expected based on market prices as of June 30, 2014	$49	$51	$51	$53	$56
Sensitivity: -/+ $10 per MWh market price change	$47-$52	$48-$53	$49-$52	$53-$54	$56
Capacity					
Percent of capacity sold forward (h):					
Bundled capacity and energy contracts (i)	15%	18%	18%	18%	18%
Capacity contracts (j)	40%	15%	15%	16%	7%
Total	55%	33%	33%	34%	25%
Planned net MW in operation (g)	5,011	4,406	4,406	4,406	4,406
Average revenue under contract per kW per month (applies to capacity contracts only)	$6.0	$3.2	$3.4	$5.6	$7.0
Total Nuclear Energy and Capacity Revenues					
Expected sold and market total revenue per MWh	$57	$56	$54	$54	$56
Sensitivity: -/+ $10 per MWh market price change	$55-$63	$52-$60	$47-$60	$47-$62	$47-$64

Entergy Wholesale Commodities Non-Nuclear Portfolio

	2014	2015	2016	2017	2018
Energy					
Percent of planned generation under contract (a):					
Cost-based contracts (k)	47%	36%	34%	33%	33%
Firm LD (d)	9%	7%	7%	6%	7%
Total	56%	43%	41%	39%	40%
Planned generation (TWh) (f) (l)	4	6	6	6	6
Capacity					
Percent of capacity sold forward (h):					
Cost-based contracts (k)	30%	24%	24%	26%	26%
Bundled capacity and energy contracts (i)	9%	8%	8%	8%	8%
Capacity contracts (j)	44%	53%	53%	56%	24%
Total	83%	85%	85%	90%	58%
Planned net MW in operation (l)	1,052	1,052	1,052	977	977

(a) Percent of planned generation output sold or purchased forward under contracts, forward physical contracts, forward financial contracts, or options that mitigate price uncertainty that may require regulatory approval or approval of transmission rights. Positions that are no longer classified as hedges are netted in the planned generation under contract.
(b) Transaction under which power is supplied from a specific generation asset; if the asset is not operating, seller is generally not liable to buyer for any damages.
(c) 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.
(d) Transaction that requires receipt or delivery of energy at a specified delivery point (usually at a market hub not associated with a specific asset) or settles financially on notional quantities; if a party fails to deliver or receive energy, defaulting party must compensate the other party as specified in the contract, a portion of which may be capped through the use of risk management products.
(e) Transactions for the purchase of energy, generally to offset a Firm LD transaction.
(f) Amount of output expected to be generated by Entergy Wholesale Commodities resources considering plant operating characteristics, outage schedules, and expected market conditions that affect dispatch.
(g) Assumes NRC license renewals for plants whose current licenses expire within five years. Assumes shutdown of Vermont Yankee in the fourth quarter 2014 and uninterrupted normal operation at remaining plants. NRC license renewal applications are in process for two units, as follows (with current license expirations in parentheses): Indian Point 2 (September 2013 and now operating under its period of extended operations) and Indian Point 3 (December 2015). For a discussion regarding the shutdown of the Vermont Yankee plant, see "Impairment of Long-Lived Assets" in Note 11 to the financial statements herein. For a discussion regarding the license renewals for Indian Point 2 and Indian Point 3, see "Entergy Wholesale Commodities Authorizations to Operate Its Nuclear Power Plants" above and in the Form10-K.
(h) Percent of planned qualified capacity sold to mitigate price uncertainty under physical or financial transactions.
(i) A contract for the sale of installed capacity and related energy, priced per megawatt-hour sold.
(j) A contract for the sale of an installed capacity product in a regional market.
(k) Contracts priced in accordance with cost-based rates, a ratemaking concept used for the design and development of rate schedules to ensure that the filed rate schedules recover only the cost of providing the service; these contracts are on owned non-utility resources located within Entergy's Utility service area and were executed prior to receiving market-based rate authority under MISO. The percentage sold assumes completion of the necessary transmission upgrades required for the approved transmission rights.
(l) Non-nuclear planned generation and net MW in operation include purchases from affiliated and non-affiliated counterparties under long-term contracts and exclude energy and capacity from Entergy Wholesale Commodities' wind investment. The decrease in planned net MW in operation beginning in 2017 is due to the expiration of a non-affiliated 75 MW contact.

Entergy estimates that a positive $10 per MWh change in the annual average energy price in the markets in which the Entergy Wholesale Commodities nuclear business sells power, based on June 30, 2014 market conditions, planned generation volumes, and hedged positions, would have a corresponding effect on pre-tax net income of $126 million for the remainder of 2014. A negative $10 per MWh change in the annual average energy price in the markets based on June 30, 2014 market conditions, planned generation volumes, and hedged positions, would have a corresponding effect on pre-tax net income of ($55) million for the remainder of 2014.

Some of the agreements to sell the power produced by Entergy Wholesale Commodities's power plants contain provisions that require an Entergy subsidiary to provide collateral to secure its obligations under the agreements. The Entergy subsidiary is required to provide collateral based upon the difference between the current market and contracted power prices in the regions where Entergy Wholesale Commodities sells power. The primary form of collateral to satisfy these requirements is an Entergy Corporation guaranty. Cash and letters of credit are also acceptable forms of collateral. At June 30, 2014, based on power prices at that time, Entergy had liquidity exposure of $242 million under

Table of Contents
Entergy Corporation and Subsidiaries
Management's Financial Discussion and Analysis

the guarantees in place supporting Entergy Wholesale Commodities transactions and $28 million of posted cash collateral. As of June 30, 2014, the liquidity exposure associated with Entergy Wholesale Commodities assurance requirements, including return of previously posted collateral from counterparties, would increase by $195 million for a $1 per MMBtu increase in gas prices in both the short-and long-term markets. In the event of a decrease in Entergy Corporation's credit rating to below investment grade, based on power prices as of June 30, 2014, Entergy would have been required to provide approximately $141 million of additional cash or letters of credit under some of the agreements.

As of June 30, 2014, substantially all of the counterparties or their guarantors for 100% of the planned energy output under contract for Entergy Wholesale Commodities nuclear plants through 2018 have public investment grade credit ratings.

Nuclear Matters

See "MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS – Nuclear Matters" in the Form 10-K for a discussion of nuclear matters.

Critical Accounting Estimates

See "MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS - Critical Accounting Estimates" in the Form 10-K for a discussion of the estimates and judgments necessary in Entergy's accounting for nuclear decommissioning costs, unbilled revenue, impairment of long-lived assets and trust fund investments, qualified pension and other postretirement benefits, and other contingencies. Following are updates to that discussion.

Nuclear Decommissioning Costs

In the first quarter 2014, Entergy Arkansas recorded a revision to its estimated decommissioning cost liabilities for ANO 1 and ANO 2 as a result of a revised decommissioning cost study. The revised estimates resulted in a $43.6 million increase in the decommissioning cost liabilities, along with a corresponding increase in the related asset retirement cost assets that will be depreciated over the remaining lives of the units.

See "Impairment of Long-Lived Assets" in Note 1 to the financial statements in the Form 10-K and Note 11 to the financial statements herein for a discussion of the planned shutdown of Vermont Yankee and the December 2013 settlement agreement involving Entergy and Vermont parties. In the settlement agreement, Entergy Vermont Yankee agreed to complete and shall provide to the Vermont parties by December 31, 2014, a site assessment study of the costs and tasks of radiological decommissioning, spent nuclear fuel management, and site restoration of Vermont Yankee. Entergy Vermont Yankee also agreed that it shall file its Post-Shutdown Decommissioning Activities Report (PSDAR) for Vermont Yankee with the NRC no sooner than sixty days after completing the site assessment study. It is possible that development of the site assessment study and PSDAR will lead to a revision of Vermont Yankee's decommissioning cost liability estimate.

New Accounting Pronouncements

The accounting standard-setting process, including projects between the FASB and the International Accounting Standards Board (IASB) to converge U.S. GAAP and International Financial Reporting Standards, is ongoing and the FASB and the IASB are each currently working on several projects that have not yet resulted in final pronouncements. Final pronouncements that result from these projects could have a material effect on Entergy's future net income, financial position, or cash flows.

In April 2014 the FASB issued ASU No. 2014-08, “Presentation of Financial Statements (Topic 205) and Property Plant, and Equipment (Topic 360): Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity” which changes the requirements for reporting discontinued operations. The ASU states that a disposal of a component of an entity or a group of components of an entity is required to be reported in discontinued operations if the disposal represents a strategic shift that has or will have a major effect on an entity’s operations and financial results when the component of an entity or group of components of an entity meets the criteria to be classified as held for sale, is disposed of by sale, or is disposed of other than by sale. The amendments in this ASU also require additional disclosures about discontinued operations. ASU 2014-08 is effective for Entergy for the first quarter 2015. Entergy does not currently expect ASU 2014-08 to affect materially its results of operations, financial position, or cash flows.

In May 2014 the FASB issued ASU No. 2014-09, “Revenue from Contracts with Customers (Topic 606).” The ASU’s core principle is that “an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.” The ASU details a five-step model that should be followed to achieve the core principle. ASU 2014-09 is effective for Entergy for the first quarter 2017. Entergy does not expect ASU 2014-09 to affect materially its results of operations, financial position, or cash flows.

Table of Contents

ENTERGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
For the Three and Six Months Ended June 30, 2014 and 2013
(Unaudited)

	Three Months Ended		Six Months Ended	
	2014	2013	2014	2013
	(In Thousands, Except Share Data)			
OPERATING REVENUES				
Electric	$2,373,842	$2,177,210	$4,600,306	$4,126,490
Natural gas	35,469	33,881	113,689	87,202
Competitive businesses	587,339	527,117	1,491,498	1,133,390
TOTAL	2,996,650	2,738,208	6,205,493	5,347,082
OPERATING EXPENSES				
Operating and Maintenance:				
Fuel, fuel-related expenses, and gas purchased for resale	604,081	489,608	1,147,910	999,940
Purchased power	517,898	485,744	1,092,525	858,873
Nuclear refueling outage expenses	66,497	66,464	126,041	127,183
Other operation and maintenance	816,609	844,195	1,554,590	1,598,453
Decommissioning	67,250	59,389	133,049	118,494
Taxes other than income taxes	152,736	144,888	307,204	295,983
Depreciation and amortization	331,742	297,516	660,465	598,392
Other regulatory charges (credits)	(14,640)	3,892	(10,645)	9,207
TOTAL	2,542,173	2,391,696	5,011,139	4,606,525
OPERATING INCOME	454,477	346,512	1,194,354	740,557
OTHER INCOME				
Allowance for equity funds used during construction	14,788	16,249	29,917	29,000
Interest and investment income	24,245	40,541	59,493	78,847
Miscellaneous - net	(14,675)	(13,157)	(26,379)	(26,779)
TOTAL	24,358	43,633	63,031	81,068
INTEREST EXPENSE				
Interest expense	164,327	155,768	326,877	308,918
Allowance for borrowed funds used during construction	(8,516)	(6,791)	(15,535)	(11,979)
TOTAL	155,811	148,977	311,342	296,939
INCOME BEFORE INCOME TAXES	323,024	241,168	946,043	524,686
Income taxes	128,743	73,113	345,709	189,648
CONSOLIDATED NET INCOME	194,281	168,055	600,334	335,038
Preferred dividend requirements of subsidiaries	4,898	4,332	9,777	9,915
NET INCOME ATTRIBUTABLE TO ENTERGY CORPORATION	$189,383	$163,723	$590,557	$325,123

Earnings per average common share:				
Basic	$1.06	$0.92	$3.30	$1.83
Diluted	$1.05	$0.92	$3.29	$1.82
Dividends declared per common share	$0.83	$0.83	$1.66	$1.66
Basic average number of common shares outstanding	179,354,103	178,196,525	179,077,503	178,112,709
Diluted average number of common shares outstanding	180,045,432	178,614,383	179,547,020	178,534,201

See Notes to Financial Statements.

Table of Contents

ENTERGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the Three and Six Months Ended June 30, 2014 and 2013
(Unaudited)

	Three Months Ended		Six Months Ended	
	2014	2013	2014	2013
	(In Thousands)			
Net Income	$194,281	$168,055	$600,334	$335,038
Other comprehensive income (loss)				
Cash flow hedges net unrealized gain (loss)				
(net of tax expense (benefit) of ($3,772), $14,531, $3,453, and ($26,604))	(6,744)	27,590	7,010	(48,385)
Pension and other postretirement liabilities				
(net of tax expense of $1,822, $5,885, $19,583, and $11,754)	3,459	9,779	(9,237)	19,574
Net unrealized investment gains (losses)				
(net of tax expense (benefit) of $29,580, ($9,325), $35,328, and $44,986)	39,235	(8,033)	62,224	48,344
Foreign currency translation				
(net of tax expense (benefit) of $172, $11, $213, and ($405))	320	19	395	(753)
Other comprehensive income	36,270	29,355	60,392	18,780
Comprehensive Income	230,551	197,410	660,726	353,818
Preferred dividend requirements of subsidiaries	4,898	4,332	9,777	9,915
Comprehensive Income Attributable to Entergy Corporation	$225,653	$193,078	$650,949	$343,903

See Notes to Financial Statements.

Table of Contents

ENTERGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Six Months Ended June 30, 2014 and 2013
(Unaudited)

	2014	2013
	(In Thousands)	
OPERATING ACTIVITIES		
Consolidated net income	$600,334	$335,038
Adjustments to reconcile consolidated net income to net cash flow provided by operating activities:		
Depreciation, amortization, and decommissioning, including nuclear fuel amortization	1,041,970	948,950
Deferred income taxes, investment tax credits, and non-current taxes accrued	357,571	162,189
Changes in working capital:		
Receivables	(47,120)	(218,279)
Fuel inventory	32,125	6,190
Accounts payable	46,697	151,993
Prepaid taxes and taxes accrued	(39,317)	(58,176)
Interest accrued	1,508	(3,172)
Deferred fuel costs	(237,726)	(101,421)
Other working capital accounts	(115,605)	(133,575)
Changes in provisions for estimated losses	4,314	(250,343)
Changes in other regulatory assets	26,070	216,659
Changes in other regulatory liabilities	89,860	98,807
Changes in pensions and other postretirement liabilities	(128,922)	24,955
Other	(103,196)	(63,910)
Net cash flow provided by operating activities	1,528,563	1,115,905
INVESTING ACTIVITIES		
Construction/capital expenditures	(959,618)	(1,244,859)
Allowance for equity funds used during construction	31,577	30,977
Nuclear fuel purchases	(236,296)	(209,509)
Proceeds from sale of assets	10,100	—
Insurance proceeds received for property damages	28,226	—
Changes in securitization account	6,987	9,118
NYPA value sharing payment	(72,000)	(71,736)
Payments to storm reserve escrow account	(3,624)	(3,855)
Receipts from storm reserve escrow account	—	260,230
Increase in other investments	(140,772)	(28,895)
Litigation proceeds for reimbursement of spent nuclear fuel storage costs	—	10,763
Proceeds from nuclear decommissioning trust fund sales	981,530	779,706
Investment in nuclear decommissioning trust funds	(1,036,770)	(837,114)
Net cash flow used in investing activities	(1,390,660)	(1,305,174)

See Notes to Financial Statements.

Table of Contents

ENTERGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Six Months Ended June 30, 2014 and 2013
(Unaudited)

	2014	2013
	(In Thousands)	
FINANCING ACTIVITIES		
Proceeds from the issuance of:		
Long-term debt	1,232,161	1,973,866
Treasury stock	81,358	16,634
Retirement of long-term debt	(1,224,733)	(2,010,111)
Repurchase of common stock	(18,259)	—
Changes in credit borrowings and commercial paper - net	(7,538)	294,123
Other	17,030	—
Dividends paid:		
Common stock	(297,228)	(297,054)
Preferred stock	(9,752)	(10,137)
Net cash flow used in financing activities	(226,961)	(32,679)
Effect of exchange rates on cash and cash equivalents	—	751
Net decrease in cash and cash equivalents	(89,058)	(221,197)
Cash and cash equivalents at beginning of period	739,126	532,569
Cash and cash equivalents at end of period	$650,068	$311,372
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the period for:		
Interest - net of amount capitalized	$312,747	$302,179
Income taxes	$19,505	$88,665

See Notes to Financial Statements.

Table of Contents

ENTERGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
ASSETS
June 30, 2014 and December 31, 2013
(Unaudited)

	2014	2013
	(In Thousands)	
CURRENT ASSETS		
Cash and cash equivalents:		
Cash	$148,639	$129,979
Temporary cash investments	501,429	609,147
Total cash and cash equivalents	650,068	739,126
Accounts receivable:		
Customer	703,524	670,641
Allowance for doubtful accounts	(33,719)	(34,311)
Other	191,147	195,028
Accrued unbilled revenues	371,997	340,828
Total accounts receivable	1,232,949	1,172,186
Deferred fuel costs	311,018	116,379
Accumulated deferred income taxes	33,241	175,073
Fuel inventory - at average cost	176,833	208,958
Materials and supplies - at average cost	932,982	915,006
Deferred nuclear refueling outage costs	307,287	192,474
Prepayments and other	600,755	410,489
TOTAL	4,245,133	3,929,691
OTHER PROPERTY AND INVESTMENTS		
Investment in affiliates - at equity	38,333	40,350
Decommissioning trust funds	5,164,746	4,903,144
Non-utility property - at cost (less accumulated depreciation)	198,727	199,375
Other	138,063	210,616
TOTAL	5,539,869	5,353,485
PROPERTY, PLANT AND EQUIPMENT		
Electric	43,569,861	42,935,712
Property under capital lease	940,688	941,299
Natural gas	370,658	366,365
Construction work in progress	1,668,324	1,514,857
Nuclear fuel	1,532,498	1,566,904
TOTAL PROPERTY, PLANT AND EQUIPMENT	48,082,029	47,325,137
Less - accumulated depreciation and amortization	19,972,785	19,443,493
PROPERTY, PLANT AND EQUIPMENT - NET	28,109,244	27,881,644
DEFERRED DEBITS AND OTHER ASSETS		
Regulatory assets:		
Regulatory asset for income taxes - net	846,935	849,718
Other regulatory assets (includes securitization property of $775,911 as of June 30, 2014 and $822,218 as of December 31, 2013)	3,870,076	3,893,363
Deferred fuel costs	172,202	172,202

Goodwill	377,172	377,172
Accumulated deferred income taxes	42,532	62,011
Other	947,584	887,160
TOTAL	6,256,501	6,241,626
TOTAL ASSETS	$44,150,747	$43,406,446

See Notes to Financial Statements.

26

Table of Contents

ENTERGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
LIABILITIES AND EQUITY
June 30, 2014 and December 31, 2013
(Unaudited)

	2014	2013
	(In Thousands)	
CURRENT LIABILITIES		
Currently maturing long-term debt	$682,666	$457,095
Notes payable and commercial paper	1,039,349	1,046,887
Accounts payable	1,159,726	1,173,313
Customer deposits	401,055	370,997
Taxes accrued	151,776	191,093
Accumulated deferred income taxes	36,098	28,307
Interest accrued	182,505	180,997
Deferred fuel costs	14,545	57,631
Obligations under capital leases	2,413	2,323
Pension and other postretirement liabilities	51,844	67,419
Other	406,092	484,510
TOTAL	4,128,069	4,060,572
NON-CURRENT LIABILITIES		
Accumulated deferred income taxes and taxes accrued	8,986,343	8,724,635
Accumulated deferred investment tax credits	258,419	263,765
Obligations under capital leases	30,988	32,218
Other regulatory liabilities	1,385,816	1,295,955
Decommissioning and asset retirement cost liabilities	4,108,256	3,933,416
Accumulated provisions	120,015	115,139
Pension and other postretirement liabilities	2,207,357	2,320,704
Long-term debt (includes securitization bonds of $831,928 as of June 30, 2014 and $883,013 as of December 31, 2013)	11,936,105	12,139,149
Other	622,151	583,667
TOTAL	29,655,450	29,408,648
Commitments and Contingencies		
Subsidiaries' preferred stock without sinking fund	210,760	210,760
EQUITY		
Common Shareholders' Equity:		
Common stock, $.01 par value, authorized 500,000,000 shares; issued 254,752,788 shares in 2014 and in 2013	2,548	2,548
Paid-in capital	5,358,395	5,368,131
Retained earnings	10,118,382	9,825,053
Accumulated other comprehensive income (loss)	31,068	(29,324)
Less - treasury stock, at cost (75,198,614 shares in 2014 and 76,381,936 shares in 2013)	5,447,925	5,533,942
Total common shareholders' equity	10,062,468	9,632,466
Subsidiaries' preferred stock without sinking fund	94,000	94,000

TOTAL	10,156,468	9,726,466
TOTAL LIABILITIES AND EQUITY	$44,150,747	$43,406,446

See Notes to Financial Statements.

Table of Contents

ENTERGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the Six Months Ended June 30, 2014 and 2013
(Unaudited)

	Common Shareholders' Equity						
	Subsidiaries' Preferred Stock	Common Stock	Treasury Stock	Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
	(In Thousands)						
Balance at December 31, 2012	$94,000	$2,548	($5,574,819)	$5,357,852	$9,704,591	($293,083)	$9,291,089
Consolidated net income (a)	9,915	—	—	—	325,123	—	335,038
Other comprehensive income	—	—	—	—	—	18,780	18,780
Common stock issuances related to stock plans	—	—	31,348	(2,099)	—	—	29,249
Common stock dividends declared	—	—	—	—	(295,724)	—	(295,724)
Preferred dividend requirements of subsidiaries (a)	(9,915)	—	—	—	—	—	(9,915)
Balance at June 30, 2013	$94,000	$2,548	($5,543,471)	$5,355,753	$9,733,990	($274,303)	$9,368,517
Balance at December 31, 2013	$94,000	$2,548	($5,533,942)	$5,368,131	$9,825,053	($29,324)	$9,726,466
Consolidated net income (a)	9,777	—	—	—	590,557	—	600,334
Other comprehensive income	—	—	—	—	—	60,392	60,392
Common stock repurchases	—	—	(18,259)	—	—	—	(18,259)
Common stock issuances related to stock plans	—	—	104,276	(9,736)	—	—	94,540
Common stock dividends declared	—	—	—	—	(297,228)	—	(297,228)
	(9,777)	—	—	—	—	—	(9,777)

Preferred dividend requirements of subsidiaries (a)							
Balance at June 30, 2014	$94,000	$2,548	($5,447,925)	$5,358,395	$10,118,382	$31,068	$10,156,468

See Notes to Financial Statements.

(a) Consolidated net income and preferred dividend requirements of subsidiaries for 2014 and 2013 include $6.4 million and $6.6 million, respectively, of preferred dividends on subsidiaries' preferred stock without sinking fund that is not presented within equity.

Table of Contents

ENTERGY CORPORATION AND SUBSIDIARIES
SELECTED OPERATING RESULTS
For the Three and Six Months Ended June 30, 2014 and 2013
(Unaudited)

Description	Three Months Ended 2014	2013	Increase/ (Decrease)	%
	(Dollars in Millions)			
Utility Electric Operating Revenues:				
Residential	$765	$729	$36	5
Commercial	627	574	53	9
Industrial	708	598	110	18
Governmental	57	53	4	8
Total retail	2,157	1,954	203	10
Sales for resale	53	47	6	13
Other	164	176	(12)	(7)
Total	$2,374	$2,177	$197	9
Utility Billed Electric Energy Sales (GWh):				
Residential	7,266	7,377	(111)	(2)
Commercial	6,762	6,684	78	1
Industrial	10,902	10,357	545	5
Governmental	587	583	4	1
Total retail	25,517	25,001	516	2
Sales for resale	2,048	590	1,458	247
Total	27,565	25,591	1,974	8
Entergy Wholesale Commodities:				
Operating Revenues	$578	$534	$44	8
Billed Electric Energy Sales (GWh)	11,533	11,172	361	3

Description	Six Months Ended 2014	2013	Increase/ (Decrease)	%
	(Dollars in Millions)			
Utility Electric Operating Revenues:				
Residential	$1,669	$1,480	$189	13
Commercial	1,204	1,097	107	10
Industrial	1,263	1,142	121	11
Governmental	110	105	5	5
Total retail	4,246	3,824	422	11
Sales for resale	172	99	73	74
Other	182	203	(21)	(10)
Total	$4,600	$4,126	$474	11
Utility Billed Electric Energy Sales (GWh):				
Residential	17,293	15,721	1,572	10
Commercial	13,563	13,105	458	3
Industrial	21,015	20,225	790	4

Governmental	1,170	1,167	3	—
Total retail	53,041	50,218	2,823	6
Sales for resale	4,282	1,219	3,063	251
Total	57,323	51,437	5,886	11
Entergy Wholesale Commodities:				
Operating Revenues	$1,490	$1,147	$343	30
Billed Electric Energy Sales (GWh)	21,547	21,559	(12)	—

Table of Contents

ENTERGY CORPORATION AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS
(Unaudited)

NOTE 1. COMMITMENTS AND CONTINGENCIES (Entergy Corporation, Entergy Arkansas, Entergy Gulf States Louisiana, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, Entergy Texas, 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, except as otherwise discussed in the Form 10-K or in this report. Entergy discusses regulatory proceedings in Note 2 to the financial statements in the Form 10-K and herein and discusses tax proceedings in Note 3 to the financial statements in the Form 10-K and Note 10 to the financial statements herein.

ANO Damage and Outage

See Note 8 to the financial statements in the Form 10-K for a discussion of the ANO stator incident. The total cost of assessment, restoration of off-site power, site restoration, debris removal, and replacement of damaged property and equipment was approximately $95 million as of June 30, 2014. In addition, Entergy Arkansas incurred replacement power costs for ANO 2 power during its outage and incurred incremental replacement power costs for ANO 1 power because the outage extended beyond the originally-planned duration of the refueling outage. In February 2014 the APSC approved Entergy Arkansas's request to exclude from the calculation of its revised energy cost rate $65.9 million of deferred fuel and purchased energy costs incurred in 2013 as a result of the ANO stator incident. The APSC authorized Entergy Arkansas to retain the $65.9 million in its deferred fuel balance with recovery to be reviewed in a later period after more information regarding various claims associated with the ANO stator incident is available.

Entergy Arkansas is assessing its options for recovering damages that resulted from the stator drop, including its insurance coverage and legal action. Entergy is a member of Nuclear Electric Insurance Limited (NEIL), a mutual insurance company that provides property damage coverage to the members' nuclear generating plants, including ANO. NEIL has notified Entergy that it believes that a $50 million course of construction sublimit applies to any loss associated with the lifting apparatus failure and stator drop at ANO. Entergy has responded that it disagrees with NEIL's position and is evaluating its options for enforcing its rights under the policy. On July 12, 2013, Entergy Arkansas filed a complaint in the Circuit Court in Pope County, Arkansas against the owner of the heavy-lifting apparatus that collapsed, an engineering firm, a contractor, and certain individuals asserting claims of breach of contract, negligence, and gross negligence in connection with their responsibility for the stator drop. During 2014, Entergy Arkansas collected $33 million from NEIL and is pursuing additional recoveries due under the policy.

Shortly after the stator incident, the NRC deployed an augmented inspection team to review the plant's response. In July 2013 a second team of NRC inspectors visited ANO to evaluate certain items that were identified as requiring follow-up inspection to determine whether performance deficiencies existed. In March 2014 the NRC issued an inspection report on the follow-up inspection that discussed two preliminary findings, one that was preliminarily determined to be "red with high safety significance" for Unit 1 and one that was preliminarily determined to be "yellow with substantial safety significance" for Unit 2, with the NRC indicating further that these preliminary findings may warrant additional regulatory oversight. This report also noted that one additional item related to flood barrier effectiveness was still under review.

In May 2014 the NRC met with Entergy during a regulatory conference to discuss the preliminary red and yellow findings and Entergy's response to the findings. During the regulatory conference, Entergy presented information on the facts and assumptions the NRC used to assess the potential findings. The NRC used the information provided by Entergy at the regulatory conference to finalize its decision regarding the inspection team’s findings. In a letter dated June 23, 2014, the NRC classified both findings as “yellow with substantial safety significance.” In an assessment follow-up letter for ANO dated July 29, 2014, the NRC stated that given the two yellow findings, it determined that the performance at ANO is in the "degraded cornerstone column," or column 3, of the NRC's reactor oversight process action matrix beginning the first quarter 2014. The NRC plans to conduct supplemental inspection activity to review the actions taken to address the yellow findings. Corrective actions in response to the NRC's findings have been taken and remain ongoing at ANO. Entergy will continue to interact with the NRC to address the NRC's findings.

Baxter Wilson Plant Event

On September 11, 2013, Entergy Mississippi's Baxter Wilson (Unit 1) power plant experienced a significant unplanned outage event. Entergy Mississippi completed the process of assessing the nature and extent of the damage to the unit and repairs are in progress. The current estimate of costs to return the unit to service is in the range of $45 million to $60 million. This estimate may change as restorative activities occur. The costs necessary to return the plant to service are expected to be incurred into late 2014. Entergy Mississippi believes that the damage is covered by its property insurance policy, subject to a $20 million deductible. In December 2013, Entergy Mississippi made a filing with the MPSC requesting approval for Entergy Mississippi to defer and accumulate the costs incurred in connection with Baxter Wilson repair activities, net of applicable insurance proceeds, with such costs to be recoverable in a manner to be determined by the MPSC. In June 2014, Entergy Mississippi filed a rate case with the MPSC, which includes recovery of the costs associated with Baxter Wilson (Unit 1) repair activities, net of applicable insurance proceeds. The MPSC has not yet acted on this filing.

Nuclear Insurance

See Note 8 to the financial statements in the Form 10-K for information on nuclear liability and property insurance associated with Entergy's nuclear power plants.

Conventional Property Insurance

See Note 8 to the financial statements in the Form 10-K for information on Entergy's non-nuclear property insurance program.

Employment Litigation

See Note 8 to the financial statements in the Form 10-K for information on Entergy's employment and labor-related proceedings.

Asbestos Litigation (Entergy Gulf States Louisiana, Entergy Louisiana, Entergy New Orleans, and Entergy Texas)

See Note 8 to the financial statements in the Form 10-K for information regarding asbestos litigation at Entergy Gulf States Louisiana, Entergy Louisiana, Entergy New Orleans, and Entergy Texas.

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

Regulatory Assets

See Note 2 to the financial statements in the Form 10-K for information regarding regulatory assets in the Utility business presented on the balance sheets of Entergy and the Registrant Subsidiaries. The following is an update to that discussion.

Table of Contents
Entergy Corporation and Subsidiaries
Notes to Financial Statements

Fuel and purchased power cost recovery

Entergy Arkansas

In May 2014, Entergy Arkansas filed its annual redetermination of the production cost allocation rider to recover the $3 million unrecovered retail balance as of December 31, 2013 and the $68 million System Agreement bandwidth remedy payment made in May 2014 as a result of the compliance filing pursuant to the FERC's February 2014 orders related to the bandwidth payments/receipts for the June - December 2005 period. In June 2014 the APSC suspended the annual redetermination of the production cost allocation rider and scheduled a hearing in September 2014.

Entergy Mississippi

Entergy Mississippi had a deferred fuel balance of $60.4 million as of March 31, 2014. In May 2014, Entergy Mississippi filed for an interim adjustment under its energy cost recovery rider. The interim adjustment proposed a net energy cost factor designed to collect over a six-month period the under-recovered deferred fuel balance as of March 31, 2014 and also reflects a natural gas price of $4.50 per MMBtu. In May 2014, Entergy Mississippi and the Public Utilities Staff entered into a joint stipulation in which Entergy Mississippi agreed to a revised net energy cost factor that reflected the proposed interim adjustment with a reduction in costs recovered through the energy cost recovery rider associated with the suspension of the DOE nuclear waste storage fee. In June 2014 the MPSC approved the joint stipulation and allowed Entergy Mississippi's interim adjustment. The revised net energy cost factor will remain in effect through the end of 2014.

Retail Rate Proceedings

See Note 2 to the financial statements in the Form 10-K for detailed information regarding retail rate proceedings involving the Utility operating companies. The following are updates to that information.

Filings with the LPSC

Retail Rates - Electric

(Entergy Gulf States Louisiana)

See Note 2 to the financial statements in the Form 10-K for a discussion of the base rate case filed by Entergy Gulf States Louisiana in February 2013. Pursuant to the rate case settlement approved by the LPSC in December 2013, Entergy Gulf States Louisiana submitted a compliance filing in May 2014 reflecting the effects of the estimated MISO cost recovery mechanism revenue requirement and adjustment of the additional capacity mechanism requiring a net increase of approximately $3.8 million in formula rate plan revenue to be implemented over nine months commencing with the first billing cycle of December 2014. Before rates are implemented in December 2014, an updated compliance filing will be made in November 2014 to further refine the estimated MISO cost recovery mechanism revenue requirement component of the May 2014 compliance filing to then-available actual data.

(Entergy Louisiana)

See Note 2 to the financial statements in the Form 10-K for a discussion of the base rate case filed by Entergy Louisiana in February 2013. Pursuant to the rate case settlement approved by the LPSC in December 2013, Entergy Louisiana submitted a compliance filing in May 2014 reflecting the effects of the $10 million agreed-upon increase in formula rate plan revenue, the estimated MISO cost recovery mechanism revenue requirement, and the adjustment of the additional capacity mechanism requiring a net increase of approximately $39 million in formula rate plan revenue to be implemented over nine months commencing with the first billing cycle of December 2014. Before rates are implemented in December 2014, an updated compliance filing will be made in November 2014 to further refine the estimated MISO cost recovery mechanism revenue requirement component of the May 2014 compliance filing to then-available actual data.

As discussed in the Form 10-K, the LPSC is conducting a prudence review of the Waterford 3 replacement steam generator project with regard to the following aspects of the project: 1) project management; 2) cost controls; 3) success in achieving stated objectives; 4) the costs of the replacement project; and 5) the outage length and replacement power costs. In July 2014 the LPSC Staff filed testimony recommending potential project and replacement power cost disallowances of up $71 million, citing a need for further explanation or documentation from Entergy Louisiana. An intervenor filed testimony recommending disallowance of $141 million of incremental project costs, claiming the steam generator fabricator was imprudent. Entergy Louisiana believes that the replacement steam generator costs were prudently incurred and applicable legal principles support their recovery in rates. Entergy Louisiana will provide further documentation and explanation requested by the LPSC staff. Cross-answering testimony is due in August 2014 and rebuttal testimony is due in September 2014. An evidentiary hearing is scheduled for December 2014.

Retail Rates - Gas (Entergy Gulf States Louisiana)

In January 2014, Entergy Gulf States Louisiana filed with the LPSC its gas rate stabilization plan for the test year ended September 30, 2013. The filing showed an earned return on common equity of 5.47%, which results in a $1.5 million rate increase. In April 2014 the LPSC Staff issued a report indicating "that Entergy Gulf States Louisiana has properly determined its earnings for the test year ended September 30, 2013." The $1.5 million rate increase was implemented effective with the first billing cycle of April 2014.

Filings with the MPSC (Entergy Mississippi)

In June 2014, Entergy Mississippi filed its first general rate case before the MPSC in almost 12 years. The rate filing lays out Entergy Mississippi’s plans for improving reliability, modernizing the grid, maintaining its workforce, stabilizing rates, utilizing new technologies, and attracting new industry to its service territory. Entergy Mississippi requests a net increase in revenue of $49 million for bills rendered during calendar year 2015, including $30 million resulting from new depreciation rates to update the estimated service life of assets. In addition, the filing proposes, among other things: 1) realigning cost recovery of the Attala and Hinds power plant acquisitions from the power management rider to base rates; 2) including certain MISO-related revenues and expenses in the power management rider; 3) power management rider changes that reflect the changes in costs and revenues that will accompany Entergy Mississippi’s withdrawal from participation in the System Agreement; and 4) a formula rate plan forward test year to allow for known changes in expenses and revenues for the rate effective period. Entergy Mississippi proposes maintaining the current authorized return on common equity of 10.59%. A hearing is scheduled for November 2014, and the procedural schedule calls for rates to be effective January 30, 2015.

Filings with the City Council (Entergy Louisiana)

In March 2013, Entergy Louisiana filed a rate case for the Algiers area, which is in New Orleans and is regulated by the City Council. Entergy Louisiana requested a rate increase of $13 million over three years, including a 10.4% return on common equity and a formula rate plan mechanism identical to its LPSC request made in February 2013. In January 2014 the City Council advisors filed direct testimony recommending a rate increase of $5.56 million over three years, including an 8.13% return on common equity. In June 2014 the City Council unanimously approved a settlement that includes the following:

- a $9.3 million base rate revenue increase to be phased in on a levelized basis over four years;
- recovery of an additional $853 thousand annually through a MISO recovery rider; and
- the adoption of a four-year formula rate plan requiring the filing of annual evaluation reports in May of each year, commencing May 2015, with resulting rates being implemented in October of each year. The formula rate plan includes a midpoint target authorized return on common equity of 9.95% with a +/- 40 basis point bandwidth.

Table of Contents
Entergy Corporation and Subsidiaries
Notes to Financial Statements

The rate increase was effective with bills rendered on and after the first billing cycle of July 2014.

Filings with the PUCT (Entergy Texas)

2013 Rate Case

In September 2013, Entergy Texas filed a rate case requesting a $38.6 million base rate increase reflecting a 10.4% return on common equity based on an adjusted test year ending March 31, 2013. The rate case also proposed (1) a rough production cost equalization adjustment rider recovering Entergy Texas's payment to Entergy New Orleans to achieve rough production cost equalization based on calendar year 2012 production costs and (2) a rate case expense rider recovering the cost of the 2013 rate case and certain costs associated with previous rate cases. The rate case filing also included a request to reconcile $0.9 billion of fuel and purchased power costs and fuel revenues covering the period July 2011 through March 2013. The fuel reconciliation also reflects special circumstances fuel cost recovery of approximately $22 million of purchased power capacity costs. In January 2014 the PUCT staff filed direct testimony recommending a retail rate reduction of $0.3 million and a 9.2% return on common equity. In March 2014, Entergy Texas filed an Agreed Motion for Interim Rates. The motion explained that the parties to this proceeding have agreed that Entergy Texas should be allowed to implement new rates reflecting an $18.5 million base rate increase, effective for usage on and after April 1, 2014, as well as recovery of charges for rough production cost equalization and rate case expenses. In March 2014 the State Office of Administrative Hearings, the body assigned to hear the case, approved the motion. In April 2014, Entergy Texas filed a unanimous stipulation in this case. Among other things, the stipulation provides for an $18.5 million base rate increase, recovery over three years of the calendar year 2012 rough production cost equalization charges and rate case expenses, and states a 9.8% return on common equity. In addition, the stipulation finalizes the fuel and purchased power reconciliation covering the period July 2011 through March 2013, with the parties stipulating an immaterial fuel disallowance. No special circumstances recovery of purchased power capacity costs was allowed. In April 2014 the State Office of Administrative Hearings remanded the case back to the PUCT for final processing. In May 2014 the PUCT approved the stipulation. No motions for rehearing were filed during the statutory rehearing period.

Entergy Gulf States Louisiana and Entergy Louisiana Business Combination Study

In June 2014, Entergy Gulf States Louisiana and Entergy Louisiana filed a business combination study report with the LPSC. The report contains a preliminary analysis of the potential combination of Entergy Gulf States Louisiana and Entergy Louisiana into a single public utility. Though not a formal application, the report provides an overview of the combination and identifies its potential customer benefits. Although not part of the business combination, Entergy Louisiana provided notice to the City Council in June 2014 that it anticipates it will seek authorization to transfer to Entergy New Orleans the assets that currently support Entergy Louisiana's customers in Algiers. Entergy Gulf States Louisiana and Entergy Louisiana will hold technical conferences and face-to-face meetings with LPSC staff, City Council advisors, and other stakeholders to discuss potential effects of the combination, solicit suggestions and concerns, and identify areas in which additional information might be needed. Entergy Gulf States Louisiana and Entergy Louisiana held a technical conference at the LPSC to discuss the business combination in July 2014 and scheduled a second technical conference to be held in August 2014.

System Agreement Cost Equalization Proceedings

See Note 2 to the financial statements in the Form 10-K for a discussion of the proceedings regarding the System Agreement, including the FERC's October 2011 order and Entergy's December 2011 compliance filing in response to that order. In February 2014 the FERC issued a rehearing order addressing its October 2011 order. The FERC denied the LPSC's request for rehearing on the issues of whether the bandwidth remedy should be made effective earlier than June 1, 2005, and whether refunds should be ordered for the 20-month refund effective period. The FERC granted the LPSC's rehearing request on the issue of interest on the bandwidth payments/receipts for the June - December 2005 period, requiring that interest be accrued from June 1, 2006 until the date those bandwidth payments/receipts are made. In April 2014 the LPSC filed a petition for review of the FERC's October 2011 and February 2014 orders with

Table of Contents
Entergy Corporation and Subsidiaries
Notes to Financial Statements

the U.S. Court of Appeals for the D.C. Circuit. Also in February 2014 the FERC issued an order rejecting the December 2011 compliance filing that calculated the bandwidth payments/receipts for the June - December 2005 period. The FERC order requires a new compliance filing that calculates the bandwidth payments/receipts for the June - December 2005 period based on monthly data for the seven individual months and that includes interest pursuant to the February 2014 rehearing order. Entergy has sought rehearing of the February 2014 orders with respect to the FERC's determinations regarding interest.

In May 2014, Entergy filed with the FERC an updated compliance filing that provides the payments and receipts among the Utility operating companies pursuant to the FERC's February 2014 orders. The filing shows the following net payments and receipts, including interest, among the Utility operating companies:

	Payments (Receipts) (In Millions)
Entergy Arkansas	$68
Entergy Gulf States Louisiana	($10)
Entergy Louisiana	$—
Entergy Mississippi	($11)
Entergy New Orleans	$2
Entergy Texas	($49)

These payments were made in May 2014. The LPSC, City Council, and APSC have filed protests.

2008 Rate Filing Based on Calendar Year 2007 Production Costs

See Note 2 to the financial statements in the Form 10-K for a discussion of this proceeding. In August 2014 the Fifth Circuit issued its opinion dismissing the LPSC petition for review of the FERC's order.

Comprehensive Bandwidth Recalculation for 2007, 2008, and 2009 Rate Filing Proceedings

See Note 2 to the financial statements in the Form 10-K for a discussion of this comprehensive bandwidth recalculation. In July 2014 the FERC issued four orders in connection with various Service Schedule MSS-3 rough production cost equalization formula compliance filings and rehearing requests. Specifically, the FERC accepted Entergy Services' revised methodologies for calculating certain cost components of the formula and affirmed its prior ruling requiring interest on the true-up amounts. The FERC directed that a comprehensive recalculation of the formula be performed for the filing years 2007 and 2008 based on calendar years 2006 and 2007 production costs. The comprehensive recalculation is due to be filed with the FERC within 45 days of the orders, or on September 15, 2014 and the bandwidth payments associated with the recalculations are expected to be made in October 2014. Management is evaluating the effect of these orders on the 2009 rate filing proceeding.

2011 Rate Filing Based on Calendar Year 2010 Production Costs

See Note 2 to the financial statements in the Form 10-K for a discussion of this proceeding. In March 2014 the Fifth Circuit rejected the LPSC's petition for a writ of mandamus.

2014 Rate Filing Based on Calendar Year 2013 Production Costs

In May 2014, Entergy filed with the FERC the 2014 rates in accordance with the FERC's orders in the System Agreement proceeding. The filing shows the following payments and receipts among the Utility operating companies for 2014, based on calendar year 2013 production costs, commencing for service in June 2014, are necessary to achieve rough production cost equalization under the FERC's orders:

	Payments (Receipts) (In Millions)
Entergy Gulf States Louisiana	$—
Entergy Louisiana	$—
Entergy Mississippi	$—
Entergy New Orleans	($15)
Entergy Texas	$15

The LPSC protested the filing and the PUCT and City Council filed comments regarding the filing.

Storm Cost Recovery Filings with Retail Regulators

Entergy Gulf States Louisiana and Entergy Louisiana

As discussed in the Form 10-K, total restoration costs for the repair and replacement of electric facilities damaged by Hurricane Isaac were $73.8 million for Entergy Gulf States Louisiana and $247.7 million for Entergy Louisiana. In January 2013, Entergy Gulf States Louisiana and Entergy Louisiana drew $65 million and $187 million, respectively, from their funded storm reserve escrow accounts. In April 2013, Entergy Gulf States Louisiana and Entergy Louisiana filed a joint application with the LPSC relating to Hurricane Isaac system restoration costs. Following an evidentiary hearing and recommendations by the ALJ, the LPSC voted in June 2014 to approve a series of orders which (i) quantify the amount of Hurricane Isaac system restoration costs prudently incurred ($66.5 million for Entergy Gulf States Louisiana and $224.3 million for Entergy Louisiana); (ii) determine the level of storm reserves to be re-established ($90 million for Entergy Gulf States Louisiana and $200 million for Entergy Louisiana); (iii) authorize Entergy Gulf States Louisiana and Entergy Louisiana to utilize Louisiana Act 55 financing for Hurricane Isaac system restoration costs; and (iv) grant other requested relief associated with storm reserves and Act 55 financing of Hurricane Isaac system restoration costs. Approvals for the Act 55 financings were obtained from the Louisiana Utilities Restoration Corporation (LURC) and the Louisiana State Bond Commission.

In August 2014 the Louisiana Local Government Environmental Facilities and Community Development Authority (LCDA) issued $71 million in bonds under Act 55 of the Louisiana Legislature. From the $69 million of bond proceeds loaned by the LCDA to the LURC, the LURC deposited $3 million in a restricted escrow account as a storm damage reserve for Entergy Gulf States Louisiana and transferred $66 million directly to Entergy Gulf States Louisiana. From the bond proceeds received by Entergy Gulf States Louisiana from the LURC, Entergy Gulf States Louisiana then immediately used the $66 million to acquire 662,426.80 Class C preferred, non-voting, membership interest units of Entergy Holdings Company LLC, a company wholly-owned and consolidated by Entergy, that carry a 7.5% annual distribution rate. Distributions are payable quarterly commencing on September 15, 2014, and the membership interests have a liquidation price of $100 per unit. The preferred membership interests are callable at the option of Entergy Holdings Company LLC after ten years under the terms of the LLC agreement. The terms of the membership interests include certain financial covenants to which Entergy Holdings Company LLC is subject, including the requirement to maintain a net worth of at least $1.75 billion.

In August 2014 the LCDA issued another $243.85 million in bonds under Act 55 of the Louisiana Legislature. From the $240 million of bond proceeds loaned by the LCDA to the LURC, the LURC deposited $13 million in a restricted escrow account as a storm damage reserve for Entergy Louisiana and transferred $227 million directly to Entergy Louisiana. From the bond proceeds received by Entergy Louisiana from the LURC, Entergy Louisiana then immediately used the $227 million to acquire 2,272,725.89 Class C preferred, non-voting, membership interest units of Entergy Holdings Company LLC that carry a 7.5% annual distribution rate. Distributions are payable quarterly commencing on September 15, 2014, and the membership interests have a liquidation price of $100 per unit. The preferred membership interests are callable at the option of Entergy Holdings Company LLC after ten years under

Table of Contents
Entergy Corporation and Subsidiaries
Notes to Financial Statements

the terms of the LLC agreement. The terms of the membership interests include certain financial covenants to which Entergy Holdings Company LLC is subject, including the requirement to maintain a net worth of at least $1.75 billion.

Entergy, Entergy Gulf States Louisiana, and Entergy Louisiana will not report the bonds on their balance sheets because the bonds are the obligation of the LCDA and there is no recourse against Entergy, Entergy Gulf States Louisiana, or Entergy Louisiana in the event of a bond default. To service the bonds, Entergy Gulf States Louisiana and Entergy Louisiana will collect a system restoration charge on behalf of the LURC, and remit the collections to the bond indenture trustee. Entergy, Entergy Gulf States Louisiana, and Entergy Louisiana will not report the collections as revenue because they are merely acting as the billing and collection agents for the state.

Entergy New Orleans

As discussed in the Form 10-K, total restoration costs for the repair and replacement of Entergy New Orleans's electric facilities damaged by Hurricane Isaac were $47.3 million. Entergy New Orleans withdrew $17.4 million from the storm reserve escrow account to partially offset these costs. In February 2014, Entergy New Orleans made a filing with the City Council seeking certification of the Hurricane Isaac costs. In July 2014 the City Council adopted a procedural schedule that provides for hearings on the merits in September 2015.

NOTE 3. EQUITY (Entergy Corporation, Entergy Gulf States Louisiana, and Entergy Louisiana)

Common Stock

Earnings per Share

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

	For the Three Months Ended June 30,					
	2014			2013		
	(In Millions, Except Per Share Data)					
Basic earnings per share	Income	Shares	$/share	Income	Shares	$/share
Net income attributable to Entergy Corporation	$189.4	179.4	$1.06	$163.7	178.2	$0.92
Average dilutive effect of:						
Stock options		0.2	—		0.1	—
Other equity plans		0.4	(0.01)		0.3	—
Diluted earnings per share	$189.4	180.0	$1.05	$163.7	178.6	$0.92

The number of stock options not included in the calculation of diluted common shares outstanding due to their antidilutive effect was approximately 5.2 million for the three months ended June 30, 2014 and approximately 8.9 million for the three months ended June 30, 2013.

	For the Six Months Ended June 30,					
	2014			2013		
	(In Millions, Except Per Share Data)					
Basic earnings per share	Income	Shares	$/share	Income	Shares	$/share
Net income attributable to Entergy Corporation	$590.6	179.1	$3.30	$325.1	178.1	$1.83
Average dilutive effect of:						
Stock options		0.1	—		0.1	—

Other equity plans		0.3	(0.01)		0.3	(0.01)
Diluted earnings per share	$590.6	179.5	$3.29	$325.1	178.5	$1.82

The number of stock options not included in the calculation of diluted common shares outstanding due to their antidilutive effect was approximately 7.4 million for the six months ended June 30, 2014 and approximately 8.9 million for the six months ended June 30, 2013.

Entergy's stock options and other equity compensation plans are discussed in Note 5 to the financial statements herein and in Note 12 to the financial statements in the Form 10-K.

Treasury Stock

During the six months ended June 30, 2014, Entergy Corporation issued 1,431,512 shares of its previously repurchased common stock to satisfy stock option exercises, vesting of shares of restricted stock, and other stock-based awards. During the six months ended June 30, 2014, Entergy Corporation repurchased 248,190 shares of its common stock for a total purchase price of $18.3 million.

Retained Earnings

On July 25, 2014, Entergy Corporation's Board of Directors declared a common stock dividend of $0.83 per share, payable on September 2, 2014 to holders of record as of August 14, 2014.

Comprehensive Income

Accumulated other comprehensive income (loss) is included in the equity section of the balance sheets of Entergy, Entergy Gulf States Louisiana, and Entergy Louisiana. The following table presents changes in accumulated other comprehensive income (loss) for Entergy for the three months ended June 30, 2014 by component:

	Cash flow hedges net unrealized gain (loss)	Pension and other postretirement liabilities	Net unrealized investment gain (loss)	Foreign currency translation	Total Accumulated Other Comprehensive Income (Loss)
	(In Thousands)				
Beginning balance, March 31, 2014	($68,023)	($300,919)	$360,245	$3,495	($5,202)
Other comprehensive income (loss) before reclassifications	(7,245)	—	40,807	320	33,882
Amounts reclassified from accumulated other comprehensive income (loss)	501	3,459	(1,572)	—	2,388
Net other comprehensive income (loss) for the period	(6,744)	3,459	39,235	320	36,270
Ending balance, June 30, 2014	($74,767)	($297,460)	$399,480	$3,815	$31,068

Table of Contents
Entergy Corporation and Subsidiaries
Notes to Financial Statements

The following table presents changes in accumulated other comprehensive income (loss) for Entergy for the three months ended June 30, 2013 by component:

	Cash flow hedges net unrealized gain (loss) (In Thousands)	Pension and other postretirement liabilities	Net unrealized investment gain (loss)	Foreign currency translation	Total Accumulated Other Comprehensive Income (Loss)
Beginning balance, March 31, 2013	$3,930	($580,917)	$270,924	$2,405	($303,658)
Other comprehensive income (loss) before reclassifications	30,023	—	(7,176)	19	22,866
Amounts reclassified from accumulated other comprehensive income (loss)	(2,433)	9,779	(857)	—	6,489
Net other comprehensive income (loss) for the period	27,590	9,779	(8,033)	19	29,355
Ending balance, June 30, 2013	$31,520	($571,138)	$262,891	$2,424	($274,303)

The following table presents changes in accumulated other comprehensive income (loss) for Entergy for the six months ended June 30, 2014 by component:

	Cash flow hedges net unrealized gain (loss) (In Thousands)	Pension and other postretirement liabilities	Net unrealized investment gain (loss)	Foreign currency translation	Total Accumulated Other Comprehensive Income (Loss)
Beginning balance, December 31, 2013	($81,777)	($288,223)	$337,256	$3,420	($29,324)
Other comprehensive income (loss) before reclassifications	(120,177)	—	65,530	395	(54,252)
Amounts reclassified from accumulated other comprehensive income (loss)	127,187	(9,237)	(3,306)	—	114,644
Net other comprehensive income (loss) for the period	7,010	(9,237)	62,224	395	60,392
Ending balance, June 30, 2014	($74,767)	($297,460)	$399,480	$3,815	$31,068

Table of Contents
Entergy Corporation and Subsidiaries
Notes to Financial Statements

The following table presents changes in accumulated other comprehensive income (loss) for Entergy for the six months ended June 30, 2013 by component:

	Cash flow hedges net unrealized gain (loss)	Pension and other postretirement liabilities	Net unrealized investment gain (loss)	Foreign currency translation	Total Accumulated Other Comprehensive Income (Loss)
	(In Thousands)				
Beginning balance, December 31, 2012	$79,905	($590,712)	$214,547	$3,177	($293,083)
Other comprehensive income (loss) before reclassifications	(47,538)	—	50,196	(753)	1,905
Amounts reclassified from accumulated other comprehensive income (loss)	(847)	19,574	(1,852)	—	16,875
Net other comprehensive income (loss) for the period	(48,385)	19,574	48,344	(753)	18,780
Ending balance, June 30, 2013	$31,520	($571,138)	$262,891	$2,424	($274,303)

The following table presents changes in accumulated other comprehensive loss for Entergy Gulf States Louisiana and Entergy Louisiana for the three months ended June 30, 2014:

	Pension and Other Postretirement Liabilities	
	Entergy Gulf States Louisiana	Entergy Louisiana
	(In Thousands)	
Beginning balance March 31, 2014	($28,080)	($9,937)
Amounts reclassified from accumulated other comprehensive income (loss)	137	(287)
Net other comprehensive income (loss) for the period	137	(287)
Ending balance, June 30, 2014	($27,943)	($10,224)

The following table presents changes in accumulated other comprehensive loss for Entergy Gulf States Louisiana and Entergy Louisiana for the three months ended June 30, 2013:

	Pension and Other Postretirement Liabilities	
	Entergy Gulf States Louisiana	Entergy Louisiana
	(In Thousands)	
Beginning balance March 31, 2013	($64,274)	($45,454)
Amounts reclassified from accumulated other comprehensive income	962	683
Net other comprehensive income for the period	962	683
Ending balance, June 30, 2013	($63,312)	($44,771)

39

Table of Contents
Entergy Corporation and Subsidiaries
Notes to Financial Statements

The following table presents changes in accumulated other comprehensive loss for Entergy Gulf States Louisiana and Entergy Louisiana for the six months ended June 30, 2014:

	Pension and Other Postretirement Liabilities	
	Entergy Gulf States Louisiana	Entergy Louisiana
	(In Thousands)	
Beginning balance, December 31, 2013	($28,202)	($9,635)
Amounts reclassified from accumulated other comprehensive income (loss)	259	(589)
Net other comprehensive income (loss) for the period	259	(589)
Ending balance, June 30, 2014	($27,943)	($10,224)

The following table presents changes in accumulated other comprehensive loss for Entergy Gulf States Louisiana and Entergy Louisiana for the six months ended June 30, 2013:

	Pension and Other Postretirement Liabilities	
	Entergy Gulf States Louisiana	Entergy Louisiana
	(In Thousands)	
Beginning balance, December 31, 2012	($65,229)	($46,132)
Amounts reclassified from accumulated other comprehensive income	1,917	1,361
Net other comprehensive income for the period	1,917	1,361
Ending balance, June 30, 2013	($63,312)	($44,771)

Table of Contents
Entergy Corporation and Subsidiaries
Notes to Financial Statements

Total reclassifications out of accumulated other comprehensive income (loss) (AOCI) for Entergy for the three months ended June 30, 2014 are as follows:

	Amounts reclassified from AOCI (In Thousands)	Income Statement Location
Cash flow hedges net unrealized gain (loss)		
Power contracts	($672)	Competitive business operating revenues
Interest rate swaps	(99)	Miscellaneous - net
Total realized loss on cash flow hedges	(771)	
	270	Income taxes
Total realized loss on cash flow hedges (net of tax)	($501)	
Pension and other postretirement liabilities		
Amortization of prior-service costs	$5,075	(a)
Amortization of loss	(8,970)	(a)
Settlement loss	(1,386)	(a)
Total amortization	(5,281)	
	1,822	Income taxes
Total amortization (net of tax)	($3,459)	
Net unrealized investment gain (loss)		
Realized gain	$3,083	Interest and investment income
	(1,511)	Income taxes
Total realized investment gain (net of tax)	$1,572	
Total reclassifications for the period (net of tax)	($2,388)	

(a) These accumulated other comprehensive income (loss) components are included in the computation of net periodic pension cost. See Note 6 to the financial statements herein for additional details.

41

Total reclassifications out of accumulated other comprehensive income (loss) (AOCI) for Entergy for the three months ended June 30, 2013 are as follows:

	Amounts reclassified from AOCI (In Thousands)		Income Statement Location
Cash flow hedges net unrealized gain (loss)			
Power contracts	$4,309		Competitive business operating revenues
Interest rate swaps	(399	)	Miscellaneous - net
Total realized gain on cash flow hedges	3,910		
	(1,477	)	Income taxes
Total realized gain on cash flow hedges (net of tax)	$2,433		
Pension and other postretirement liabilities			
Amortization of prior-service costs	$2,383		(a)
Amortization of loss	(18,047	)	(a)
Total amortization	(15,664	)	
	5,885		Income taxes
Total amortization (net of tax)	($9,779	)	
Net unrealized investment gain (loss)			
Realized gain	$1,681		Interest and investment income
	(824	)	Income taxes
Total realized investment gain (net of tax)	$857		
Total reclassifications for the period (net of tax)	($6,489	)	

(a) These accumulated other comprehensive income (loss) components are included in the computation of net periodic pension cost. See Note 6 to the financial statements herein for additional details.

Total reclassifications out of accumulated other comprehensive income (loss) (AOCI) for Entergy for the six months ended June 30, 2014 are as follows:

	Amounts reclassified from AOCI (In Thousands)		Income Statement Location
Cash flow hedges net unrealized gain (loss)			
Power contracts	($195,275	)	Competitive business operating revenues
Interest rate swaps	(397	)	Miscellaneous - net
Total realized loss on cash flow hedges	(195,672	)	
	68,485		Income taxes
Total realized loss on cash flow hedges (net of tax)	($127,187	)	
Pension and other postretirement liabilities			
Amortization of prior-service costs	$10,153		(a)
Amortization of loss	(17,951	)	(a)

Settlement loss	(2,548)	(a)
Total amortization	(10,346)	
	19,583	Income taxes
Total amortization (net of tax)	$9,237	
Net unrealized investment gain (loss)		
Realized gain	$6,483	Interest and investment income
	(3,177)	Income taxes
Total realized investment gain (net of tax)	$3,306	
Total reclassifications for the period (net of tax)	($114,644)	

(a) These accumulated other comprehensive income (loss) components are included in the computation of net periodic pension cost. See Note 6 to the financial statements herein for additional details.

42

Table of Contents
Entergy Corporation and Subsidiaries
Notes to Financial Statements

Total reclassifications out of accumulated other comprehensive income (loss) (AOCI) for Entergy for the six months ended June 30, 2013 are as follows:

	Amounts reclassified from AOCI (In Thousands)	Income Statement Location
Cash flow hedges net unrealized gain (loss)		
Power contracts	$2,192	Competitive business operating revenues
Interest rate swaps	(804)	Miscellaneous - net
Total realized gain on cash flow hedges	1,388	
	(541)	Income taxes
Total realized gain on cash flow hedges (net of tax)	$847	
Pension and other postretirement liabilities		
Amortization of prior-service costs	$4,767	(a)
Amortization of loss	(36,095)	(a)
Total amortization	(31,328)	
	11,754	Income taxes
Total amortization (net of tax)	($19,574)	
Net unrealized investment gain (loss)		
Realized gain	$3,631	Interest and investment income
	(1,779)	Income taxes
Total realized investment gain (net of tax)	$1,852	
Total reclassifications for the period (net of tax)	($16,875)	

(a) These accumulated other comprehensive income (loss) components are included in the computation of net periodic pension cost. See Note 6 to the financial statements herein for additional details.

43

Table of Contents
Entergy Corporation and Subsidiaries
Notes to Financial Statements

Total reclassifications out of accumulated other comprehensive loss (AOCI) for Entergy Gulf States Louisiana and Entergy Louisiana for the three months ended June 30, 2014 are as follows:

	Amounts reclassified from AOCI Entergy Gulf States Louisiana (In Thousands)	Entergy Louisiana	Income Statement Location
Pension and other postretirement liabilities			
Amortization of prior-service costs	$559	$845	(a)
Amortization of loss	(781)	(378)	(a)
Total amortization	(222)	467	
	85	(180)	Income tax expense (benefit)
Total amortization (net of tax)	(137)	287	
Total reclassifications for the period (net of tax)	($137)	$287	

(a) These accumulated other comprehensive loss components are included in the computation of net periodic pension cost. See Note 6 to the financial statements herein for additional details.

Total reclassifications out of accumulated other comprehensive loss (AOCI) for Entergy Gulf States Louisiana and Entergy Louisiana for the three months ended June 30, 2013 are as follows:

	Amounts reclassified from AOCI Entergy Gulf States Louisiana (In Thousands)	Entergy Louisiana	Income Statement Location
Pension and other postretirement liabilities			
Amortization of prior-service costs	$205	$62	(a)
Amortization of loss	(1,945)	(1,287)	(a)
Total amortization	(1,740)	(1,225)	
	778	542	Income tax expense
Total amortization (net of tax)	(962)	(683)	
Total reclassifications for the period (net of tax)	($962)	($683)	

(a) These accumulated other comprehensive loss components are included in the computation of net periodic pension cost. See Note 6 to the financial statements herein for additional details.

Table of Contents
Entergy Corporation and Subsidiaries
Notes to Financial Statements

Total reclassifications out of accumulated other comprehensive loss (AOCI) for Entergy Gulf States Louisiana and Entergy Louisiana for the six months ended June 30, 2014 are as follows:

	Amounts reclassified from AOCI Entergy Gulf States Louisiana (In Thousands)	Entergy Louisiana	Income Statement Location
Pension and other postretirement liabilities			
Amortization of prior-service costs	$1,118	$1,689	(a)
Amortization of loss	(1,563)	(756)	(a)
Total amortization	(445)	933	
	186	(344)	Income tax expense (benefit)
Total amortization (net of tax)	(259)	589	
Total reclassifications for the period (net of tax)	($259)	$589	

(a) These accumulated other comprehensive loss components are included in the computation of net periodic pension cost. See Note 6 to the financial statements herein for additional details.

Total reclassifications out of accumulated other comprehensive loss (AOCI) for Entergy Gulf States Louisiana and Entergy Louisiana for the six months ended June 30, 2013 are as follows:

	Amounts reclassified from AOCI Entergy Gulf States Louisiana (In Thousands)	Entergy Louisiana	Income Statement Location
Pension and other postretirement liabilities			
Amortization of prior-service costs	$411	$124	(a)
Amortization of loss	(3,892)	(2,574)	(a)
Total amortization	(3,481)	(2,450)	
	1,564	1,089	Income taxes
Total amortization (net of tax)	(1,917)	(1,361)	
Total reclassifications for the period (net of tax)	($1,917)	($1,361)	

(a) These accumulated other comprehensive loss components are included in the computation of net periodic pension cost. See Note 6 to the financial statements herein for additional details.

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

Entergy Corporation has in place a credit facility that has a borrowing capacity of $3.5 billion and expires in March 2019. Entergy Corporation also has the ability to issue letters of credit against 50% of the total borrowing capacity of the credit facility. The commitment fee is currently 0.275% of the undrawn commitment amount. Commitment 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 for the six months ended June 30, 2014 was 1.92% on the drawn portion of the facility. Following is a summary of the borrowings outstanding and capacity available under the facility as of June 30, 2014.

Capacity	Borrowings	Letters of Credit	Capacity Available
(In Millions)			
$3,500	$195	$8	$3,297

Entergy Corporation's facility requires it to maintain a consolidated debt ratio of 65% or less of its total capitalization. Entergy is in compliance with this covenant. If Entergy fails to meet this ratio, or if Entergy Corporation or one of the Utility operating companies (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 Corporation has a commercial paper program with a Board-approved program limit of up to $1.5 billion. At June 30, 2014, Entergy Corporation had $909 million of commercial paper outstanding. The weighted-average interest rate for the six months ended June 30, 2014 was 0.91%.

Entergy Arkansas, Entergy Gulf States Louisiana, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, and Entergy Texas each had credit facilities available as of June 30, 2014 as follows:

Company	Expiration Date	Amount of Facility	Interest Rate (a)	Amount Drawn as of June 30, 2014
Entergy Arkansas	April 2015	$20 million (b)	1.65%	$—
Entergy Arkansas	March 2019	$150 million (c)	1.65%	$—
Entergy Gulf States Louisiana	March 2019	$150 million (d)	1.40%	$—
Entergy Louisiana	March 2019	$200 million (e)	1.40%	$—
Entergy Mississippi	May 2015	$37.5 million (f)	1.65%	$—
Entergy Mississippi	May 2015	$35 million (f)	1.65%	$—
Entergy Mississippi	May 2015	$20 million (f)	1.65%	$—
Entergy Mississippi	May 2015	$10 million (f)	1.65%	$—
Entergy New Orleans	November 2014	$25 million	1.90%	$—
Entergy Texas	March 2019	$150 million (g)	1.65%	$—

(a) The interest rate is the rate as of June 30, 2014 that would most likely apply to outstanding borrowings under the facility.

(b) Borrowings under the Entergy Arkansas credit facility may be secured by a security interest in its accounts receivable at Entergy Arkansas's option.

(c) The credit facility allows Entergy Arkansas to issue letters of credit against 50% of the borrowing capacity of the facility. As of June 30, 2014, $11 million in letters of credit were outstanding.

(d) The credit facility allows Entergy Gulf States Louisiana to issue letters of credit against 50% of the borrowing capacity of the facility. As of June 30, 2014, $50 million in letters of credit were outstanding.

(e) The credit facility allows Entergy Louisiana to issue letters of credit against 50% of the borrowing capacity of the facility. As of June 30, 2014, $7.4 million in letters of credit were outstanding.

(f) Borrowings under the Entergy Mississippi credit facilities may be secured by a security interest in its accounts receivable at Entergy Mississippi's option.

(g) The credit facility allows Entergy Texas to issue letters of credit against 50% of the borrowing capacity of the facility. As of June 30, 2014, $23.3 million in letters of credit were outstanding.

Table of Contents
Entergy Corporation and Subsidiaries
Notes to Financial Statements

The commitment fees on the credit facilities range from 0.125% to 0.275% of the undrawn commitment amount. Each of the credit facilities requires the Registrant Subsidiary borrower to maintain a debt ratio of 65% or less of its total capitalization. Each Registrant Subsidiary is in compliance with this covenant.

In addition, Entergy Mississippi and Entergy New Orleans each entered into an uncommitted letter of credit facility in 2013 as a means to post collateral to support its obligations related to MISO. As of June 30, 2014, a $9.6 million letter of credit was outstanding under Entergy Mississippi's letter of credit facility and a $3.3 million letter of credit was outstanding under Entergy New Orleans's letter of credit facility. As of June 30, 2014, the letter of credit fee on outstanding letters of credit under the Entergy Mississippi and Entergy New Orleans letter of credit facilities was 1.50%.

The short-term borrowings of the Registrant Subsidiaries are limited to amounts authorized by the FERC. The current FERC-authorized limits are effective through October 31, 2015. 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 the Utility subsidiaries' dependence on external short-term borrowings. Borrowings from the money pool and external short term borrowings combined may not exceed the FERC-authorized limits. The following are the FERC-authorized limits for short-term borrowings and the outstanding short-term borrowings as of June 30, 2014 (aggregating both money pool and external short-term borrowings) for the Registrant Subsidiaries:

	Authorized	Borrowings
	(In Millions)	
Entergy Arkansas	$250	$11
Entergy Gulf States Louisiana	$200	$—
Entergy Louisiana	$250	$44
Entergy Mississippi	$175	$—
Entergy New Orleans	$100	$—
Entergy Texas	$200	$—
System Energy	$200	$—

Entergy Gulf States Louisiana, Entergy Louisiana, Entergy Mississippi, Entergy Texas,and System Energy have obtained long-term financing authorizations from the FERC that extend through October 2015. Entergy Arkansas has obtained long-term financing authorization from the APSC that extends through December 2015. Entergy New Orleans has obtained long-term financing authorization from the City Council that extends through July 2016.

Variable Interest Entities (Entergy Corporation, Entergy Arkansas, Entergy Gulf States Louisiana, Entergy Louisiana, and System Energy)

See Note 18 to the financial statements in the Form 10-K for a discussion of the consolidation of the nuclear fuel company variable interest entities (VIE). The nuclear fuel company variable interest entities have credit facilities and also issue commercial paper to finance the acquisition and ownership of nuclear fuel as follows as of June 30, 2014:

Company	Expiration Date	Amount of Facility	Weighted Average Interest Rate on Borrowings (a)	Amount Outstanding as of June 30, 2014
		(Dollars in Millions)		
Entergy Arkansas VIE	June 2016	$85	1.58%	$39.7
Entergy Gulf States Louisiana VIE	June 2016	$100	n/a	$—
Entergy Louisiana VIE	June 2016	$90	1.48%	$26.8
System Energy VIE	June 2016	$125	1.63%	$65.4

(a) Includes letter of credit fees and bank fronting fees on commercial paper issuances by the nuclear fuel company variable interest entities for Entergy Arkansas, Entergy Louisiana, and System Energy. The nuclear fuel company variable interest entity for Entergy Gulf States Louisiana does not issue commercial paper, but borrows directly on its bank credit facility.

Amounts outstanding on the Entergy Gulf States Louisiana nuclear fuel company variable interest entity's credit facility, if any, are included in long-term debt on its balance sheet and commercial paper outstanding for the other nuclear fuel company variable interest entities is classified as a current liability on the respective balance sheets. The commitment fees on the credit facilities are 0.10% of the undrawn commitment amount for the Entergy Louisiana and Entergy Gulf States Louisiana VIEs and 0.125% of the undrawn commitment amount for the Entergy Arkansas and System Energy VIEs. Each credit facility requires the respective lessee of nuclear fuel (Entergy Arkansas, Entergy Gulf States Louisiana, Entergy Louisiana, or Entergy Corporation as guarantor for System Energy) to maintain a consolidated debt ratio of 70% or less of its total capitalization.

Table of Contents
Entergy Corporation and Subsidiaries
Notes to Financial Statements

The nuclear fuel company variable interest entities had notes payable that are included in debt on the respective balance sheets as of June 30, 2014 as follows:

Company	Description	Amount
Entergy Arkansas VIE	5.69% Series I due July 2014	$70 million
Entergy Arkansas VIE	3.23% Series J due July 2016	$55 million
Entergy Arkansas VIE	2.62% Series K due December 2017	$60 million
Entergy Gulf States Louisiana VIE	3.25% Series Q due July 2017	$75 million
Entergy Gulf States Louisiana VIE	3.38% Series R due August 2020	$70 million
Entergy Louisiana VIE	5.69% Series E due July 2014	$50 million
Entergy Louisiana VIE	3.30% Series F due March 2016	$20 million
Entergy Louisiana VIE	3.25% Series G due July 2017	$25 million
Entergy Louisiana VIE	3.92% Series H due February 2021	$40 million
System Energy VIE	5.33% Series G due April 2015	$60 million
System Energy VIE	4.02% Series H due February 2017	$50 million
System Energy VIE	3.78% Series I due October 2018	$85 million

In accordance with regulatory treatment, interest on the nuclear fuel company variable interest entities' credit facilities, commercial paper, and long-term notes payable is reported in fuel expense.

Debt Issuances and Redemptions

(Entergy Arkansas)

In March 2014, Entergy Arkansas issued $375 million of 3.70% Series first mortgage bonds due June 2024. Entergy Arkansas used the proceeds to pay, prior to maturity, its $250 million term loan and to pay, prior to maturity, its $115 million of 5.0% Series first mortgage bonds due July 2018, and for general corporate purposes.

In July 2014 the Entergy Arkansas nuclear fuel trust variable interest entity issued $90 million of 3.65% Series L notes due July 2021. The Entergy Arkansas nuclear fuel trust variable interest entity used the proceeds to pay, at maturity, its $70 million of 5.69% Series I notes due July 2014 and to purchase additional nuclear fuel.

(Entergy Gulf States Louisiana)

In July 2014, Entergy Gulf States Louisiana issued $110 million of 3.78% Series first mortgage bonds due April 2025. Entergy Gulf States Louisiana used the proceeds to re-establish and replenish its storm damage escrow reserves and for general corporate purposes.

(Entergy Louisiana)

In February 2014 the Entergy Louisiana nuclear fuel company variable interest entity issued $40 million of 3.92% Series H Notes due February 2021. The Entergy Louisiana nuclear fuel company variable interest entity used the proceeds to purchase additional nuclear fuel.

In June 2014, Entergy Louisiana issued $170 million of 5% Series first mortgage bonds due July 2044. Entergy Louisiana used the proceeds to pay in July 2014, prior to maturity, its $70 million of 6.4% Series first mortgage bonds due October 2034 and to pay in July 2014, prior to maturity, its $100 million of 6.3% Series first mortgage bonds due

September 2035.

In July 2014, Entergy Louisiana issued $190 million of 3.78% Series first mortgage bonds due April 2025. Entergy Louisiana used the proceeds to re-establish and replenish its storm damage escrow reserves and for general corporate purposes.

In July 2014 the Entergy Louisiana nuclear fuel company variable interest entity redeemed, at maturity, its $50 million of 5.69% Series E Notes.

(Entergy Mississippi)

In March 2014, Entergy Mississippi issued $100 million of 3.75% Series first mortgage bonds due July 2024. Entergy Mississippi used the proceeds to pay, prior to maturity, its $95 million of 4.95% Series first mortgage bonds due June 2018 and for general corporate purposes.

(Entergy Texas)

In May 2014, Entergy Texas issued $135 million of 5.625% Series first mortgage bonds due June 2064. Entergy Texas used the proceeds to pay, prior to maturity, a portion of its $150 million of 7.875% Series first mortgage bonds due June 2039 and for general corporate purposes.

Fair Value

The book value and the fair value of long-term debt for Entergy Corporation and the Registrant Subsidiaries as of June 30, 2014 are as follows:

	Book Value of Long-Term Debt	Fair Value of Long-Term Debt (a) (b)
	(In Thousands)	
Entergy	$12,618,771	$12,852,390
Entergy Arkansas	$2,409,534	$2,251,140
Entergy Gulf States Louisiana	$1,512,784	$1,643,803
Entergy Louisiana	$3,402,216	$3,474,973
Entergy Mississippi	$1,058,775	$1,103,868
Entergy New Orleans	$225,902	$227,329
Entergy Texas	$1,507,817	$1,677,135
System Energy	$710,750	$682,562

(a) The values exclude lease obligations of $132 million at Entergy Louisiana and $51 million at System Energy, long-term DOE obligations of $181 million at Entergy Arkansas, and the note payable to NYPA of $96 million at Entergy, and include debt due within one year.

(b) Fair values are classified as Level 2 in the fair value hierarchy discussed in Note 8 to the financial statements and are based on prices derived from inputs such as benchmark yields and reported trades.

Table of Contents
Entergy Corporation and Subsidiaries
Notes to Financial Statements

The book value and the fair value of long-term debt for Entergy Corporation and the Registrant Subsidiaries as of December 31, 2013 were as follows:

	Book Value of Long-Term Debt	Fair Value of Long-Term Debt (a) (b)
	(In Thousands)	
Entergy	$12,596,244	$12,439,785
Entergy Arkansas	$2,405,802	$2,142,527
Entergy Gulf States Louisiana	$1,527,465	$1,631,308
Entergy Louisiana	$3,219,516	$3,148,877
Entergy Mississippi	$1,053,670	$1,067,006
Entergy New Orleans	$225,944	$217,692
Entergy Texas	$1,556,939	$1,726,623
System Energy	$757,436	$664,890

(a) The values exclude lease obligations of $149 million at Entergy Louisiana and $97 million at System Energy, long-term DOE obligations of $181 million at Entergy Arkansas, and the note payable to NYPA of $95 million at Entergy, and include debt due within one year.

(b) Fair values are classified as Level 2 in the fair value hierarchy discussed in Note 8 to the financial statements and are based on prices derived from inputs such as benchmark yields and reported trades.

NOTE 5. STOCK-BASED COMPENSATION (Entergy Corporation)

Entergy grants stock awards, which are described more fully in Note 12 to the financial statements in the Form 10-K. Awards under Entergy's plans generally vest over three years.

Stock Options

Entergy granted 611,700 stock options during the first quarter 2014 with a weighted-average fair value of $8.71 per option. At June 30, 2014, there are 8,895,078 stock options outstanding with a weighted-average exercise price of $81.10. The intrinsic value, which has no effect on net income, of the outstanding stock options is calculated by the difference in the weighted average exercise price of the stock options granted and Entergy Corporation's common stock price as of June 30, 2014. The aggregate intrinsic value of the stock options outstanding was $8.8 million as of June 30, 2014.

The following table includes financial information for stock options for the second quarters of 2014 and 2013:

	2014	2013
	(In Millions)	
Compensation expense included in Entergy's net income	$0.8	$0.9
Tax benefit recognized in Entergy's net income	$0.3	$0.4
Compensation cost capitalized as part of fixed assets and inventory	$0.1	$0.2

Table of Contents
Entergy Corporation and Subsidiaries
Notes to Financial Statements

The following table includes financial information for stock options for the six months ended June 30, 2014 and 2013:

	2014	2013
	(In Millions)	
Compensation expense included in Entergy’s net income	$2.1	$2.2
Tax benefit recognized in Entergy’s net income	$0.8	$0.9
Compensation cost capitalized as part of fixed assets and inventory	$0.3	$0.4

Other Equity Plans

In January 2014 the Board approved and Entergy granted 352,600 restricted stock awards and 226,792 long-term incentive awards under the 2011 Equity Ownership and Long-term Cash Incentive Plan. The restricted stock awards were made effective as of January 30, 2014 and were valued at $63.17 per share, which was the closing price of Entergy’s common stock on that date. One-third of the restricted stock awards will vest upon each anniversary of the grant date. The long-term incentive awards are granted in the form of performance units, which are equal to the cash value of shares of Entergy Corporation at the end of the performance period, which is the last day of the year. The performance units were made effective as of January 30, 2014 and were valued at $67.16 per share. Entergy considers various factors, primarily market conditions, in determining the value of the performance units. Shares of the restricted stock awards have the same dividend and voting rights as other common stock, are considered issued and outstanding shares of Entergy upon vesting, and are expensed ratably over the 3-year vesting period. Shares of the performance units have the same dividend rights as other common stock, are considered issued and outstanding shares of Entergy upon vesting, and are expensed ratably over the 3-year vesting period.

The following table includes financial information for other equity plans for the second quarters of 2014 and 2013:

	2014	2013
	(In Millions)	
Compensation expense included in Entergy’s net income	$7.7	$5.9
Tax benefit recognized in Entergy’s net income	$3.0	$2.3
Compensation cost capitalized as part of fixed assets and inventory	$1.2	$1.1

The following table includes financial information for other equity plans for the six months ended June 30, 2014 and 2013:

	2014	2013
	(In Millions)	
Compensation expense included in Entergy’s net income	$15.1	$11.8
Tax benefit recognized in Entergy’s net income	$5.9	$4.6
Compensation cost capitalized as part of fixed assets and inventory	$2.3	$1.8

Table of Contents
Entergy Corporation and Subsidiaries
Notes to Financial Statements

NOTE 6. RETIREMENT AND OTHER POSTRETIREMENT BENEFITS (Entergy Corporation, Entergy Arkansas, Entergy Gulf States Louisiana, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, Entergy Texas, and System Energy)

Components of Qualified Net Pension Cost

Entergy's qualified pension cost, including amounts capitalized, for the second quarters of 2014 and 2013, included the following components:

	2014	2013
	(In Thousands)	
Service cost - benefits earned during the period	$35,109	$44,051
Interest cost on projected benefit obligation	72,519	65,266
Expected return on assets	(90,366)	(81,748)
Amortization of prior service cost	400	567
Amortization of loss	36,274	54,951
Net pension costs	$53,936	$83,087

Entergy's qualified pension cost, including amounts capitalized, for the six months ended June 30, 2014 and 2013, included the following components:

	2014	2013
	(In Thousands)	
Service cost - benefits earned during the period	$70,218	$88,102
Interest cost on projected benefit obligation	145,038	130,532
Expected return on assets	(180,732)	(163,496)
Amortization of prior service cost	800	1,134
Amortization of loss	72,548	109,902
Net pension costs	$107,872	$166,174

The Registrant Subsidiaries' qualified pension cost, including amounts capitalized, for their employees for the second quarters of 2014 and 2013, included the following components:

2014	Entergy Arkansas	Entergy Gulf States Louisiana	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	Entergy Texas	System Energy
	(In Thousands)						
Service cost - benefits earned during the period	$5,023	$2,881	$3,546	$1,523	$666	$1,285	$1,446
Interest cost on projected benefit obligation	14,884	7,278	9,467	4,318	2,041	4,437	3,390
Expected return on assets	(18,305)	(9,488)	(11,449)	(5,698)	(2,505)	(5,931)	(4,155)
Amortization of loss	8,989	3,981	6,131	2,354	1,449	2,339	2,375
Net pension cost	$10,591	$4,652	$7,695	$2,497	$1,651	$2,130	$3,056

Entergy Corporation and Subsidiaries
Notes to Financial Statements

2013	Entergy Arkansas	Entergy Gulf States Louisiana	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	Entergy Texas	System Energy
	(In Thousands)						
Service cost - benefits earned during the period	$6,371	$3,599	$4,334	$1,842	$832	$1,637	$1,836
Interest cost on projected benefit obligation	13,550	6,657	8,644	3,930	1,849	4,055	3,016
Expected return on assets	(16,717)	(8,734)	(10,454)	(5,279)	(2,270)	(5,566)	(4,299)
Amortization of prior service cost	6	2	21	2	—	2	3
Amortization of loss	12,543	5,934	8,727	3,344	2,011	3,373	2,429
Net pension cost	$15,753	$7,458	$11,272	$3,839	$2,422	$3,501	$2,985

The Registrant Subsidiaries' qualified pension cost, including amounts capitalized, for their employees for the six months ended June 30, 2014 and 2013, included the following components:

2014	Entergy Arkansas	Entergy Gulf States Louisiana	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	Entergy Texas	System Energy
	(In Thousands)						
Service cost - benefits earned during the period	$10,046	$5,762	$7,092	$3,046	$1,332	$2,570	$2,892
Interest cost on projected benefit obligation	29,768	14,556	18,934	8,636	4,082	8,874	6,780
Expected return on assets	(36,610)	(18,976)	(22,898)	(11,396)	(5,010)	(11,862)	(8,310)
Amortization of loss	17,978	7,962	12,262	4,708	2,898	4,678	4,750
Net pension cost	$21,182	$9,304	$15,390	$4,994	$3,302	$4,260	$6,112

2013	Entergy Arkansas	Entergy Gulf States Louisiana	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	Entergy Texas	System Energy
	(In Thousands)						
Service cost - benefits earned during the period	$12,742	$7,198	$8,668	$3,684	$1,664	$3,274	$3,672
Interest cost on projected benefit obligation	27,100	13,314	17,288	7,860	3,698	8,110	6,032
Expected return on assets	(33,434)	(17,468)	(20,908)	(10,558)	(4,540)	(11,132)	(8,598)
Amortization of prior service cost	12	4	42	4	—	4	6
Amortization of loss	25,087	11,867	17,454	6,688	4,022	6,746	4,858
Net pension cost	$31,507	$14,915	$22,544	$7,678	$4,844	$7,002	$5,970

Entergy Corporation and Subsidiaries
Notes to Financial Statements

Non-Qualified Net Pension Cost

Entergy recognized $9.1 million and $5.5 million in pension cost for its non-qualified pension plans in the second quarters of 2014 and 2013, respectively. Reflected in the pension cost for non-qualified pension plans in the second quarter 2014 is a $4.8 million settlement charge recognized in June 2014 related to the payment of lump sum benefits out of the plan. Entergy recognized $19.1 million and $10.9 million in pension cost for its non-qualified pension plans for the six months ended June 30, 2014 and 2013, respectively. Reflected in the pension costs for non-qualified pension plans for the six months ended June 30, 2014 is a $10.2 million settlement charge recognized in March and June 2014 related to the payment of lump sum benefits out of the plan.

The Registrant Subsidiaries recognized the following pension cost for their employees for their non-qualified pension plans in the second quarters of 2014 and 2013:

	Entergy Arkansas	Entergy Gulf States Louisiana	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	Entergy Texas
	(In Thousands)					
Non-qualified pension cost second quarter 2014	$119	$33	$1	$48	$24	$119
Non-qualified pension cost second quarter 2013	$102	$37	$3	$46	$22	$148

The Registrant Subsidiaries recognized the following pension cost for their employees for their non-qualified pension plans for the six months ended June 30, 2014 and 2013:

	Entergy Arkansas	Entergy Gulf States Louisiana	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	Entergy Texas
	(In Thousands)					
Non-qualified pension cost six months ended June 30, 2014	$280	$66	$2	$96	$47	$244
Non-qualified pension cost six months ended June 30, 2013	$205	$75	$6	$93	$45	$297

Reflected in Entergy Arkansas's non-qualified pension costs in the second quarter 2014 is $11 thousand in settlement charges recognized in June 2014 related to the payment of lump sum benefits out of the plan. Reflected in Entergy Arkansas's and Entergy Texas's non-qualified pension costs for the six months ended June 30, 2014 are $62 thousand and $6 thousand, respectively, in settlement charges recognized in March and June 2014 related to the payment of lump sum benefits out of the plan.

Table of Contents
Entergy Corporation and Subsidiaries
Notes to Financial Statements

Components of Net Other Postretirement Benefit Cost

Entergy's other postretirement benefit cost, including amounts capitalized, for the second quarters of 2014 and 2013, included the following components:

	2014	2013
	(In Thousands)	
Service cost - benefits earned during the period	$10,873	$18,917
Interest cost on accumulated postretirement benefit obligation (APBO)	17,960	19,766
Expected return on assets	(11,197)	(9,950)
Amortization of prior service credit	(7,898)	(3,334)
Amortization of loss	2,786	11,304
Net other postretirement benefit cost	$12,524	$36,703

Entergy's other postretirement benefit cost, including amounts capitalized, for the six months ended June 30, 2014 and 2013, included the following components:

	2014	2013
	(In Thousands)	
Service cost - benefits earned during the period	$21,746	$37,834
Interest cost on accumulated postretirement benefit obligation (APBO)	35,920	39,532
Expected return on assets	(22,394)	(19,900)
Amortization of prior service credit	(15,796)	(6,668)
Amortization of loss	5,572	22,608
Net other postretirement benefit cost	$25,048	$73,406

The Registrant Subsidiaries' other postretirement benefit cost, including amounts capitalized, for their employees for the second quarters of 2014 and 2013, included the following components:

2014	Entergy Arkansas	Entergy Gulf States Louisiana	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	Entergy Texas	System Energy
	(In Thousands)						
Service cost - benefits earned during the period	$1,489	$1,224	$1,130	$475	$217	$595	$515
Interest cost on APBO	3,065	2,095	2,066	914	701	1,413	653
Expected return on assets	(4,784)	—	—	(1,443)	(1,119)	(2,590)	(932)
Amortization of prior service credit	(610)	(559)	(844)	(229)	(177)	(325)	(206)
Amortization of loss	317	303	378	37	14	200	111
Net other postretirement benefit cost	($523)	$3,063	$2,730	($246)	($364)	($707)	$141

56

2013	Entergy Arkansas	Entergy Gulf States Louisiana	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	Entergy Texas	System Energy
	(In Thousands)						
Service cost - benefits earned during the period	$2,414	$2,001	$2,172	$819	$447	$950	$907
Interest cost on APBO	3,360	2,226	2,349	1,074	785	1,515	729
Expected return on assets	(4,149)	—	—	(1,317)	(1,014)	(2,321)	(825)
Amortization of prior service cost/(credit)	(133)	(206)	(62)	(35)	10	(107)	(16)
Amortization of loss	2,042	1,173	1,286	663	397	975	479
Net other postretirement benefit cost	$3,534	$5,194	$5,745	$1,204	$625	$1,012	$1,274

The Registrant Subsidiaries’ other postretirement benefit cost, including amounts capitalized, for their employees for the six months ended June 30, 2014 and 2013, included the following components:

2014	Entergy Arkansas	Entergy Gulf States Louisiana	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	Entergy Texas	System Energy
	(In Thousands)						
Service cost - benefits earned during the period	$2,978	$2,448	$2,260	$950	$434	$1,190	$1,030
Interest cost on APBO	6,130	4,190	4,132	1,828	1,402	2,826	1,306
Expected return on assets	(9,568)	—	—	(2,886)	(2,238)	(5,180)	(1,864)
Amortization of prior service credit	(1,220)	(1,118)	(1,688)	(458)	(354)	(650)	(412)
Amortization of loss	634	606	756	74	28	400	222
Net other postretirement benefit cost	($1,046)	$6,126	$5,460	($492)	($728)	($1,414)	$282

2013	Entergy Arkansas	Entergy Gulf States Louisiana	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	Entergy Texas	System Energy
	(In Thousands)						
Service cost - benefits earned during the period	$4,828	$4,002	$4,344	$1,638	$894	$1,900	$1,814
Interest cost on APBO	6,720	4,452	4,698	2,148	1,570	3,030	1,458
Expected return on assets	(8,298)	—	—	(2,634)	(2,028)	(4,642)	(1,650)
Amortization of prior service cost/(credit)	(266)	(412)	(124)	(70)	20	(214)	(32)
Amortization of loss	4,083	2,347	2,573	1,325	793	1,951	958

Net other postretirement benefit cost	$7,067	$10,389	$11,491	$2,407	$1,249	$2,025	$2,548

57

Table of Contents
Entergy Corporation and Subsidiaries
Notes to Financial Statements

Reclassification out of Accumulated Other Comprehensive Income

Entergy and the Registrant Subsidiaries reclassified the following costs out of accumulated other comprehensive income (before taxes and including amounts capitalized) for the second quarters of 2014 and 2013:

2014	Qualified Pension Costs	Other Postretirement Costs	Non-Qualified Pension Costs	Total
	(In Thousands)			
Entergy				
Amortization of prior service cost	($389)	$5,570	($106)	$5,075
Amortization of loss	(6,734)	(1,673)	(563)	(8,970)
Settlement loss	—	—	(1,386)	(1,386)
	($7,123)	$3,897	($2,055)	($5,281)
Entergy Gulf States Louisiana				
Amortization of prior service cost	$—	$559	$—	$559
Amortization of loss	(477)	(303)	(1)	(781)
	($477)	$256	($1)	($222)
Entergy Louisiana				
Amortization of prior service cost	$—	$845	$—	$845
Amortization of loss	—	(378)	—	(378)
	$—	$467	$—	$467

2013	Qualified Pension Costs	Other Postretirement Costs	Non-Qualified Pension Costs	Total
	(In Thousands)			
Entergy				
Amortization of prior service cost	($503)	$3,007	($121)	$2,383
Amortization of loss	(11,845)	(5,485)	(717)	(18,047)
	($12,348)	($2,478)	($838)	($15,664)
Entergy Gulf States Louisiana				
Amortization of prior service cost	($1)	$206	$—	$205
Amortization of loss	(771)	(1,172)	(2)	(1,945)
	($772)	($966)	($2)	($1,740)
Entergy Louisiana				
Amortization of prior service cost	$—	$62	$—	$62
Amortization of loss	—	(1,287)	—	(1,287)
	$—	($1,225)	$—	($1,225)

Table of Contents
Entergy Corporation and Subsidiaries
Notes to Financial Statements

Entergy and the Registrant Subsidiaries reclassified the following costs out of accumulated other comprehensive income (before taxes and including amounts capitalized) for the six months ended June 30, 2014 and 2013:

2014	Qualified Pension Costs	Other Postretirement Costs	Non-Qualified Pension Costs	Total
	(In Thousands)			
Entergy				
Amortization of prior service cost	($778)	$11,141	($210)	$10,153
Amortization of loss	(13,468)	(3,346)	(1,137)	(17,951)
Settlement loss	—	—	(2,548)	(2,548)
	($14,246)	$7,795	($3,895)	($10,346)
Entergy Gulf States Louisiana				
Amortization of prior service cost	$—	$1,118	$—	$1,118
Amortization of loss	(955)	(606)	(2)	(1,563)
	($955)	$512	($2)	($445)
Entergy Louisiana				
Amortization of prior service cost	$—	$1,689	$—	$1,689
Amortization of loss	—	(756)	—	(756)
	$—	$933	$—	$933

2013	Qualified Pension Costs	Other Postretirement Costs	Non-Qualified Pension Costs	Total
	(In Thousands)			
Entergy				
Amortization of prior service cost	($1,005)	$6,014	($242)	$4,767
Amortization of loss	(23,690)	(10,971)	(1,434)	(36,095)
	($24,695)	($4,957)	($1,676)	($31,328)
Entergy Gulf States Louisiana				
Amortization of prior service cost	($1)	$412	$—	$411
Amortization of loss	(1,542)	(2,346)	(4)	(3,892)
	($1,543)	($1,934)	($4)	($3,481)
Entergy Louisiana				
Amortization of prior service cost	$—	$124	$—	$124
Amortization of loss	—	(2,574)	—	(2,574)
	$—	($2,450)	$—	($2,450)

Table of Contents
Entergy Corporation and Subsidiaries
Notes to Financial Statements

Employer Contributions

Based on current assumptions, Entergy expects to contribute $400 million to its qualified pension plans in 2014. As of June 30, 2014, Entergy had contributed $138.1 million to its pension plans. Based on current assumptions, the Registrant Subsidiaries expect to contribute the following to qualified pension plans for their employees in 2014:

	Entergy Arkansas	Entergy Gulf States Louisiana	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	Entergy Texas	System Energy
	(In Thousands)						
Expected 2014 pension contributions	$93,999	$31,119	$53,047	$21,540	$10,495	$18,302	$21,388
Pension contributions made through June 2014	$32,746	$10,377	$18,882	$7,504	$3,641	$5,889	$7,300
Remaining estimated pension contributions to be made in 2014	$61,253	$20,742	$34,165	$14,036	$6,854	$12,413	$14,088

NOTE 7. BUSINESS SEGMENT INFORMATION (Entergy Corporation, Entergy Arkansas, Entergy Gulf States Louisiana, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, Entergy Texas, and System Energy)

Entergy Corporation

Entergy's reportable segments as of June 30, 2014 are Utility and Entergy Wholesale Commodities. Utility includes the generation, transmission, distribution, and sale of electric power in portions of Arkansas, Louisiana, Mississippi, and Texas, and natural gas utility service in portions of Louisiana. Entergy Wholesale Commodities includes the ownership and operation of six nuclear power plants located in the northern United States and the sale of the electric power produced by those plants to wholesale customers. Entergy Wholesale Commodities also includes the ownership of interests in non-nuclear power plants that sell the electric power produced by those plants to wholesale customers. "All Other" includes the parent company, Entergy Corporation, and other business activity.

Entergy's segment financial information for the second quarters of 2014 and 2013 is as follows:

	Utility	Entergy Wholesale Commodities*	All Other	Eliminations	Entergy
	(In Thousands)				
2014					
Operating revenues	$2,409,396	$577,891	$726	$8,637	$2,996,650
Income taxes (benefit)	$122,884	$19,597	($13,738)	$—	$128,743
Consolidated net income (loss)	$212,134	$26,463	($17,614)	($26,702)	$194,281
2013					
Operating revenues	$2,212,336	$533,523	$987	($8,638)	$2,738,208
Income taxes (benefit)	$98,926	($14,567)	($11,246)	$—	$73,113
Consolidated net income (loss)	$200,555	$11,531	($17,636)	($26,395)	$168,055

Table of Contents
Entergy Corporation and Subsidiaries
Notes to Financial Statements

Entergy's segment financial information for the six months ended June 30, 2014 and 2013 is as follows:

	Utility	Entergy Wholesale Commodities*	All Other	Eliminations	Entergy
	(In Thousands)				
2014					
Operating revenues	$4,714,100	$1,490,013	$1,487	($107)	$6,205,493
Income taxes (benefit)	$237,947	$138,474	($30,712)	$—	$345,709
Consolidated net income (loss)	$417,574	$268,933	($33,076)	($53,097)	$600,334
2013					
Operating revenues	$4,215,777	$1,147,256	$1,987	($17,938)	$5,347,082
Income taxes (benefit)	$170,001	$42,368	($22,721)	$—	$189,648
Consolidated net income (loss)	$328,391	$93,646	($34,208)	($52,791)	$335,038

Businesses marked with * are sometimes referred to as the "competitive businesses." Eliminations are primarily intersegment activity. Almost all of Entergy's goodwill is related to the Utility segment.

Registrant Subsidiaries

Each of the Registrant Subsidiaries has one reportable segment, which is an integrated utility business, except for System Energy, which is an electricity generation business. Each of the Registrant Subsidiaries' operations is managed on an integrated basis by that company because of the substantial effect of cost-based rates and regulatory oversight on the business process, cost structures, and operating results.

NOTE 8. RISK MANAGEMENT AND FAIR VALUES (Entergy Corporation, Entergy Arkansas, Entergy Gulf States Louisiana, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, Entergy Texas, and System Energy)

Market Risk

In the normal course of business, Entergy is exposed to a number of market risks. Market risk is the potential loss that Entergy may incur as a result of changes in the market or fair value of a particular commodity or instrument. All financial and commodity-related instruments, including derivatives, are subject to market risk including commodity price risk, equity price, and interest rate risk. Entergy uses derivatives primarily to mitigate commodity price risk, particularly power price and fuel price risk.

The Utility has limited exposure to the effects of market risk because it operates primarily under cost-based rate regulation. To the extent approved by their retail regulators, the Utility operating companies use derivative instruments to hedge the exposure to price volatility inherent in their purchased power, fuel, and gas purchased for resale costs that are recovered from customers.

As a wholesale generator, Entergy Wholesale Commodities' core business is selling energy, measured in MWh, to its customers. Entergy Wholesale Commodities enters into forward contracts with its customers and also sells energy and capacity in the day ahead or spot markets. In addition to its forward physical power contracts, Entergy Wholesale Commodities also uses a combination of financial contracts, including swaps, collars, and options, to mitigate commodity price risk. When the market price falls, the combination of instruments is expected to settle in gains that offset lower revenue from generation, which results in a more predictable cash flow.

61

Entergy's exposure to market risk is determined by a number of factors, including the size, term, composition, and diversification of positions held, as well as market volatility and liquidity. For instruments such as options, the time period during which the option may be exercised and the relationship between the current market price of the underlying instrument and the option's contractual strike or exercise price also affects the level of market risk. A significant factor influencing the overall level of market risk to which Entergy is exposed is its use of hedging techniques to mitigate such risk. Hedging instruments and volumes are chosen based on ability to mitigate risk associated with future energy and capacity prices; however, other considerations are factored into hedge product and volume decisions including corporate liquidity, corporate credit ratings, counterparty credit risk, hedging costs, firm settlement risk, and product availability in the marketplace. Entergy manages market risk by actively monitoring compliance with stated risk management policies as well as monitoring the effectiveness of its hedging policies and strategies. Entergy's risk management policies limit the amount of total net exposure and rolling net exposure during the stated periods. These policies, including related risk limits, are regularly assessed to ensure their appropriateness given Entergy's objectives.

Derivatives

Some derivative instruments are classified as cash flow hedges due to their financial settlement provisions while others are classified as normal purchase/normal sale transactions due to their physical settlement provisions. Normal purchase/normal sale risk management tools include power purchase and sales agreements, fuel purchase agreements, capacity contracts, and tolling agreements. Financially-settled cash flow hedges can include natural gas and electricity swaps and options and interest rate swaps. Entergy may enter into financially-settled swap and option contracts to manage market risk that may or may not be designated as hedging instruments.

Entergy enters into derivatives only to manage natural risks inherent in its physical or financial assets or liabilities. The maximum length of time over which Entergy is currently hedging the variability in future cash flows with derivatives for forecasted power transactions at June 30, 2014 is approximately 2.5 years. Planned generation currently under contract from Entergy Wholesale Commodities nuclear power plants is 77% for the remainder of 2014, of which approximately 60% is sold under financial derivatives and the remainder under normal purchase/normal sale contracts. Total planned generation for the remainder of 2014 is 20 TWh.

Entergy manages fuel price volatility for its Louisiana jurisdictions (Entergy Gulf States Louisiana, Entergy Louisiana, and Entergy New Orleans) and Entergy Mississippi through the purchase of short-term natural gas swaps that financially settle against NYMEX futures. These swaps are marked-to-market through fuel expense with offsetting regulatory assets or liabilities. All benefits or costs of the program are recorded in fuel costs. The notional volumes of these swaps are based on a portion of projected annual exposure to gas for electric generation and projected winter purchases for gas distribution at Entergy Gulf States Louisiana and Entergy New Orleans. The total volume of natural gas swaps outstanding as of June 30, 2014 is 24,853,000 MMBtu for Entergy, 10,200,000 MMBtu for Entergy Gulf States Louisiana, 10,150,000 MMBtu for Entergy Louisiana, 4,190,000 MMBtu for Entergy Mississippi, and 313,000 MMBtu for Entergy New Orleans. Credit support for these natural gas swaps is covered by master agreements that do not require collateralization based on mark-to-market value, but do carry adequate assurance language that may lead to collateralization requests.

During the second quarter 2014, Entergy participated in the annual FTR auction process for the MISO planning year of June 1, 2014 through May 31, 2015. FTRs are derivative instruments which represent economic hedges of future congestion charges that will be incurred in serving Entergy's customer load. They are not designated as hedging instruments. Entergy initially records FTRs at their estimated fair value and subsequently adjusts the carrying value to their estimated fair value at the end of each accounting period prior to settlement. Unrealized gains or losses on FTRs held by Entergy Wholesale Commodities are included in operating revenues. The Utility operating companies recognize regulatory liabilities or assets for unrealized gains or losses on FTRs. The total volume of FTRs outstanding as of June 30, 2014 is 105,297 GWh for Entergy, including 22,736 GWh for Entergy Arkansas, 22,966 GWh for Entergy Gulf States Louisiana, 25,061 GWh for Entergy Louisiana, 13,053 GWh for Entergy Mississippi, 8,078 GWh for Entergy New Orleans, and 13,264 GWh for Entergy Texas. Credit support for FTRs held by the Utility operating companies is covered by cash or letters of credit issued by each Utility operating company as required by MISO. Credit support for FTRs held by Entergy Wholesale Commodities is covered by cash. As of June 30, 2014, no cash collateral was required to be posted.

The fair values of Entergy's derivative instruments in the consolidated balance sheet as of June 30, 2014 are shown in the table below. Certain investments, including those not designated as hedging instruments, are subject to master netting arrangements and are presented in the balance sheet on a net basis in accordance with accounting guidance for derivatives and hedging.

Instrument	Balance Sheet Location	Fair Value (a) (In Millions)	Offset (b)	Net (c) (d)	Business
Derivatives designated as hedging instruments					
Assets:					
Electricity swaps and options	Prepayments and other (current portion)	$100	($93)	$7	Entergy Wholesale Commodities
Electricity swaps and options	Other deferred debits and other assets (non-current portion)	$21	($5)	$16	Entergy Wholesale Commodities
Liabilities:					
Electricity swaps and options	Other current liabilities (current portion)	$170	($113)	$57	Entergy Wholesale Commodities
Electricity swaps and options	Other non-current liabilities (non-current portion)	$45	($7)	$38	Entergy Wholesale Commodities
Derivatives not designated as hedging instruments					
Assets:					
Electricity swaps and options	Prepayments and other (current portion)	$81	($71)	$10	Entergy Wholesale Commodities
Electricity swaps and options	Other deferred debits and other assets (non-current portion)	$2	$1	$3	Entergy Wholesale Commodities
Natural gas swaps	Prepayments and other	$3	$—	$3	Utility
FTRs	Prepayments and other	$163	($19)	$144	Utility and Entergy Wholesale Commodities
Liabilities:					
Electricity swaps and options	Other current liabilities(current portion)	$75	($48)	$27	Entergy Wholesale Commodities
Electricity swaps and options	Other non-current liabilities (non-current portion)	$2	$—	$2	Entergy Wholesale Commodities

The fair values of Entergy's derivative instruments in the consolidated balance sheet as of December 31, 2013 are shown in the table below. Certain investments, including those not designated as hedging instruments, are subject to master netting arrangements and are presented in the balance sheet on a net basis in accordance with accounting guidance for derivatives and hedging.

Instrument	Balance Sheet Location	Fair Value (a) (In Millions)	Offset (b)	Net (c) (d)	Business
Derivatives designated as hedging instruments					
Assets:					
Electricity swaps and options	Prepayments and other (current portion)	$118	($99)	$19	Entergy Wholesale Commodities
Electricity swaps and options	Other deferred debits and other assets (non-current portion)	$17	($17)	$—	Entergy Wholesale Commodities
Liabilities:					
Electricity swaps and options	Other current liabilities (current portion)	$197	($131)	$66	Entergy Wholesale Commodities
Electricity swaps and options	Other non-current liabilities (non-current portion)	$46	($17)	$29	Entergy Wholesale Commodities
Derivatives not designated as hedging instruments					
Assets:					
Electricity swaps and options	Prepayments and other (current portion)	$177	($122)	$55	Entergy Wholesale Commodities
Natural gas swaps	Prepayments and other	$6	$—	$6	Utility
FTRs	Prepayments and other	$36	($2)	$34	Utility and Entergy Wholesale Commodities
Liabilities:					
Electricity swaps and options	Other current liabilities (current portion)	$201	($89)	$112	Entergy Wholesale Commodities

(a) Represents the gross amounts of recognized assets/liabilities
(b) Represents the netting of fair value balances with the same counterparty
(c) Represents the net amounts of assets /liabilities presented on the Entergy Consolidated Balance Sheets
(d) Excludes cash collateral in the amounts of $13 million posted as of June 30, 2014 and $47 million posted and $4 million held as of December 31, 2013, respectively

The effect of Entergy’s derivative instruments designated as cash flow hedges on the consolidated income statements for the three months ended June 30, 2014 and 2013 are as follows:

Instrument	Amount of gain (loss) recognized in other comprehensive income (In Millions)	Income Statement location	Amount of gain reclassified from AOCI into income (In Millions)
2014			
Electricity swaps and options	($11)	Competitive businesses operating revenues	$—
2013			
Electricity swaps and options	$54	Competitive businesses operating revenues	$4

The effect of Entergy’s derivative instruments designated as cash flow hedges on the consolidated income statements for the six months ended June 30, 2014 and 2013 are as follows:

Instrument	Amount of loss recognized in other comprehensive income (In Millions)	Income Statement location	Amount of gain (loss) reclassified from AOCI into income (In Millions)
2014			
Electricity swaps and options	($185)	Competitive businesses operating revenues	($195)
2013			
Electricity swaps and options	($74)	Competitive businesses operating revenues	$2

Electricity over-the-counter instruments that financially settle against day-ahead power pool prices are used to manage price exposure for Entergy Wholesale Commodities generation. Unrealized gains or losses recorded in other comprehensive income result from hedging power output at the Entergy Wholesale Commodities power plants. The related gains or losses from hedging power are included in operating revenues when realized. Gains realized on the maturity of cash flow hedges for the three months ended June 30, 2014 were insignificant. Gains totaling approximately $4 million were realized on the maturity of cash flow hedges, before taxes of $2 million, for the three months ended June 30, 2013. Gains (losses) totaling approximately ($195) million and $2 million were realized on the maturity of cash flow hedges, before taxes (benefit) of ($68) million and $1 million, for the six months ended June 30, 2014 and 2013, respectively. The change in fair value of Entergy’s cash flow hedges due to ineffectiveness during the three months ended June 30, 2014 and 2013 was $0.8 million and $0.8 million, respectively. The change in fair value of Entergy’s cash flow hedges due to ineffectiveness during the six months ended June 30, 2014 and 2013 was $1.8 million and ($0.5) million, respectively. The ineffective portion of cash flow hedges is recorded in competitive businesses operating revenues.

Based on market prices as of June 30, 2014, unrealized losses recorded in AOCI on cash flow hedges relating to power sales totaled ($108) million of net unrealized losses. Approximately ($76) million is expected to be reclassified from AOCI to operating revenues in the next twelve months. The actual amount reclassified from AOCI, however, could vary due to future changes in market prices.

65

Table of Contents
Entergy Corporation and Subsidiaries
Notes to Financial Statements

Certain of the agreements to sell the power produced by Entergy Wholesale Commodities power plants contain provisions that require an Entergy subsidiary to provide collateral to secure its obligations when the current market prices exceed the contracted power prices. The primary form of collateral to satisfy these requirements is an Entergy Corporation guarantee. As of June 30, 2014, derivative contracts with ten counterparties were in a liability position (approximately $93 million total). In addition to the corporate guarantee, $13 million in cash collateral was required to be posted. As of June 30, 2013, derivative contracts with four counterparties were in a liability position (approximately $10 million total), but were significantly below the amount of the guarantee provided under the contract and no cash collateral was required. If the Entergy Corporation credit rating falls below investment grade, the effect of the corporate guarantee is typically ignored and Entergy would have to post collateral equal to the estimated outstanding liability under the contract at the applicable date.

Entergy may effectively liquidate a cash flow hedge instrument by entering into a contract offsetting the original hedge, and then de-designating the original hedge in this situation. Gains or losses accumulated in other comprehensive income prior to de-designation continue to be deferred in other comprehensive income until they are included in income as the original hedged transaction occurs. From the point of de-designation, the gains or losses on the original hedge and the offsetting contract are recorded as assets or liabilities on the balance sheet and offset as they flow through to earnings.

The effect of Entergy’s derivative instruments not designated as hedging instruments on the consolidated income statements for the three months ended June 30, 2014 and 2013 is as follows:

Instrument	Amount of loss recognized in AOCI (In Millions)	Income Statement location		Amount of gain (loss) recorded in the income statement (In Millions)
2014				
Natural gas swaps	—	Fuel, fuel-related expenses, and gas purchased for resale	(a)	$4
FTRs	—	Purchased power expense	(b)	$89
Electricity swaps and options de-designated as hedged items	($14)	Competitive business operating revenues		$4
2013				
Natural gas swaps	—	Fuel, fuel-related expenses, and gas purchased for resale	(a)	$29
Electricity swaps and options de-designated as hedged items	($1)	Competitive business operating revenues		($9)

Table of Contents
Entergy Corporation and Subsidiaries
Notes to Financial Statements

The effect of Entergy's derivative instruments not designated as hedging instruments on the consolidated income statements for the six months ended June 30, 2014 and 2013 is as follows:

Instrument	Amount of gain recognized in AOCI (In Millions)	Income Statement location		Amount of gain (loss) recorded in the income statement (In Millions)
2014				
Natural gas swaps	—	Fuel, fuel-related expenses, and gas purchased for resale	(a)	$21
FTRs	—	Purchased power expense	(b)	$135
Electricity swaps and options de-designated as hedged items	$7	Competitive business operating revenues		$25
2013				
Natural gas swaps	—	Fuel, fuel-related expenses, and gas purchased for resale	(a)	$9
Electricity swaps and options de-designated as hedged items	$—	Competitive business operating revenues		($10)

(a) Due to regulatory treatment, the natural gas swaps are marked-to-market through fuel, fuel-related expenses, and gas purchased for resale and then such amounts are simultaneously reversed and recorded as an offsetting regulatory asset or liability. The gains or losses recorded as fuel expenses when the swaps are settled are recovered or refunded through fuel cost recovery mechanisms.

(b) Due to regulatory treatment, the changes in the estimated fair value of FTRs are recorded through purchased power expense and then such amounts are simultaneously reversed and recorded as an offsetting regulatory asset or liability. The gains or losses recorded as purchased power expense when the FTRs are settled are recovered or refunded through fuel cost recovery mechanisms.

The fair values of the Registrant Subsidiaries' derivative instruments not designated as hedging instruments on their balance sheets as of June 30, 2014 are as follows:

Instrument	Balance Sheet Location	Fair Value (a) (In Millions)	Registrant
Assets:			
Natural gas swaps	Gas hedge contracts	$1.2	Entergy Gulf States Louisiana
Natural gas swaps	Gas hedge contracts	$1.5	Entergy Louisiana
Natural gas swaps	Prepayments and other	$0.6	Entergy Mississippi
FTRs	Prepayments and other	$3.0	Entergy Arkansas
FTRs	Prepayments and other	$47.2	Entergy Gulf States Louisiana
FTRs	Prepayments and other	$23.6	Entergy Louisiana
FTRs	Prepayments and other	$12.7	Entergy Mississippi
FTRs	Prepayments and other	$8.5	Entergy New Orleans
FTRs	Prepayments and other	$47.8	Entergy Texas

Table of Contents
Entergy Corporation and Subsidiaries
Notes to Financial Statements

The fair values of the Registrant Subsidiaries' derivative instruments not designated as hedging instruments on their balance sheets as of December 31, 2013 are as follows:

Instrument	Balance Sheet Location	Fair Value (a) (In Millions)	Registrant
Assets:			
Natural gas swaps	Gas hedge contracts	$2.2	Entergy Gulf States Louisiana
Natural gas swaps	Gas hedge contracts	$2.9	Entergy Louisiana
Natural gas swaps	Prepayments and other	$0.7	Entergy Mississippi
Natural gas swaps	Prepayments and other	$0.1	Entergy New Orleans
FTRs	Prepayments and other	$6.7	Entergy Gulf States Louisiana
FTRs	Prepayments and other	$5.7	Entergy Louisiana
FTRs	Prepayments and other	$1.0	Entergy Mississippi
FTRs	Prepayments and other	$2.0	Entergy New Orleans
FTRs	Prepayments and other	$18.4	Entergy Texas

(a) No cash collateral was required to be posted as of June 30, 2014 and December 31, 2013, respectively.

The effects of the Registrant Subsidiaries' derivative instruments not designated as hedging instruments on their income statements for the three months ended June 30, 2014 and 2013 are as follows:

Instrument	Income Statement Location	Amount of gain (loss) recorded in the income statement (In Millions)	Registrant
2014			
Natural gas swaps	Fuel, fuel-related expenses, and gas purchased for resale	$1.4	Entergy Gulf States Louisiana
Natural gas swaps	Fuel, fuel-related expenses, and gas purchased for resale	$2.2	Entergy Louisiana
Natural gas swaps	Fuel, fuel-related expenses, and gas purchased for resale	$0.6	Entergy Mississippi
FTRs	Purchased power expense	$6.7	Entergy Arkansas
FTRs	Purchased power expense	$26.1	Entergy Gulf States Louisiana
FTRs	Purchased power expense	$12.4	Entergy Louisiana
FTRs	Purchased power expense	$4.5	Entergy Mississippi
FTRs	Purchased power expense	$3.3	Entergy New Orleans
FTRs	Purchased power expense	$33.4	Entergy Texas
2013			
Natural gas swaps	Fuel, fuel-related expenses, and gas purchased for resale	$9.0	Entergy Gulf States Louisiana
Natural gas swaps	Fuel, fuel-related expenses, and gas purchased for resale	$12.2	Entergy Louisiana
Natural gas swaps	Fuel, fuel-related expenses, and gas purchased for resale	$7.9	Entergy Mississippi
Natural gas swaps	Fuel, fuel-related expenses, and gas purchased for resale	($0.1)	Entergy New Orleans

Table of Contents
Entergy Corporation and Subsidiaries
Notes to Financial Statements

The effects of the Registrant Subsidiaries' derivative instruments not designated as hedging instruments on their income statements for the six months ended June 30, 2014 and 2013 are as follows:

Instrument	Income Statement Location	Amount of gain (loss) recorded in the income statement (In Millions)	Registrant
2014			
Natural gas swaps	Fuel, fuel-related expenses, and gas purchased for resale	$8.2	Entergy Gulf States Louisiana
Natural gas swaps	Fuel, fuel-related expenses, and gas purchased for resale	$10.2	Entergy Louisiana
Natural gas swaps	Fuel, fuel-related expenses, and gas purchased for resale	$2.2	Entergy Mississippi
Natural gas swaps	Fuel, fuel-related expenses, and gas purchased for resale	$0.7	Entergy New Orleans
FTRs	Purchased power expense	$11.8	Entergy Arkansas
FTRs	Purchased power expense	$35.1	Entergy Gulf States Louisiana
FTRs	Purchased power expense	$20.4	Entergy Louisiana
FTRs	Purchased power expense	$12.3	Entergy Mississippi
FTRs	Purchased power expense	$6.3	Entergy New Orleans
FTRs	Purchased power expense	$46.2	Entergy Texas
2013			
Natural gas swaps	Fuel, fuel-related expenses, and gas purchased for resale	$2.8	Entergy Gulf States Louisiana
Natural gas swaps	Fuel, fuel-related expenses, and gas purchased for resale	$3.9	Entergy Louisiana
Natural gas swaps	Fuel, fuel-related expenses, and gas purchased for resale	$2.5	Entergy Mississippi
Natural gas swaps	Fuel, fuel-related expenses, and gas purchased for resale	($0.1)	Entergy New Orleans

Fair Values

The estimated fair values of Entergy's financial instruments and derivatives are determined using historical prices, bid prices, market quotes, and financial modeling. 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 other than those instruments held by the Entergy Wholesale Commodities business are reflected in future rates and therefore do not affect net income. 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.

Accounting standards define fair value as an exit price, or the price that would be received to sell an asset or the amount that would be paid to transfer a liability in an orderly transaction between knowledgeable market participants at the date of measurement. Entergy and the Registrant Subsidiaries use assumptions or market input data that market participants would use in pricing assets or liabilities at fair value. The inputs can be readily observable, corroborated by market data, or generally unobservable. Entergy and the Registrant Subsidiaries endeavor to use the best available information to determine fair value.

Table of Contents
Entergy Corporation and Subsidiaries
Notes to Financial Statements

Accounting standards establish a fair value hierarchy that prioritizes the inputs used to measure fair value. The hierarchy establishes the highest priority for unadjusted market quotes in an active market for the identical asset or liability and the lowest priority for unobservable inputs. The three levels of the fair value hierarchy are:

- Level 1 - Level 1 inputs are unadjusted quoted prices in active markets for identical assets or liabilities that the entity has the ability to access at the measurement date. Active markets are those in which transactions for the asset or liability occur in sufficient frequency and volume to provide pricing information on an ongoing basis. Level 1 primarily consists of individually owned common stocks, cash equivalents (temporary cash investments, securitization recovery trust account, and escrow accounts), debt instruments, and gas hedge contracts. Cash equivalents includes all unrestricted highly liquid debt instruments with an original or remaining maturity of three months or less at the date of purchase.

- Level 2 - Level 2 inputs are inputs other than quoted prices included in Level 1 that are, either directly or indirectly, observable for the asset or liability at the measurement date. Assets are valued based on prices derived by independent third parties that use inputs such as benchmark yields, reported trades, broker/dealer quotes, and issuer spreads. Prices are reviewed and can be challenged with the independent parties and/or overridden by Entergy if it is believed such would be more reflective of fair value. Level 2 inputs include the following:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability; or
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 2 consists primarily of individually-owned debt instruments or shares in common trusts. Common trust funds are stated at estimated fair value based on the fair market value of the underlying investments.

- Level 3 - Level 3 inputs are pricing inputs that are generally less observable or unobservable from objective sources. These inputs are used with internally developed methodologies to produce management's best estimate of fair value for the asset or liability. Level 3 consists primarily of FTRs and derivative power contracts used as cash flow hedges of power sales at merchant power plants.

The values for power contract assets or liabilities are based on both observable inputs including public market prices and interest rates, and unobservable inputs such as implied volatilities, unit contingent discounts, expected basis differences, and credit adjusted counterparty interest rates. They are classified as Level 3 assets and liabilities. The valuations of these assets and liabilities are performed by the Entergy Wholesale Commodities Risk Control Group and the Entergy Wholesale Commodities Accounting Policy and External Reporting group. The primary functions of the Entergy Wholesale Commodities Risk Control Group include: gathering, validating and reporting market data, providing market risk analyses and valuations in support of Entergy Wholesale Commodities' commercial transactions, developing and administering protocols for the management of market risks, and implementing and maintaining controls around changes to market data in the energy trading and risk management system. The Risk Control group is also responsible for managing the energy trading and risk management system, forecasting revenues, forward positions and analysis. The Entergy Wholesale Commodities Accounting Policy and External Reporting group performs functions related to market and counterparty settlements, revenue reporting and analysis and financial accounting. The Entergy Wholesale Commodities Risk Control Group reports to the Vice President, Treasury while the Entergy Wholesale Commodities Accounting Policy and External Reporting group reports to the Vice President, Accounting Policy and External Reporting.

The amounts reflected as the fair value of electricity swaps are based on the estimated amount that the contracts are in-the-money at the balance sheet date (treated as an asset) or out-of-the-money at the balance sheet date (treated as a liability) and would equal the estimated amount receivable to or payable by Entergy if the contracts were settled at that date. These derivative contracts include cash flow hedges that swap fixed for floating cash flows for sales of the output from the Entergy Wholesale Commodities business. The fair values are based on the mark-to-market comparison between the fixed contract prices and the floating prices determined each period from quoted forward power market prices. The differences between the fixed price in the swap contract and these market-related prices multiplied by the volume specified in the contract and discounted at the counterparties' credit adjusted risk free rate are recorded as derivative contract assets or liabilities. For contracts that have unit contingent terms, a further discount is applied based on the historical relationship between contract and market prices for similar contract terms.

The amounts reflected as the fair values of electricity options are valued based on a Black Scholes model, and are calculated at the end of each month for accounting purposes. Inputs to the valuation include end of day forward market prices for the period when the transactions will settle, implied volatilities based on market volatilities provided by a third party data aggregator, and US Treasury rates for a risk-free return rate. As described further below, prices and implied volatilities are reviewed and can be adjusted if it is determined that there is a better representation of fair value.

On a daily basis, Entergy Wholesale Commodities Risk Control Group calculates the mark-to-market for electricity swaps and options. Entergy Wholesale Commodities Risk Control Group also validates forward market prices by comparing them to other sources of forward market prices or to settlement prices of actual market transactions. Significant differences are analyzed and potentially adjusted based on these other sources of forward market prices or settlement prices of actual market transactions. Implied volatilities used to value options are also validated using actual counterparty quotes for Entergy Wholesale Commodities transactions when available, and uses multiple sources of market implied volatilities. Moreover, on at least a monthly basis, the Office of Corporate Risk Oversight confirms the mark-to-market calculations and prepares price scenarios and credit downgrade scenario analysis. The scenario analysis is communicated to senior management within Entergy and within Entergy Wholesale Commodities. Finally, for all proposed derivative transactions, an analysis is completed to assess the risk of adding the proposed derivative to Entergy Wholesale Commodities's portfolio. In particular, the credit, liquidity, and financial metrics impacts are calculated for this analysis. This analysis is communicated to senior management within Entergy and Entergy Wholesale Commodities.

The values of FTRs are based on unobservable inputs, including estimates of future congestion costs in MISO between applicable generation and load pricing nodes based on prices published by MISO. They are classified as Level 3 assets and liabilities. The valuations of these assets and liabilities are performed by the Entergy Wholesale Commodities Risk Control Group for the unregulated business and by the System Planning and Operations Risk Control Group for the Utility operating companies. Entergy's Accounting Policy group reviews these valuations for reasonableness, with the assistance of others within the organization with knowledge of the various inputs and assumptions used in the valuation. The System Planning and Operations Risk Control Group reports to the Vice President, Treasury. The Accounting Policy group reports to the Vice President, Accounting Policy and External Reporting.

Table of Contents
Entergy Corporation and Subsidiaries
Notes to Financial Statements

The following tables set forth, by level within the fair value hierarchy, Entergy's assets and liabilities that are accounted for at fair value on a recurring basis as of June 30, 2014 and December 31, 2013. The assessment of the significance of a particular input to a fair value measurement requires judgment and may affect their placement within the fair value hierarchy levels.

2014	Level 1	Level 2		Level 3	Total
	(In Millions)				
Assets:					
Temporary cash investments	$501	$—		$—	$501
Decommissioning trust funds (a):					
Equity securities	426	2,767	(b)	—	3,193
Debt securities	837	1,135		—	1,972
Power contracts	—	—		36	36
Securitization recovery trust account	39	—		—	39
Escrow accounts	90	—		—	90
Gas hedge contracts	3	—		—	3
FTRs	—	—		144	144
	$1,896	$3,902		$180	$5,978
Liabilities:					
Power contracts	$—	$—		$124	$124

2013	Level 1	Level 2		Level 3	Total
	(In Millions)				
Assets:					
Temporary cash investments	$609	$—		$—	$609
Decommissioning trust funds (a):					
Equity securities	472	2,601	(b)	—	3,073
Debt securities	783	1,047		—	1,830
Power contracts	—	—		74	74
Securitization recovery trust account	46	—		—	46
Escrow accounts	115	—		—	115
Gas hedge contracts	6	—		—	6
FTRs	—	—		34	34
	$2,031	$3,648		$108	$5,787
Liabilities:					
Power contracts	$—	$—		$207	$207

(a) The decommissioning trust funds hold equity and fixed income securities. Equity securities are invested to approximate the returns of major market indices. Fixed income securities are held in various governmental and corporate securities. See Note 9 to the financial statements herein for additional information on the investment portfolios.

(b) Commingled equity funds may be redeemed bi-monthly.

Table of Contents
Entergy Corporation and Subsidiaries
Notes to Financial Statements

The following table sets forth a reconciliation of changes in the net assets (liabilities) for the fair value of derivatives classified as Level 3 in the fair value hierarchy for the three months ended June 30, 2014 and 2013:

	2014	2013
	(In Millions)	
Balance as of April 1,	($61)	$52
Realized losses included in earnings	(28)	(8)
Unrealized gains (losses) included in earnings	35	(2)
Unrealized gains included in OCI	2	45
Unrealized gains included as a regulatory liability/asset	85	—
Issuances of FTRs	121	—
Purchases	3	—
Settlements	(101)	(4)
Balance as of June 30,	$56	$83

The following table sets forth a reconciliation of changes in the net assets (liabilities) for the fair value of derivatives classified as Level 3 in the fair value hierarchy for the six months ended June 30, 2014 and 2013:

	2014	2013
	(In Millions)	
Balance as of January 1,	($98)	$178
Realized losses included in earnings	(59)	(22)
Unrealized gains included in earnings	88	3
Unrealized losses included in OCI	(220)	(74)
Unrealized gains included as a regulatory liability/asset	122	—
Issuances of FTRs	121	—
Purchases	8	—
Settlements	94	(2)
Balance as of June 30,	$56	$83

The following table sets forth a description of the types of transactions classified as Level 3 in the fair value hierarchy and significant unobservable inputs to each which cause that classification, as of June 30, 2014:

Transaction Type	Fair Value as of June 30, 2014	Significant Unobservable Inputs	Range from Average %	Effect on Fair Value
	(In Millions)			(In Millions)
Electricity swaps	($71)	Unit contingent discount	+/- 3%	($2)
Electricity options	($17)	Implied volatility	+/- 101%	$28

Table of Contents
Entergy Corporation and Subsidiaries
Notes to Financial Statements

The following table sets forth an analysis of each of the types of unobservable inputs impacting the fair value of items classified as Level 3 within the fair value hierarchy, and the sensitivity to changes to those inputs:

Significant Unobservable Input	Transaction Type	Position	Change to Input	Effect on Fair Value
Unit contingent discount	Electricity swaps	Sell	Increase (Decrease)	Decrease (Increase)
Implied volatility	Electricity options	Sell	Increase (Decrease)	Increase (Decrease)
Implied volatility	Electricity options	Buy	Increase (Decrease)	Increase (Decrease)

The following table sets forth, by level within the fair value hierarchy, the Registrant Subsidiaries' assets that are accounted for at fair value on a recurring basis as of June 30, 2014 and December 31, 2013. The assessment of the significance of a particular input to a fair value measurement requires judgment and may affect its placement within the fair value hierarchy levels.

Entergy Arkansas

2014	Level 1	Level 2		Level 3	Total
	(In Millions)				
Assets:					
Decommissioning trust funds (a):					
Equity securities	$2.7	$478.3	(b)	$—	$481.0
Debt securities	51.8	213.4		—	265.2
Securitization recovery trust account	4.3	—		—	4.3
Escrow accounts	12.2	—		—	12.2
FTRs	—	—		3.0	3.0
	$71.0	$691.7		$3.0	$765.7

2013	Level 1	Level 2		Level 3	Total
	(In Millions)				
Assets:					
Temporary cash investments	$122.8	$—		$—	$122.8
Decommissioning trust funds (a):					
Equity securities	13.6	449.7	(b)	—	463.3
Debt securities	58.6	189.0		—	247.6
Securitization recovery trust account	3.8	—		—	3.8
Escrow accounts	26.0	—		—	26.0
	$224.8	$638.7		$—	$863.5

Entergy Gulf States Louisiana

2014	Level 1	Level 2		Level 3	Total
	(In Millions)				
Assets:					
Temporary cash investments	$30.1	$—		$—	$30.1
Decommissioning trust funds (a):					
Equity securities	13.1	365.6	(b)	—	378.7
Debt securities	76.0	152.9		—	228.9
Escrow accounts	21.5	—		—	21.5
Gas hedge contracts	1.2	—		—	1.2
FTRs	—	—		47.2	47.2
	$141.9	$518.5		$47.2	$707.6

2013	Level 1	Level 2		Level 3	Total
	(In Millions)				
Assets:					
Temporary cash investments	$13.8	$—		$—	$13.8
Decommissioning trust funds (a):					
Equity securities	27.6	343.2	(b)	—	370.8
Debt securities	71.7	131.2		—	202.9
Escrow accounts	21.5	—		—	21.5
Gas hedge contracts	2.2	—		—	2.2
FTRs	—	—		6.7	6.7
	$136.8	$474.4		$6.7	$617.9

Entergy Louisiana

2014	Level 1	Level 2		Level 3	Total
	(In Millions)				
Assets:					
Temporary cash investments	$2.6	$—		$—	$2.6
Decommissioning trust funds (a):					
Equity securities	6.5	223.5	(b)	—	230.0
Debt securities	65.3	71.3		—	136.6
Securitization recovery trust account	3.4	—		—	3.4
Gas hedge contracts	1.5	—		—	1.5
FTRs	—	—		23.6	23.6
	$79.3	$294.8		$23.6	$397.7

2013	Level 1	Level 2		Level 3	Total
	(In Millions)				
Assets:					
Temporary cash investments	$123.6	$—		$—	$123.6
Decommissioning trust funds (a):					
Equity securities	13.5	210.7	(b)	—	224.2
Debt securities	61.7	61.4		—	123.1
Securitization recovery trust account	4.5	—		—	4.5
Gas hedge contacts	2.9	—		—	2.9
FTRs	—	—		5.7	5.7
	$206.2	$272.1		$5.7	$484.0

Entergy Mississippi

2014	Level 1	Level 2	Level 3	Total
	(In Millions)			
Assets:				
Temporary cash investments	$15.7	$—	$—	$15.7
Escrow accounts	41.8	—	—	41.8
Gas hedge contracts	0.6	—	—	0.6
FTRs	—	—	12.7	12.7
	$58.1	$—	$12.7	$70.8

2013	Level 1	Level 2	Level 3	Total
	(In Millions)			
Assets:				
Escrow accounts	$51.8	$—	$—	$51.8
Gas hedge contracts	0.7	—	—	0.7
FTRs	—	—	1.0	1.0
	$52.5	$—	$1.0	$53.5

Entergy New Orleans

2014	Level 1	Level 2	Level 3	Total
	(In Millions)			
Assets:				
Temporary cash investments	$15.6	$—	$—	$15.6
Escrow accounts	14.1	—	—	14.1
FTRs	—	—	8.5	8.5
	$29.7	$—	$8.5	$38.2

Table of Contents
Entergy Corporation and Subsidiaries
Notes to Financial Statements

2013	Level 1	Level 2	Level 3	Total
	(In Millions)			
Assets:				
Temporary cash investments	$33.2	$—	$—	$33.2
Escrow accounts	10.5	—	—	10.5
Gas hedge contracts	0.1	—	—	0.1
FTRs	—	—	2.0	2.0
	$43.8	$—	$2.0	$45.8

Entergy Texas

2014	Level 1	Level 2	Level 3	Total
	(In Millions)			
Assets:				
Temporary cash investments	$10.8	$—	$—	$10.8
Securitization recovery trust account	31.2	—	—	31.2
FTRs	—	—	47.8	47.8
	$42.0	$—	$47.8	$89.8

2013	Level 1	Level 2	Level 3	Total
	(In Millions)			
Assets:				
Temporary cash investments	$44.1	$—	$—	$44.1
Securitization recovery trust account	37.5	—	—	37.5
FTRs	—	—	18.4	18.4
	$81.6	$—	$18.4	$100.0

System Energy

2014	Level 1	Level 2		Level 3	Total
	(In Millions)				
Assets:					
Temporary cash investments	$84.2	$—		$—	$84.2
Decommissioning trust funds (a):					
Equity securities	1.5	402.1	(b)	—	403.6
Debt securities	181.1	60.5		—	241.6
	$266.8	$462.6		$—	$729.4

2013	Level 1	Level 2		Level 3	Total
	(In Millions)				
Assets:					
Temporary cash investments	$64.6	$—		$—	$64.6
Decommissioning trust funds (a):					
Equity securities	2.2	377.8	(b)	—	380.0
Debt securities	152.9	71.0		—	223.9
	$219.7	$448.8		$—	$668.5

(a) The decommissioning trust funds hold equity and fixed income securities. Equity securities are invested to approximate the returns of major market indices. Fixed income securities are held in various governmental

78

and corporate securities. See Note 9 to the financial statements herein for additional information on the investment portfolios.
(b) Commingled equity funds may be redeemed bi-monthly.

The following table sets forth a reconciliation of changes in the net assets (liabilities) for the fair value of derivatives classified as Level 3 in the fair value hierarchy for the three months ended June 30, 2014.

	Entergy Arkansas	Entergy Gulf States Louisiana	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	Entergy Texas
	(In Millions)					
Balance as of April 1,	$2.7	$5.4	$3.0	$4.8	$1.0	$7.4
Issuances of FTRs	4.2	37.3	21.5	15.2	8.3	33.2
Unrealized gains (losses) included as a regulatory liability/asset	2.8	30.6	11.5	(2.8)	2.5	40.6
Settlements	(6.7)	(26.1)	(12.4)	(4.5)	(3.3)	(33.4)
Balance as of June 30,	$3.0	$47.2	$23.6	$12.7	$8.5	$47.8

The following table sets forth a reconciliation of changes in the net assets (liabilities) for the fair value of derivatives classified as Level 3 in the fair value hierarchy for the six months ended June 30, 2014.

	Entergy Arkansas	Entergy Gulf States Louisiana	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	Entergy Texas
	(In Millions)					
Balance as of January 1,	$—	$6.7	$5.7	$1.0	$2.0	$18.4
Issuances of FTRs	4.2	37.3	21.5	15.2	8.3	33.2
Unrealized gains included as a regulatory liability/asset	10.6	38.3	16.8	8.8	4.5	42.4
Settlements	(11.8)	(35.1)	(20.4)	(12.3)	(6.3)	(46.2)
Balance as of June 30,	$3.0	$47.2	$23.6	$12.7	$8.5	$47.8

NOTE 9. DECOMMISSIONING TRUST FUNDS (Entergy Corporation, Entergy Arkansas, Entergy Gulf States Louisiana, Entergy Louisiana, and System Energy)

Entergy holds debt and equity securities, classified as available-for-sale, in nuclear decommissioning trust accounts. The NRC requires Entergy subsidiaries to maintain trusts to fund the costs of decommissioning ANO 1, ANO 2, River Bend, Waterford 3, Grand Gulf, Pilgrim, Indian Point 1 and 2, Vermont Yankee, and Palisades (NYPA currently retains the decommissioning trusts and liabilities for Indian Point 3 and FitzPatrick). The funds are invested primarily in equity securities, fixed-rate debt securities, and cash and cash equivalents.

Entergy records decommissioning trust funds on the balance sheet at their fair value. Because of the ability of the Registrant Subsidiaries to recover decommissioning costs in rates and in accordance with the regulatory treatment for decommissioning trust funds, the Registrant Subsidiaries 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 1 and 2, Vermont Yankee, and Palisades do not meet the criteria for regulatory accounting 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. Generally, Entergy records realized gains and losses on its debt and equity securities using the specific identification method to determine the cost basis of its securities.

The securities held as of June 30, 2014 and December 31, 2013 are summarized as follows:

	Fair Value	Total Unrealized Gains	Total Unrealized Losses
	(In Millions)		
2014			
Equity Securities	$3,193	$1,409	$1
Debt Securities	1,972	67	8
Total	$5,165	$1,476	$9

	Fair Value	Total Unrealized Gains	Total Unrealized Losses
	(In Millions)		
2013			
Equity Securities	$3,073	$1,260	$—
Debt Securities	1,830	47	29
Total	$4,903	$1,307	$29

Deferred taxes on unrealized gains/(losses) are recorded in other comprehensive income for the decommissioning trusts which do not meet the criteria for regulatory accounting treatment as described above. Unrealized gains/(losses) above are reported before deferred taxes of $365 million and $329 million as of June 30, 2014 and December 31, 2013, respectively. The amortized cost of debt securities was $1,921 million as of June 30, 2014 and $1,843 million as of December 31, 2013. As of June 30, 2014, the debt securities have an average coupon rate of approximately 3.33%, an average duration of approximately 5.41 years, and an average maturity of approximately 7.93 years. The equity securities are generally held in funds that are designed to approximate or somewhat exceed the return of the Standard & Poor's 500 Index. A relatively small percentage of the equity securities are held in funds intended to replicate the return of the Wilshire 4500 Index or the Russell 3000 Index.

The fair value and gross unrealized losses of available-for-sale equity and debt securities, summarized by investment type and length of time that the securities have been in a continuous loss position, are as follows as of June 30, 2014:

	Equity Securities		Debt Securities	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
	(In Millions)			
Less than 12 months	$7	$1	$171	$1
More than 12 months	—	—	242	7
Total	$7	$1	$413	$8

The fair value and gross unrealized losses of available-for-sale equity and debt securities, summarized by investment type and length of time that the securities have been in a continuous loss position, are as follows as of December 31, 2013:

	Equity Securities		Debt Securities	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
	(In Millions)			
Less than 12 months	$—	$—	$892	$24
More than 12 months	—	—	60	5
Total	$—	$—	$952	$29

The unrealized losses in excess of twelve months on equity securities above relate to Entergy's Utility operating companies and System Energy.

The fair value of debt securities, summarized by contractual maturities, as of June 30, 2014 and December 31, 2013 are as follows:

	2014	2013
	(In Millions)	
less than 1 year	$91	$83
1 year - 5 years	812	752
5 years - 10 years	612	620
10 years - 15 years	169	169
15 years - 20 years	60	52
20 years+	228	154
Total	$1,972	$1,830

During the three months ended June 30, 2014 and 2013, proceeds from the dispositions of securities amounted to $445 million and $382 million, respectively. During the three months ended June 30, 2014 and 2013, gross gains of $6 million and $16 million, respectively, and gross losses of $1 million and $1 million, respectively, were reclassified out of other comprehensive income or other regulatory liabilities/assets into earnings.

During the six months ended June 30, 2014 and 2013, proceeds from the dispositions of securities amounted to $982 million and $780 million, respectively. During the six months ended June 30, 2014 and 2013, gross gains of $12 million and $22 million, respectively, and gross losses of $3 million and $3 million, respectively, were reclassified out of other comprehensive income or other regulatory liabilities/assets into earnings.

Table of Contents
Entergy Corporation and Subsidiaries
Notes to Financial Statements

Entergy Arkansas

Entergy Arkansas holds debt and equity securities, classified as available-for-sale, in nuclear decommissioning trust accounts. The securities held as of June 30, 2014 and December 31, 2013 are summarized as follows:

	Fair Value	Total Unrealized Gains	Total Unrealized Losses
	(In Millions)		
2014			
Equity Securities	$481.0	$238.4	$—
Debt Securities	265.2	6.5	1.5
Total	$746.2	$244.9	$1.5
2013			
Equity Securities	$463.3	$214.0	$—
Debt Securities	247.6	5.3	5.2
Total	$710.9	$219.3	$5.2

The amortized cost of debt securities was $260.2 million as of June 30, 2014 and $248.9 million as of December 31, 2013. As of June 30, 2014, the debt securities have an average coupon rate of approximately 2.68%, an average duration of approximately 4.83 years, and an average maturity of approximately 5.52 years. The equity securities are generally held in funds that are designed to approximate the return of the Standard & Poor's 500 Index. A relatively small percentage of the equity securities are held in funds intended to replicate the return of the Wilshire 4500 Index.

The fair value and gross unrealized losses of available-for-sale equity and debt securities, summarized by investment type and length of time that the securities have been in a continuous loss position, are as follows as of June 30, 2014:

	Equity Securities		Debt Securities	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
	(In Millions)			
Less than 12 months	$—	$—	$30.9	$0.1
More than 12 months	—	—	54.2	1.4
Total	$—	$—	$85.1	$1.5

The fair value and gross unrealized losses of available-for-sale equity and debt securities, summarized by investment type and length of time that the securities have been in a continuous loss position, are as follows as of December 31, 2013:

	Equity Securities		Debt Securities	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
	(In Millions)			
Less than 12 months	$—	$—	$153.2	$4.8
More than 12 months	—	—	6.9	0.4
Total	$—	$—	$160.1	$5.2

82

Table of Contents
Entergy Corporation and Subsidiaries
Notes to Financial Statements

The fair value of debt securities, summarized by contractual maturities, as of June 30, 2014 and December 31, 2013 are as follows:

	2014	2013
	(In Millions)	
less than 1 year	$5.6	$8.1
1 year - 5 years	131.1	110.9
5 years - 10 years	116.4	118.0
10 years - 15 years	3.3	3.9
15 years - 20 years	1.0	0.9
20 years+	7.8	5.8
Total	$265.2	$247.6

During the three months ended June 30, 2014 and 2013, proceeds from the dispositions of securities amounted to $25 million and $87 million, respectively. During the three months ended June 30, 2014 and 2013, gross gains of $0.3 million and $7.3 million, respectively, and gross losses of $0.1 million and $0.01 million, respectively were reclassified out of other regulatory liabilities/assets into earnings.

During the six months ended June 30, 2014 and 2013, proceeds from the dispositions of securities amounted to $70.3 million and $143.1 million, respectively. During the six months ended June 30, 2014 and 2013, gross gains of $0.4 million and $8.7 million, respectively, and gross losses of $0.3 million and $0.1 million, respectively were reclassified out of other regulatory liabilities/assets into earnings.

Entergy Gulf States Louisiana

Entergy Gulf States Louisiana holds debt and equity securities, classified as available-for-sale, in nuclear decommissioning trust accounts. The securities held as of June 30, 2014 and December 31, 2013 are summarized as follows:

	Fair Value	Total Unrealized Gains	Total Unrealized Losses
	(In Millions)		
2014			
Equity Securities	$378.7	$161.1	$—
Debt Securities	228.9	10.7	0.9
Total	$607.6	$171.8	$0.9
2013			
Equity Securities	$370.8	$141.8	$—
Debt Securities	202.9	7.4	3.5
Total	$573.7	$149.2	$3.5

The amortized cost of debt securities was $222.8 million as of June 30, 2014 and $199.1 million as of December 31, 2013. As of June 30, 2014, the debt securities have an average coupon rate of approximately 4.46%, an average duration of approximately 5.81 years, and an average maturity of approximately 9.46 years. The equity securities are generally held in funds that are designed to approximate the return of the Standard & Poor’s 500 Index. A relatively small percentage of the equity securities are held in funds intended to replicate the return of the Wilshire 4500 Index.

The fair value and gross unrealized losses of available-for-sale equity and debt securities, summarized by investment type and length of time that the securities have been in a continuous loss position, are as follows as of June 30, 2014:

	Equity Securities		Debt Securities	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
	(In Millions)			
Less than 12 months	$—	$—	$8.2	$—
More than 12 months	—	—	30.7	0.9
Total	$—	$—	$38.9	$0.9

The fair value and gross unrealized losses of available-for-sale equity and debt securities, summarized by investment type and length of time that the securities have been in a continuous loss position, are as follows as of December 31, 2013:

	Equity Securities		Debt Securities	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
	(In Millions)			
Less than 12 months	$—	$—	$91.9	$3.1
More than 12 months	—	—	4.6	0.4
Total	$—	$—	$96.5	$3.5

The fair value of debt securities, summarized by contractual maturities, as of June 30, 2014 and December 31, 2013 are as follows:

	2014	2013
	(In Millions)	
less than 1 year	$5.9	$7.9
1 year - 5 years	53.2	51.2
5 years - 10 years	83.6	75.5
10 years - 15 years	55.8	55.8
15 years - 20 years	6.0	4.6
20 years+	24.4	7.9
Total	$228.9	$202.9

During the three months ended June 30, 2014 and 2013, proceeds from the dispositions of securities amounted to $45.1 million and $23.4 million, respectively. During the three months ended June 30, 2014 and 2013, gross gains of $0.5 million and $5.2 million, respectively, and gross losses of $0.1 million and $0.01 million, respectively, were reclassified out of other regulatory liabilities/assets into earnings.

During the six months ended June 30, 2014 and 2013, proceeds from the dispositions of securities amounted to $75.4 million and $46.7 million, respectively. During the six months ended June 30, 2014 and 2013, gross gains of $0.7 million and $6.3 million, respectively, and gross losses of $0.2 million and $0.01 million, respectively, were reclassified out of other regulatory liabilities/assets into earnings.

Entergy Louisiana

Entergy Louisiana holds debt and equity securities, classified as available-for-sale, in nuclear decommissioning trust accounts. The securities held as of June 30, 2014 and December 31, 2013 are summarized as follows:

	Fair Value	Total Unrealized Gains	Total Unrealized Losses
	(In Millions)		
2014			
Equity Securities	$230.0	$107.5	$—
Debt Securities	136.6	6.0	0.7
Total	$366.6	$113.5	$0.7
2013			
Equity Securities	$224.2	$96.1	$—
Debt Securities	123.1	4.7	1.9
Total	$347.3	$100.8	$1.9

The amortized cost of debt securities was $131.5 million as of June 30, 2014 and $120.6 million as of December 31, 2013. As of June 30, 2014, the debt securities have an average coupon rate of approximately 3.09%, an average duration of approximately 5.06 years, and an average maturity of approximately 7.98 years. The equity securities are generally held in funds that are designed to approximate the return of the Standard & Poor's 500 Index. A relatively small percentage of the equity securities are held in funds intended to replicate the return of the Wilshire 4500 Index.

The fair value and gross unrealized losses of available-for-sale equity and debt securities, summarized by investment type and length of time that the securities have been in a continuous loss position, are as follows as of June 30, 2014:

	Equity Securities		Debt Securities	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
	(In Millions)			
Less than 12 months	$—	$—	$7.2	$—
More than 12 months	—	—	21.2	0.7
Total	$—	$—	$28.4	$0.7

The fair value and gross unrealized losses of available-for-sale equity and debt securities, summarized by investment type and length of time that the securities have been in a continuous loss position, are as follows as of December 31, 2013:

	Equity Securities		Debt Securities	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
	(In Millions)			
Less than 12 months	$—	$—	$38.3	$1.7
More than 12 months	—	—	1.7	0.2
Total	$—	$—	$40.0	$1.9

85

The fair value of debt securities, summarized by contractual maturities, as of June 30, 2014 and December 31, 2013 are as follows:

	2014	2013
	(In Millions)	
less than 1 year	$7.8	$14.8
1 year - 5 years	54.4	41.9
5 years - 10 years	42.5	37.0
10 years - 15 years	6.7	6.6
15 years - 20 years	7.8	6.2
20 years+	17.4	16.6
Total	$136.6	$123.1

During the three months ended June 30, 2014 and 2013, proceeds from the dispositions of securities amounted to $11.6 million and $5.9 million, respectively. During the three months ended June 30, 2014 and 2013, gross gains of $0.05 million and $0.01 million, respectively, and gross losses of $0.2 thousand and $0.01 million, respectively, were reclassified out of other regulatory liabilities/assets into earnings.

During the six months ended June 30, 2014 and 2013, proceeds from the dispositions of securities amounted to $29.7 million and $9.5 million, respectively. During the six months ended June 30, 2014 and 2013, gross gains of $0.2 million and $0.05 million, respectively, and gross losses of $4.1 thousand and $0.02 million, respectively, were reclassified out of other regulatory liabilities/assets into earnings.

System Energy

System Energy holds debt and equity securities, classified as available-for-sale, in nuclear decommissioning trust accounts. The securities held as of June 30, 2014 and December 31, 2013 are summarized as follows:

	Fair Value	Total Unrealized Gains	Total Unrealized Losses
	(In Millions)		
2014			
Equity Securities	$403.6	$171.4	$—
Debt Securities	241.6	5.0	0.3
Total	$645.2	$176.4	$0.3
2013			
Equity Securities	$380.0	$150.8	$—
Debt Securities	223.9	3.5	1.8
Total	$603.9	$154.3	$1.8

The amortized cost of debt securities was $236.8 million as of June 30, 2014 and $223.4 million as of December 31, 2013. As of June 30, 2014, the debt securities have an average coupon rate of approximately 2.16%, an average duration of approximately 4.33 years, and an average maturity of approximately 5.93 years. The equity securities are generally held in funds that are designed to approximate the return of the Standard & Poor's 500 Index. A relatively small percentage of the equity securities are held in funds intended to replicate the return of the Wilshire 4500 Index.

86

Table of Contents
Entergy Corporation and Subsidiaries
Notes to Financial Statements

The fair value and gross unrealized losses of available-for-sale equity and debt securities, summarized by investment type and length of time that the securities have been in a continuous loss position, are as follows as of June 30, 2014:

	Equity Securities		Debt Securities	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
	(In Millions)			
Less than 12 months	$—	$—	$28.1	$—
More than 12 months	—	—	14.7	0.3
Total	$—	$—	$42.8	$0.3

The fair value and gross unrealized losses of available-for-sale equity and debt securities, summarized by investment type and length of time that the securities have been in a continuous loss position, are as follows as of December 31, 2013:

	Equity Securities		Debt Securities	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
	(In Millions)			
Less than 12 months	$—	$—	$121.7	$1.7
More than 12 months	—	—	0.9	0.1
Total	$—	$—	$122.6	$1.8

The fair value of debt securities, summarized by contractual maturities, as of June 30, 2014 and December 31, 2013 are as follows:

	2014	2013
	(In Millions)	
less than 1 year	$17.7	$5.5
1 year - 5 years	152.3	144.9
5 years - 10 years	44.7	44.3
10 years - 15 years	1.3	9.3
15 years - 20 years	3.5	1.6
20 years+	22.1	18.3
Total	$241.6	$223.9

During the three months ended June 30, 2014 and 2013, proceeds from the dispositions of securities amounted to $101.3 million and $65.6 million, respectively. During the three months ended June 30, 2014 and 2013, gross gains of $0.4 million and $0.8 million, respectively, and gross losses of $0.1 million and $0.3 million, respectively, were reclassified out of other regulatory liabilities/assets into earnings.

During the six months ended June 30, 2014 and 2013, proceeds from the dispositions of securities amounted to $231.6 million and $91.2 million, respectively. During the six months ended June 30, 2014 and 2013, gross gains of $1.4 million and $0.8 million, respectively, and gross losses of $0.3 million and $0.4 million, respectively, were reclassified out of other regulatory liabilities/assets into earnings.

Table of Contents
Entergy Corporation and Subsidiaries
Notes to Financial Statements

Other-than-temporary impairments and unrealized gains and losses

Entergy, Entergy Arkansas, Entergy Gulf States Louisiana, Entergy Louisiana, and System Energy evaluate unrealized losses at the end of each period to determine whether an other-than-temporary impairment has occurred. The assessment of whether an investment in a debt security has suffered an other-than-temporary impairment is based on whether Entergy has the intent to sell or more likely than not will be required to sell the debt security before recovery of its amortized costs. Further, if Entergy does not expect to recover the entire amortized cost basis of the debt security, an other-than-temporary impairment is considered to have occurred and it is measured by the present value of cash flows expected to be collected less the amortized cost basis (credit loss). Entergy did not have any material other-than-temporary impairments relating to credit losses on debt securities for the three and six months ended June 30, 2014 and 2013. The assessment of whether an investment in an equity security has suffered an other-than-temporary impairment continues to be 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. Entergy's trusts are managed by third parties who operate in accordance with agreements that define investment guidelines and place restrictions on the purchases and sales of investments. Entergy did not record material charges to other income in the three and six months ended June 30, 2014 and 2013, respectively, resulting from the recognition of the other-than-temporary impairment of certain equity securities held in its decommissioning trust funds.

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

See "Income Tax Litigation", "Income Tax Audits", and "Other Tax Matters" in Note 3 to the financial statements in the Form 10-K for a discussion of income tax proceedings, income tax audits, and other income tax matters involving Entergy. Following is an update to that disclosure.

On March 31, 2014, New York enacted budget legislation that substantially modifies various aspects of New York tax law. The most significant effect of the legislation on Entergy is the adoption of full water's-edge unitary combined reporting, meaning that all of Entergy's domestic entities will be included in New York's combined filing group. The effect of the tax law change resulted in a deferred state income tax reduction of approximately $21.5 million.

NOTE 11. PROPERTY, PLANT, AND EQUIPMENT (Entergy Corporation, Entergy Arkansas, Entergy Gulf States Louisiana, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, Entergy Texas, and System Energy)

Construction Expenditures in Accounts Payable

Construction expenditures included in accounts payable at June 30, 2014 are $146.6 million for Entergy, $54.0 million for Entergy Arkansas, $24.2 million for Entergy Gulf States Louisiana, $19.4 million for Entergy Louisiana, $0.7 million for Entergy Mississippi, $0.3 million for Entergy New Orleans, $7.4 million for Entergy Texas, and $10.4 million for System Energy. Construction expenditures included in accounts payable at December 31, 2013 are $166 million for Entergy, $61.9 million for Entergy Arkansas, $13.1 million for Entergy Gulf States Louisiana, $31.1 million for Entergy Louisiana, $2.8 million for Entergy Mississippi, $1.7 million for Entergy New Orleans, $10.9 million for Entergy Texas, and $6.7 million for System Energy.

Impairment of Long-Lived Assets

See “Impairment of Long-Lived Assets” in Note 1 to the financial statements in the Form 10-K for a discussion of the periodic reviews that Entergy performs whenever events or changes in circumstances indicate that the recoverability of long-lived assets is uncertain. Following are updates to that discussion regarding the Vermont Yankee nuclear power plant.

As discussed in the Form 10-K, in December 2013, Entergy and Vermont entered into a settlement agreement, with an accompanying memorandum of understanding that was filed with the Vermont Public Service Board (VPSB), under which Vermont agreed to support Entergy's request to operate Vermont Yankee until the end of 2014. The settlement agreement provided for Entergy to make $10 million in economic transition payments, $5 million in clean energy development support, and a transitional $5 million payment to Vermont. Entergy will also set aside a new $25 million fund to ensure the Vermont Yankee site is restored after decommissioning. These terms were contingent upon the VPSB issuing by March 31, 2014 a Certificate of Public Good authorizing Vermont Yankee's operation through 2014, and otherwise conforming to the terms of the settlement agreement. The settlement agreement also provides for the dismissal or discontinuation of other litigation between Entergy and Vermont; in the case of Entergy's appeal of the VPSB's March and November 2012 orders, such dismissal is contingent upon the VPSB's issuance of such a Certificate of Public Good. On March 28, 2014, the VPSB approved the memorandum of understanding and issued a Certificate of Public Good authorizing Vermont Yankee to operate until December 31, 2014. In May 2014 the VPSB denied a motion that had been filed by one of the intervenors to amend its approval order.

NOTE 12. VARIABLE INTEREST ENTITIES (Entergy Corporation, Entergy Arkansas, Entergy Gulf States Louisiana, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, Entergy Texas, and System Energy)

See Note 18 to the financial statements in the Form 10-K for a discussion of variable interest entities. See Note 4 to the financial statements herein for details of the nuclear fuel companies' credit facility and commercial paper borrowings and long-term debt.

Entergy Louisiana and System Energy are each considered to hold a variable interest in the lessors from which they lease, respectively, undivided interests representing approximately 9.3% of the Waterford 3 and 11.5% of the Grand Gulf nuclear plants. Entergy Louisiana and System Energy are the lessees under these arrangements, which are described in more detail in Note 10 to the financial statements in the Form 10-K. Entergy Louisiana made payments on its lease, including interest, of $22.7 million and $18.5 million in the six months ended June 30, 2014 and 2013, respectively. System Energy made payments on its lease, including interest, of $51.6 million and $46.8 million in the six months ended June 30, 2014 and 2013, respectively.

NOTE 13. ASSET RETIREMENT OBLIGATIONS (Entergy Corporation, Entergy Arkansas, Entergy Gulf States Louisiana, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, Entergy Texas, and System Energy)

See Note 9 to the financial statements in the Form 10-K for a discussion of asset retirement obligations. Following are updates to that discussion.

In the first quarter 2014, Entergy Arkansas recorded a revision to its estimated decommissioning cost liabilities for ANO 1 and ANO 2 as a result of a revised decommissioning cost study. The revised estimates resulted in a $43.6 million increase in the decommissioning cost liabilities, along with a corresponding increase in the related asset retirement cost assets that will be depreciated over the remaining lives of the units.

In the opinion of the management of Entergy Corporation, Entergy Arkansas, Entergy Gulf States Louisiana, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, Entergy Texas, and System Energy, the accompanying unaudited financial statements contain all adjustments (consisting primarily of normal recurring accruals and reclassification of previously reported amounts to conform to current classifications) necessary for a fair statement of the results for the interim periods presented. Entergy's business is subject to seasonal fluctuations, however, with peak periods occurring typically during the first and third quarters. The results for the interim periods presented should not be used as a basis for estimating results of operations for a full year.

Table of Contents

Part I, Item 4. Controls and Procedures

Disclosure Controls and Procedures

As of June 30, 2014, evaluations were performed under the supervision and with the participation of Entergy Corporation, Entergy Arkansas, Entergy Gulf States Louisiana, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, Entergy Texas, and System Energy (individually “Registrant” and collectively the “Registrants”) management, including their respective Principal Executive Officers (PEO) and Principal Financial Officers (PFO). The evaluations assessed the effectiveness of the Registrants’ disclosure controls and procedures. Based on the evaluations, each PEO and PFO has concluded that, as to the Registrant or Registrants for which they serve as PEO or PFO, the Registrant’s or Registrants’ disclosure controls and procedures are effective to ensure that information required to be disclosed by each Registrant in reports that it files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms; and that the Registrant’s or Registrants’ disclosure controls and procedures are also effective in reasonably assuring that such information is accumulated and communicated to the Registrant’s or Registrants’ management, including their respective PEOs and PFOs, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Controls over Financial Reporting

Under the supervision and with the participation of each Registrants’ management, including its respective PEO and PFO, each Registrant evaluated changes in internal control over financial reporting that occurred during the quarter ended June 30, 2014 and found no change that has materially affected, or is reasonably likely to materially affect, internal control over financial reporting.

Table of Contents

ENTERGY ARKANSAS, INC. AND SUBSIDIARIES

MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS

Results of Operations

Net Income

Second Quarter 2014 Compared to Second Quarter 2013

Net income decreased by $11.5 million primarily due to higher other operation and maintenance expenses, lower other income, and higher depreciation and amortization expenses, partially offset by higher net revenue.

Six Months Ended June 30, 2014 Compared to Six Months Ended June 30, 2013

Net income increased by $2.2 million primarily due to higher net revenue, substantially offset by lower other income, higher other operation and maintenance expenses, and higher depreciation and amortization expenses.

Net Revenue

Second Quarter 2014 Compared to Second Quarter 2013

Net revenue consists of operating revenues net of: 1) fuel, fuel-related expenses, and gas purchased for resale, 2) purchased power expenses, and 3) other regulatory credits. Following is an analysis of the change in net revenue comparing the second quarter 2014 to the second quarter 2013:

	Amount (In Millions)
2013 net revenue	$325.5
Reserve equalization	9.3
Asset retirement obligation	8.4
Retail electric price	6.1
Volume/weather	(4.8)
Net wholesale revenue	(5.3)
MISO deferral	(11.1)
Other	1.4
2014 net revenue	$329.5

The reserve equalization variance is primarily due to the absence of reserve equalization expenses as compared to the same period in 2013 resulting from Entergy Arkansas's exit from the System Agreement.

The asset retirement obligation affects net revenue because Entergy Arkansas records a regulatory credit for the difference between asset retirement obligation-related expenses and trust earnings plus asset retirement obligation-related costs collected in revenue. The variance for the second quarter 2014 compared to the second quarter 2013 is primarily caused by an increase in the regulatory credits because of a decrease in decommissioning trust earnings.

The retail electric price variance is primarily due to an increase in the energy efficiency rider, as approved by the APSC, effective July 2013. This increase was partially offset by the effect of the APSC's order in the 2013 rate case, including a MISO rider to provide customers credits in rates for transmission revenue received through MISO offset by an annual base rate increase effective January 2014. Energy efficiency revenues are largely offset by costs included in other operation and maintenance expenses and have minimal effect on net income. See Note 2 to the financial statements in the Form 10-K for further discussion of the rate case.

The volume/weather variance is primarily due to a decrease of 80 GWh, or 2%, in billed electricity usage, including the effects of less favorable weather, as compared to prior year, on residential and commercial sales.

The net wholesale variance is primarily due to lower margins on co-owner contracts.

The MISO deferral variance is due to the deferral in April 2013, as approved by the APSC, of costs incurred since March 2010 related to the transition and implementation of joining the MISO RTO.

Gross operating revenues and fuel and purchased power expenses

Gross operating revenues increased primarily due to an increase of $10.8 million in fuel cost recovery revenues as a result of higher fuel rates and the increase in retail electric price, as discussed above. The increase was substantially offset by:

- a decrease of $27 million in rider revenues due to the absence of System Agreement production cost equalization revenue as compared to the same period in 2013. These revenues are offset in deferred fuel expenses. See Note 2 to the financial statements herein and in the Form 10-K for a discussion of the FERC orders in the System Agreement production cost equalization proceedings; and
- the decrease in volume/weather, as discussed above.

Fuel and purchased power expenses decreased primarily due to:

- a decrease in the recovery from customers of deferred fuel costs due to higher fuel and purchased power costs and System Agreement production cost equalization payments in 2013; and
- a higher volume of lower-priced nuclear generation in 2014 as a result of the ANO extended outage in 2013.

The decrease was substantially offset by increases in the average market prices of natural gas and purchased power.

Six Months Ended June 30, 2014 Compared to Six Months Ended June 30, 2013

Net revenue consists of operating revenues net of: 1) fuel, fuel-related expenses, and gas purchased for resale, 2) purchased power expenses, and 3) other regulatory credits. Following is an analysis of the change in net revenue comparing the six months ended June 30, 2014 to the six months ended June 30, 2013:

	Amount (In Millions)
2013 net revenue	$614.3
Reserve equalization	14.2
Retail electric price	12.9
Asset retirement obligation	11.0
Volume/weather	3.6
MISO deferral	(11.1)
Net wholesale revenue	(13.1)
Other	2.1
2014 net revenue	$633.9

The reserve equalization variance is primarily due to the absence of reserve equalization expenses as compared to the same period in 2013 resulting from Entergy Arkansas's exit from the System Agreement.

Table of Contents
Entergy Arkansas, Inc. and Subsidiaries
Management's Financial Discussion and Analysis

The retail electric price variance is primarily due to an increase in the energy efficiency rider, as approved by the APSC, effective July 2013. Energy efficiency revenues are largely offset by costs included in other operation and maintenance expenses and have minimal effect on net income. This increase was partially offset by the effect of the APSC's order in the 2013 rate case, including a MISO rider to provide customers credits in rates for transmission revenue received through MISO offset by an annual base rate increase effective January 2014. See Note 2 to the financial statements in the Form 10-K for further discussion of the rate case.

The asset retirement obligation affects net revenue because Entergy Arkansas records a regulatory credit for the difference between asset retirement obligation-related expenses and trust earnings plus asset retirement obligation-related costs collected in revenue. The variance for the six months ended June 30, 2014 compared to the six months ended June 30, 2013 is primarily caused by an increase in the regulatory credits because of a decrease in decommissioning trust earnings.

The volume/weather variance is primarily due to an increase of 372 GWh, or 4%, in billed electricity usage primarily in the residential and commercial sectors including the effect of more favorable weather as compared to the same period in prior year.

The MISO deferral variance is due to the deferral in April 2013, as approved by the APSC, of costs incurred since March 2010 related to the transition and implementation of joining the MISO RTO.

The net wholesale variance is primarily due to lower margins on co-owner contracts.

Gross operating revenues and fuel and purchased power expenses

Gross operating revenues decreased primarily due to:

- a decrease of $56.7 million in rider revenues due to the absence of System Agreement production cost equalization revenue as compared to the same period in 2013. These revenues are offset in deferred fuel expenses. See Note 2 to the financial statements herein and in the Form 10-K for a discussion of the FERC orders in the System Agreement production cost equalization proceedings; and
- a decrease of $7.9 million in fuel cost recovery revenues as a result of lower fuel rates.

The decrease was partially offset by the increases in retail electric price and volume/weather, as discussed above.

Fuel and purchased power expenses decreased primarily due to:

- a decrease in the recovery from customers of deferred fuel costs due to lower fuel rates and System Agreement production cost equalization payments in 2013; and
- a higher volume of lower-priced nuclear generation in 2014 as a result of the ANO extended outage in 2013.

The decrease was partially offset by increases in the average market prices of natural gas and purchased power.

Other Income Statement Variances

Second Quarter 2014 Compared to Second Quarter 2013

Other operation and maintenance expenses increased primarily due to:

- an increase of $6.7 million in nuclear generation expenses primarily due to a higher level of capitalization of nuclear labor costs in 2013 as a result of the generator stator incident at ANO;
- an increase of $6.6 million in energy efficiency costs. These costs are recovered through the energy efficiency rider and have a minimal effect on net income;

Table of Contents
Entergy Arkansas, Inc. and Subsidiaries
Management's Financial Discussion and Analysis

- an increase of $3.3 million due to increases in storm damage accruals effective January 2014, as approved by the APSC;
- the effects in 2013 of recording the final court decision in the Entergy Arkansas lawsuit against the U.S. Department of Energy related to spent nuclear fuel disposal. The damages awarded include the reimbursement of approximately $3.2 million of spent nuclear fuel storage costs previously recorded as other operation and maintenance expense;
- an increase of $2.1 million in transmission expenses primarily due to vegetation maintenance and higher transmission service expenses;
- an increase of $1.7 million due to administration fees in 2014 related to participation in the MISO RTO;
- an increase of $1.6 million due to the amortization in 2014 of human capital management costs that were deferred in 2013, as approved by the APSC. See Note 2 to the financial statements in the Form 10-K for further discussion of the deferral of these costs;
- an increase of $1.6 million in fossil-fueled generation expenses primarily due to higher plant outage costs in 2014; and
- an increase of $1.2 million due to the amortization in 2014 of costs deferred in 2013 related to the transition and implementation of joining the MISO RTO, as discussed above.

The increase was partially offset by:

- a decrease of $14 million resulting from costs incurred in 2013 related to the generator stator incident at ANO, including an offset for insurance proceeds. See“ANO Damage and Outage” below for further discussion of the incident;
- a decrease of $4.7 million in compensation and benefits costs primarily due to an increase in the discount rates used to determine net periodic pension and other postretirement benefit costs, other postretirement benefit plan design changes, and fewer employees. See "MANAGEMENT’S FINANCIAL DISCUSSION AND ANALYSIS – Critical Accounting Estimates" in the Form 10-K and Note 6 to the financial statements herein for further discussion of benefits costs;
- a decrease of $3.1 million resulting from costs incurred in 2013 related to the now-terminated plan to spin off and merge the Utility’s transmission business; and
- several individually insignificant items.

Depreciation and amortization expenses increased primarily due to additions to plant in service and higher depreciation rates in 2014.

Other income decreased due to lower earnings in 2014 on decommissioning trust fund investments. There is no effect on net income as the trust fund earnings are offset by a corresponding amount of regulatory credits.

Six Months Ended June 30, 2014 Compared to Six Months Ended June 30, 2013

Other operation and maintenance expenses increased primarily due to:

- an increase of $12.8 million in energy efficiency costs. These costs are recovered through the energy efficiency rider and have a minimal effect on net income;
- an increase of $7.2 million in nuclear generation expenses primarily due to a higher level of capitalization of nuclear labor costs in 2013 as a result of the generator stator incident at ANO;
- an increase of $7.1 million due to an increase in storm damage accruals effective January 2014, as approved by the APSC;
- an increase of $3.6 million due to administration fees in 2014 related to participation in the MISO RTO;
-

the effects in 2013 of recording the final court decision in the Entergy Arkansas lawsuit against the U.S. Department of Energy related to spent nuclear fuel disposal. The damages awarded include the reimbursement of approximately $3.2 million of spent nuclear fuel storage costs previously recorded as other operation and maintenance expense;

Table of Contents
Entergy Arkansas, Inc. and Subsidiaries
Management's Financial Discussion and Analysis

- an increase of $3.2 million due to the amortization in 2014 of human capital management costs that were deferred in 2013, as approved by the APSC. See Note 2 to the financial statements in the Form 10-K for further discussion of the deferral of these costs; and
- an increase of $2.6 million due to higher transmission service expense in 2014.

The increase was partially offset by:

- a decrease of $14 million resulting from costs incurred in 2013 related to the generator stator incident at ANO, including an offset for insurance proceeds. See“ANO Damage and Outage” below for further discussion of the incident;
- a decrease of $10.2 million in compensation and benefits costs primarily due to an increase in the discount rates used to determine net periodic pension and other postretirement benefit costs, other postretirement benefit plan design changes, and fewer employees. See "MANAGEMENT’S FINANCIAL DISCUSSION AND ANALYSIS – Critical Accounting Estimates" in the Form 10-K and Note 6 to the financial statements herein for further discussion of benefits costs;
- a decrease of $4.7 million resulting from costs incurred in 2013 related to the now-terminated plan to spin off and merge the Utility’s transmission business; and
- a decrease of $4.3 million related to a true-up to the 2013 energy efficiency filing for fixed costs to be collected from customers in 2014.

Depreciation and amortization expenses increased primarily due to additions to plant in service and higher depreciation rates in 2014.

Other income decreased due to lower earnings in 2014 on decommissioning trust fund investments. There is no effect on net income as the trust fund earnings are offset by a corresponding amount of regulatory credits.

Income Taxes

The effective income tax rate was 43.5% for the second quarter 2014 and 43.1% for the six months ended June 30, 2014. The differences in the effective income tax rates for the second quarter 2014 and the six months ended June 30, 2014 versus the federal statutory rate of 35% were primarily due to state income taxes, certain book and tax differences related to utility plant items, and the provision for uncertain tax positions, partially offset by book and tax differences related to the allowance for equity funds used during construction.

The effective income tax rate was 43.4% for the second quarter 2013 and 44.7% for the six months ended June 30, 2013. The differences in the effective income tax rates for the second quarter 2013 and the six months ended June 30, 2013 versus the federal statutory rate of 35% were primarily due to state income taxes, certain book and tax differences related to utility plant items, and the provision for uncertain tax positions, partially offset by book and tax differences related to the allowance for equity funds used during construction.

ANO Damage and Outage

See "MANAGEMENT’S FINANCIAL DISCUSSION AND ANALYSIS - ANO Damage and Outage" in the Form 10-K for a discussion of the ANO stator incident. The total cost of assessment, restoration of off-site power, site restoration, debris removal, and replacement of damaged property and equipment was approximately $95 million as of June 30, 2014. In addition, Entergy Arkansas incurred replacement power costs for ANO 2 power during its outage and incurred incremental replacement power costs for ANO 1 power because the outage extended beyond the originally-planned duration of the refueling outage. In February 2014 the APSC approved Entergy Arkansas’s request to exclude from the calculation of its revised energy cost rate $65.9 million of deferred fuel and purchased energy costs incurred in 2013 as a result of the ANO stator incident. The APSC authorized Entergy Arkansas to retain the $65.9 million in its deferred fuel balance with recovery to be reviewed in a later period after more information regarding various claims associated with the ANO stator incident is available.

Table of Contents
Entergy Arkansas, Inc. and Subsidiaries
Management's Financial Discussion and Analysis

Entergy Arkansas is assessing its options for recovering damages that resulted from the stator drop, including its insurance coverage and legal action. Entergy is a member of Nuclear Electric Insurance Limited (NEIL), a mutual insurance company that provides property damage coverage to the members' nuclear generating plants, including ANO. NEIL has notified Entergy that it believes that a $50 million course of construction sublimit applies to any loss associated with the lifting apparatus failure and stator drop at ANO. Entergy has responded that it disagrees with NEIL's position and is evaluating its options for enforcing its rights under the policy. On July 12, 2013, Entergy Arkansas filed a complaint in the Circuit Court in Pope County, Arkansas against the owner of the heavy-lifting apparatus that collapsed, an engineering firm, a contractor, and certain individuals asserting claims of breach of contract, negligence, and gross negligence in connection with their responsibility for the stator drop. During 2014, Entergy Arkansas collected $33 million from NEIL and is pursuing additional recoveries due under the policy.

Shortly after the stator incident, the NRC deployed an augmented inspection team to review the plant's response. In July 2013 a second team of NRC inspectors visited ANO to evaluate certain items that were identified as requiring follow-up inspection to determine whether performance deficiencies existed. In March 2014 the NRC issued an inspection report on the follow-up inspection that discussed two preliminary findings, one that was preliminarily determined to be "red with high safety significance" for Unit 1 and one that was preliminarily determined to be "yellow with substantial safety significance" for Unit 2, with the NRC indicating further that these preliminary findings may warrant additional regulatory oversight. This report also noted that one additional item related to flood barrier effectiveness was still under review.

In May 2014 the NRC met with Entergy during a regulatory conference to discuss the preliminary red and yellow findings and Entergy's response to the findings. During the regulatory conference, Entergy presented information on the facts and assumptions the NRC used to assess the potential findings. The NRC used the information provided by Entergy at the regulatory conference to finalize its decision regarding the inspection team's findings. In a letter dated June 23, 2014, the NRC classified both findings as "yellow with substantial safety significance." In an assessment follow-up letter for ANO dated July 29, 2014, the NRC stated that given the two yellow findings, it determined that the performance at ANO is in the "degraded cornerstone column," or column 3, of the NRC's reactor oversight process action matrix beginning the first quarter 2014. The NRC plans to conduct supplemental inspection activity to review the actions taken to address the yellow findings. Corrective actions in response to the NRC's findings have been taken and remain ongoing at ANO. Entergy will continue to interact with the NRC to address the NRC's findings.

Liquidity and Capital Resources

Cash Flow

Cash flows for the six months ended June 30, 2014 and 2013 were as follows:

	2014	2013
	(In Thousands)	
Cash and cash equivalents at beginning of period	$127,022	$34,533
Cash flow provided by (used in):		
Operating activities	105,057	15,047
Investing activities	(247,982)	(312,498)
Financing activities	47,874	305,920
Net increase (decrease) in cash and cash equivalents	(95,051)	8,469
Cash and cash equivalents at end of period	$31,971	$43,002

Entergy Arkansas, Inc. and Subsidiaries
Management's Financial Discussion and Analysis

Operating Activities

Net cash flow provided by operating activities increased $90 million for the six months ended June 30, 2014 compared to the six months ended June 30, 2013 primarily due to:

- a decrease in income tax payments of $209.8 million. Entergy Arkansas made income tax payments of $211.4 million in 2013 in accordance with the Entergy Corporation and Subsidiary Companies Intercompany Income Tax Allocation Agreement. The income tax payments in 2013 resulted primarily from the reversal of temporary differences for which Entergy Arkansas had previously claimed a tax deduction;
- approximately $25 million in spending in 2013 related to the generator stator incident at ANO, as discussed above; and
- $8.8 million in insurance proceeds received in the first quarter 2014 for property damages related to the generator stator incident at ANO, as discussed above.

The increase was partially offset by:

- a $68 million System Agreement bandwidth remedy payment made in May 2014 as a result of the compliance filing pursuant to the FERC’s February 2014 orders related to the bandwidth payments/receipts for the June - December 2005 period;
- an increase of $24.7 million in pension contributions in 2014; and
- a decrease in the recovery of fuel and purchased power costs.

See Note 2 to the financial statements herein and in the Form 10-K for a discussion of the System Agreement bandwidth remedy payment. See "MANAGEMENT’S FINANCIAL DISCUSSION AND ANALYSIS – Critical Accounting Estimates" in the Form 10-K and Note 6 to the financial statements herein for a discussion of qualified pension and other postretirement benefits funding.

Investing Activities

Net cash flow used in investing activities decreased $64.5 million for the six months ended June 30, 2014 compared to the six months ended June 30, 2013 primarily due to:

- money pool activity;
- approximately $41 million in spending in 2013 related to the generator stator incident at ANO, as discussed above; and
- $24.2 million in insurance proceeds received in the first quarter 2014 for property damages related to the generator stator incident at ANO, as discussed above.

The decrease was partially offset by:

- fluctuations in nuclear fuel activity because of variations from year to year in the timing and pricing of fuel reload requirements in the Utility business, material and services deliveries, and the timing of cash payments during the nuclear fuel cycle; and
- an increase of $6.9 million in storm restoration spending in 2014.

Decreases in Entergy Arkansas’s receivable from the money pool are a source of cash flow, and Entergy Arkansas’s receivable from the money pool decreased by $17.5 million for the six months ended June 30, 2014 compared to increasing by $75.8 million for the six months ended June 30, 2013. The money pool is an inter-company borrowing arrangement designed to reduce the Utility subsidiaries' need for external short-term borrowings.

Table of Contents
Entergy Arkansas, Inc. and Subsidiaries
Management's Financial Discussion and Analysis

Financing Activities

Net cash flow provided by financing activities decreased by $258 million for the six months ended June 30, 2014 compared to the six months ended June 30, 2013 primarily due to:

- the issuance of $250 million of 3.05% Series first mortgage bonds in May 2013; and
- the issuance of $125 million of 4.75% Series first mortgage bonds in June 2013.

The decrease was partially offset by:

- the retirement, at maturity, of $30 million of 9% Series H notes by the Entergy Arkansas nuclear fuel company variable interest entity in June 2013;
- the net borrowings of $39.7 million on the Entergy Arkansas nuclear fuel company variable interest entity credit facility in 2014 compared to net repayments of $6.8 million in 2013;
- common stock dividends of $15 million paid in 2013; and
- money pool activity.

Increases in Entergy Arkansas's payable to the money pool are a source of cash flow, and Entergy Arkansas's payable to the money pool increased by $11 million for the six months ended June 30, 2014.

In March 2014, Entergy Arkansas issued $375 million of 3.70% Series first mortgage bonds, the proceeds of which were used to pay, prior to maturities, a $250 million term loan in March 2014 and $115 million of 5.0% Series first mortgage bonds in April 2014.

See Note 5 to the financial statements in the Form 10-K and Note 4 to the financial statements herein for more details on long-term debt.

Capital Structure

Entergy Arkansas's capitalization is balanced between equity and debt, as shown in the following table.

	June 30, 2014	December 31, 2013
Debt to capital	56.4%	56.7%
Effect of excluding the securitization bonds	(0.8%)	(0.9%)
Debt to capital, excluding securitization bonds (a)	55.6%	55.8%
Effect of subtracting cash	(0.3%)	(1.4%)
Net debt to net capital, excluding securitization bonds (a)	55.3%	54.4%

(a) Calculation excludes the securitization bonds, which are non-recourse to Entergy Arkansas.

Net debt consists of debt less cash and cash equivalents. Debt consists of short-term borrowings and long-term debt, including the currently maturing portion. Capital consists of debt, preferred stock without sinking fund, and common equity. Net capital consists of capital less cash and cash equivalents. Entergy Arkansas uses the debt to capital ratios excluding securitization bonds in analyzing its financial condition and believes they provide useful information to its investors and creditors in evaluating Entergy Arkansas's financial condition because the securitization bonds are non-recourse to Entergy Arkansas, as more fully described in Note 5 to the financial statements in the Form 10-K. Entergy Arkansas also uses the net debt to net capital ratio excluding securitization bonds in analyzing its financial condition and believes it provides useful information to its investors and creditors in evaluating Entergy Arkansas’s financial condition because net debt indicates Entergy Arkansas’s outstanding debt position that could not be readily satisfied by cash and cash equivalents on hand.

Table of Contents
Entergy Arkansas, Inc. and Subsidiaries
Management's Financial Discussion and Analysis

Uses and Sources of Capital

See "MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS - Liquidity and Capital Resources" in the Form 10-K for a discussion of Entergy Arkansas's uses and sources of capital. Following are updates to the information provided in the Form 10-K.

Following are the current amounts of Entergy Arkansas's planned construction and other capital investments.

	2014	2015	2016
	(In Millions)		
Planned construction and capital investment:			
Generation	$135	$145	$180
Transmission	130	195	135
Distribution	235	160	160
Other	25	15	15
Total	$525	$515	$490

The updated capital plan for 2014-2016 reflects a shift in environmental compliance spending due to a likely later compliance date, partially offset by additional spending for 2014 storms, potential new generation resource requirements, transmission to support economic development through 2016 and reliability as well as other capital plan refinements.

Entergy Arkansas's receivables from or (payables to) the money pool were as follows:

June 30, 2014	December 31, 2013	June 30, 2013	December 31, 2012
(In Thousands)			
($11,019)	$17,531	$83,877	$8,035

See Note 4 to the financial statements in the Form 10-K for a description of the money pool.

Entergy Arkansas has a credit facility in the amount of $150 million scheduled to expire in March 2019. Entergy Arkansas also has a $20 million credit facility scheduled to expire in April 2015. As of June 30, 2014, there were no cash borrowings and $11 million of letters of credit outstanding under the credit facilities. See Note 4 to the financial statements herein for additional discussion of the credit facilities.

The Entergy Arkansas nuclear fuel company variable interest entity has a credit facility in the amount of $85 million scheduled to expire in June 2016. As of June 30, 2014, $39.7 million in letters of credit were outstanding under the credit facility to support a like amount of commercial paper issued by the Entergy Arkansas nuclear fuel company variable interest entity. See Note 4 to the financial statements herein for additional discussion of the nuclear fuel company variable interest entity credit facility.

In March 2014, Entergy Arkansas issued $375 million of 3.70% Series first mortgage bonds due June 2024. Entergy Arkansas used the proceeds to pay, prior to maturity, its $250 million term loan and, prior to maturity, its $115 million 5.0% Series first mortgage bonds due July 2018, and for general corporate purposes.

In July 2014 the Entergy Arkansas nuclear fuel trust variable interest entity issued $90 million of 3.65% Series L notes due July 2021. The Entergy Arkansas nuclear fuel trust variable interest entity used the proceeds to pay, at maturity, its $70 million of 5.69% Series I notes due July 2014 and to purchase additional nuclear fuel.

100

Table of Contents
Entergy Arkansas, Inc. and Subsidiaries
Management's Financial Discussion and Analysis

State and Local Rate Regulation and Fuel-Cost Recovery

See "MANAGEMENT’S FINANCIAL DISCUSSION AND ANALYSIS – State and Local Rate Regulation and Fuel-Cost Recovery" in the Form 10-K for a discussion of state and local rate regulation and fuel cost recovery. The following is an update to that discussion.

Production Cost Allocation Rider

In May 2014, Entergy Arkansas filed its annual redetermination of the production cost allocation rider to recover the $3 million unrecovered retail balance as of December 31, 2013 and the $68 million System Agreement bandwidth remedy payment made in May 2014 as a result of the compliance filing pursuant to the FERC’s February 2014 orders related to the bandwidth payments/receipts for the June - December 2005 period. In June 2014 the APSC suspended the annual redetermination of the production cost allocation rider and scheduled a hearing in September 2014.

Federal Regulation

See “Entergy’s Integration Into the MISO Regional Transmission Organization” and “System Agreement” in the “Rate, Cost-recovery, and Other Regulation – Federal Regulation” section of Entergy Corporation and Subsidiaries Management’s Financial Discussion and Analysis for updates to the Federal Regulation discussion in the Form 10-K.

Nuclear Matters

See "MANAGEMENT’S FINANCIAL DISCUSSION AND ANALYSIS - Nuclear Matters" in the Form 10-K for a discussion of nuclear matters.

Environmental Risks

See "MANAGEMENT’S FINANCIAL DISCUSSION AND ANALYSIS - Environmental Risks" in the Form 10-K for a discussion of environmental risks.

Critical Accounting Estimates

See "MANAGEMENT’S FINANCIAL DISCUSSION AND ANALYSIS - Critical Accounting Estimates" in the Form 10-K for a discussion of the estimates and judgments necessary in Entergy Arkansas’s accounting for nuclear decommissioning costs, unbilled revenue, and qualified pension and other postretirement benefits. Following is an update to that discussion.

Nuclear Decommissioning Costs

In the first quarter 2014, Entergy Arkansas recorded a revision to its estimated decommissioning cost liabilities for ANO 1 and ANO 2 as a result of a revised decommissioning cost study. The revised estimates resulted in a $43.6 million increase in the decommissioning cost liabilities, along with a corresponding increase in the related asset retirement cost assets that will be depreciated over the remaining lives of the units.

Table of Contents

ENTERGY ARKANSAS, INC. AND SUBSIDIARIES
CONSOLIDATED INCOME STATEMENTS
For the Three and Six Months Ended June 30, 2014 and 2013
(Unaudited)

	Three Months Ended		Six Months Ended	
	2014	2013	2014	2013
	(In Thousands)		(In Thousands)	
OPERATING REVENUES				
Electric	$511,522	$508,653	$1,026,503	$1,051,045
OPERATING EXPENSES				
Operation and Maintenance:				
Fuel, fuel-related expenses, and gas purchased for resale	16,922	60,077	109,075	207,850
Purchased power	173,623	131,593	292,471	237,907
Nuclear refueling outage expenses	9,499	8,088	18,176	19,628
Other operation and maintenance	158,711	148,888	297,256	290,508
Decommissioning	11,729	10,680	22,915	21,197
Taxes other than income taxes	21,526	21,518	43,434	44,770
Depreciation and amortization	59,108	55,340	116,829	113,976
Other regulatory credits - net	(8,566)	(8,473)	(8,983)	(9,047)
TOTAL	442,552	427,711	891,173	926,789
OPERATING INCOME	68,970	80,942	135,330	124,256
OTHER INCOME				
Allowance for equity funds used during construction	1,660	2,724	3,413	4,950
Interest and investment income	3,596	11,111	7,613	16,886
Miscellaneous - net	(366)	(779)	(730)	(1,944)
TOTAL	4,890	13,056	10,296	19,892
INTEREST EXPENSE				
Interest expense	23,688	23,458	46,521	46,037
Allowance for borrowed funds used during construction	(1,148)	(953)	(1,786)	(1,729)
TOTAL	22,540	22,505	44,735	44,308
INCOME BEFORE INCOME TAXES	51,320	71,493	100,891	99,840
Income taxes	22,315	31,010	43,516	44,638
NET INCOME	29,005	40,483	57,375	55,202
Preferred dividend requirements	1,718	1,718	3,437	3,437
EARNINGS APPLICABLE TO COMMON STOCK	$27,287	$38,765	$53,938	$51,765

See Notes to Financial Statements.

102

Table of Contents

ENTERGY ARKANSAS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Six Months Ended June 30, 2014 and 2013
(Unaudited)

	2014	2013
	(In Thousands)	
OPERATING ACTIVITIES		
Net income	$57,375	$55,202
Adjustments to reconcile net income to net cash flow provided by operating activities:		
Depreciation, amortization, and decommissioning, including nuclear fuel amortization	183,856	170,650
Deferred income taxes, investment tax credits, and non-current taxes accrued	92,466	53,955
Changes in assets and liabilities:		
Receivables	(5,397)	(59,410)
Fuel inventory	20,217	20,035
Accounts payable	(75,400)	(6,041)
Prepaid taxes and taxes accrued	(48,920)	(222,835)
Interest accrued	(2,390)	(359)
Deferred fuel costs	(116,883)	39,437
Other working capital accounts	16,988	(18,641)
Provisions for estimated losses	(768)	4
Other regulatory assets	(35,399)	8,883
Pension and other postretirement liabilities	(41,193)	(10,210)
Other assets and liabilities	60,505	(15,623)
Net cash flow provided by operating activities	105,057	15,047
INVESTING ACTIVITIES		
Construction expenditures	(261,336)	(233,856)
Allowance for equity funds used during construction	5,069	6,928
Nuclear fuel purchases	(104,487)	(42,231)
Proceeds from sale of nuclear fuel	75,860	36,478
Proceeds from nuclear decommissioning trust fund sales	70,259	143,106
Investment in nuclear decommissioning trust funds	(74,760)	(147,842)
Changes in money pool receivable - net	17,531	(75,842)
Changes in securitization account	(474)	761
Insurance proceeds	24,156	—
Other	200	—
Net cash flow used in investing activities	(247,982)	(312,498)
FINANCING ACTIVITIES		
Proceeds from the issuance of long-term debt	371,699	467,042
Retirement of long-term debt	(371,314)	(135,893)
Changes in short-term borrowings - net	39,657	(6,792)
Change in money pool payable - net	11,019	—
Dividends paid:		
Common stock	—	(15,000)
Preferred stock	(3,437)	(3,437)
Other	250	—
Net cash flow provided by financing activities	47,874	305,920

Net increase (decrease) in cash and cash equivalents	(95,051)	8,469
Cash and cash equivalents at beginning of period	127,022	34,533
Cash and cash equivalents at end of period	$31,971	$43,002
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the period for:		
Interest - net of amount capitalized	$46,220	$43,706
Income taxes	$1,624	$211,421

See Notes to Financial Statements.

103

Table of Contents

ENTERGY ARKANSAS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
ASSETS
June 30, 2014 and December 31, 2013
(Unaudited)

	2014	2013
	(In Thousands)	
CURRENT ASSETS		
Cash and cash equivalents:		
Cash	$31,893	$4,181
Temporary cash investments	78	122,841
Total cash and cash equivalents	31,971	127,022
Securitization recovery trust account	4,309	3,835
Accounts receivable:		
Customer	94,612	102,328
Allowance for doubtful accounts	(30,011)	(30,113)
Associated companies	36,940	68,875
Other	114,899	94,256
Accrued unbilled revenues	100,640	82,298
Total accounts receivable	317,080	317,644
Accumulated deferred income taxes	9,931	33,556
Deferred fuel costs	185,579	68,696
Fuel inventory - at average cost	21,287	41,504
Materials and supplies - at average cost	156,471	152,429
Deferred nuclear refueling outage costs	50,413	31,135
System agreement costs equalization	30,000	30,000
Prepaid taxes	38,941	—
Prepayments and other	32,224	58,911
TOTAL	878,206	864,732
OTHER PROPERTY AND INVESTMENTS		
Decommissioning trust funds	746,183	710,913
Non-utility property - at cost (less accumulated depreciation)	1,757	1,664
Other	15,381	29,181
TOTAL	763,321	741,758
UTILITY PLANT		
Electric	8,993,203	8,798,458
Property under capital lease	1,014	1,064
Construction work in progress	218,157	209,036
Nuclear fuel	261,611	321,901
TOTAL UTILITY PLANT	9,473,985	9,330,459
Less - accumulated depreciation and amortization	4,100,956	4,034,880
UTILITY PLANT - NET	5,373,029	5,295,579
DEFERRED DEBITS AND OTHER ASSETS		
Regulatory assets:		
Regulatory asset for income taxes - net	70,383	73,864
	1,053,272	1,014,392

Other regulatory assets (includes securitization property of $74,081 as of June 30, 2014 and $80,963 as of December 31, 2013)		
Other	49,714	44,565
TOTAL	1,173,369	1,132,821
TOTAL ASSETS	$8,187,925	$8,034,890

See Notes to Financial Statements.

104

Table of Contents

ENTERGY ARKANSAS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
LIABILITIES AND EQUITY
June 30, 2014 and December 31, 2013
(Unaudited)

	2014	2013
	(In Thousands)	
CURRENT LIABILITIES		
Currently maturing long-term debt	$70,000	$70,000
Short-term borrowings	39,657	—
Accounts payable:		
Associated companies	99,386	149,802
Other	209,573	228,160
Customer deposits	113,058	86,512
Taxes accrued	—	9,979
Accumulated deferred income taxes	19,444	9,231
Interest accrued	19,646	22,036
Other	37,231	55,656
TOTAL	607,995	631,376
NON-CURRENT LIABILITIES		
Accumulated deferred income taxes and taxes accrued	1,958,604	1,906,562
Accumulated deferred investment tax credits	38,333	38,958
Other regulatory liabilities	250,211	219,370
Decommissioning	794,294	723,771
Accumulated provisions	4,978	5,746
Pension and other postretirement liabilities	278,029	319,211
Long-term debt (includes securitization bonds of $82,656 as of June 30, 2014 and $88,961 as of December 31, 2013)	2,339,534	2,335,802
Other	25,941	18,026
TOTAL	5,689,924	5,567,446
Commitments and Contingencies		
Preferred stock without sinking fund	116,350	116,350
COMMON EQUITY		
Common stock, $0.01 par value, authorized 325,000,000 shares; issued and outstanding 46,980,196 shares in 2014 and 2013	470	470
Paid-in capital	588,471	588,471
Retained earnings	1,184,715	1,130,777
TOTAL	1,773,656	1,719,718
TOTAL LIABILITIES AND EQUITY	$8,187,925	$8,034,890

See Notes to Financial Statements.

Table of Contents

ENTERGY ARKANSAS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN COMMON EQUITY
For the Six Months Ended June 30, 2014 and 2013
(Unaudited)

	Common Equity			
	Common Stock	Paid-in Capital	Retained Earnings	Total
	(In Thousands)			
Balance at December 31, 2012	$470	$588,444	$990,702	$1,579,616
Net income	—	—	55,202	55,202
Common stock dividends	—	—	(15,000)	(15,000)
Preferred stock dividends	—	—	(3,437)	(3,437)
Balance at June 30, 2013	$470	$588,444	$1,027,467	$1,616,381
Balance at December 31, 2013	$470	$588,471	$1,130,777	$1,719,718
Net income	—	—	57,375	57,375
Preferred stock dividends	—	—	(3,437)	(3,437)
Balance at June 30, 2014	$470	$588,471	$1,184,715	$1,773,656

See Notes to Financial Statements.

Table of Contents

ENTERGY ARKANSAS, INC. AND SUBSIDIARIES
SELECTED OPERATING RESULTS
For the Three and Six Months Ended June 30, 2014 and 2013
(Unaudited)

Description	Three Months Ended 2014	2013	Increase/ (Decrease)	%
	(Dollars In Millions)			
Electric Operating Revenues:				
Residential	$152	$159	($7)	(4)
Commercial	108	108	—	—
Industrial	100	98	2	2
Governmental	4	5	(1)	(20)
Total retail	364	370	(6)	(2)
Sales for resale:				
Associated companies	30	72	(42)	(58)
Non-associated companies	63	20	43	215
Other	55	47	8	17
Total	$512	$509	$3	1
Billed Electric Energy Sales (GWh):				
Residential	1,547	1,622	(75)	(5)
Commercial	1,356	1,381	(25)	(2)
Industrial	1,628	1,607	21	1
Governmental	57	58	(1)	(2)
Total retail	4,588	4,668	(80)	(2)
Sales for resale:				
Associated companies	383	1,418	(1,035)	(73)
Non-associated companies	1,671	173	1,498	866
Total	6,642	6,259	383	6

Description	Six Months Ended 2014	2013	Increase/ (Decrease)	%
	(Dollars In Millions)			
Electric Operating Revenues:				
Residential	$358	$360	($2)	(1)
Commercial	210	217	(7)	(3)
Industrial	184	197	(13)	(7)
Governmental	8	10	(2)	(20)
Total retail	760	784	(24)	(3)
Sales for resale:				
Associated companies	61	178	(117)	(66)
Non-associated companies	136	37	99	268
Other	70	52	18	35
Total	$1,027	$1,051	($24)	(2)
Billed Electric Energy Sales (GWh):				
Residential	4,128	3,797	331	9

Commercial	2,789	2,736	53	2
Industrial	3,151	3,162	(11)	—
Governmental	114	115	(1)	(1)
Total retail	10,182	9,810	372	4
Sales for resale:				
Associated companies	845	4,108	(3,263)	(79)
Non-associated companies	3,423	358	3,065	856
Total	14,450	14,276	174	1

Table of Contents

ENTERGY GULF STATES LOUISIANA, L.L.C.

MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS

Results of Operations

Net Income

Second Quarter 2014 Compared to Second Quarter 2013

Net income increased $6.5 million primarily due to higher net revenue and lower other operation and maintenance expenses, partially offset by lower other income.

Six Months Ended June 30, 2014 Compared to Six Months Ended June 30, 2013

Net income increased $25.8 million primarily due to higher net revenue and lower other operation and maintenance expenses, partially offset by lower other income.

Net Revenue

Second Quarter 2014 Compared to Second Quarter 2013

Net revenue consists of operating revenues net of: 1) fuel, fuel-related expenses, and gas purchased for resale, 2) purchased power expenses, and 3) other regulatory charges (credits). Following is an analysis of the change in net revenue comparing the second quarter 2014 to the second quarter 2013:

	Amount (In Millions)
2013 net revenue	$223.3
Retail electric price	5.8
Asset retirement obligation	5.6
Other	0.2
2014 net revenue	$234.9

The retail electric price variance is primarily due to an increase in affiliate purchased power capacity costs that are recovered through base rates set in the annual formula rate plan mechanism. Entergy Gulf States Louisiana's formula rate plan is discussed in Note 2 to the financial statements in the Form 10-K.

The asset retirement obligation affects net revenue because Entergy Gulf States Louisiana records a regulatory credit for the difference between asset retirement obligation-related expenses and trust earnings plus asset retirement obligation-related costs collected in revenue. The variance for the second quarter 2014 compared to the second quarter 2013 is primarily caused by an increase in the regulatory credits because of a decrease in decommissioning trust earnings.

Gross operating revenues, fuel and purchased power expenses, and other regulatory charges (credits)

Gross operating revenues increased primarily due to an increase of $47.6 million in electric fuel cost recovery revenues primarily due to higher fuel rates and an increase of $14.2 million in gross wholesale revenues primarily due to the timing of receipt of System Agreement payments and credits to customers and sales in the MISO market. See

Note 2 to the financial statements in the Form 10-K for additional discussion of Entergy Gulf States Louisiana’s fuel

Table of Contents
Entergy Gulf States Louisiana, L.L.C.
Management's Financial Discussion and Analysis

and purchased power recovery mechanism and see Note 2 to the financial statements herein and in the Form 10-K for a discussion of the System Agreement proceedings.

Fuel and purchased power expenses increased primarily due to:

- an increase in the average market price of purchased power; and
- an increase in deferred fuel expense due to higher fuel cost recovery revenues as compared to prior year and the timing of receipt of System Agreement payments and credits to customers.

Other regulatory charges decreased primarily due to the deferral of investment gains from the River Bend decommissioning trust in 2013 in accordance with regulatory treatment. The gains resulted in an increase in 2013 in other income and a corresponding increase in regulatory charges with no effect on net income.

Six Months Ended June 30, 2014 Compared to Six Months Ended June 30, 2013

Net revenue consists of operating revenues net of: 1) fuel, fuel-related expenses, and gas purchased for resale, 2) purchased power expenses, and 3) other regulatory charges (credits). Following is an analysis of the change in net revenue comparing the six months ended June 30, 2014 to the six months ended June 30, 2013:

	Amount (In Millions)
2013 net revenue	$432.9
Volume/weather	20.0
Retail electric price	8.2
Asset retirement obligation	6.6
MISO deferral	2.4
Other	3.1
2014 net revenue	$473.2

The volume/weather variance is primarily due to an increase of 666 GWh, or 7%, in billed electricity usage, including the effect of more favorable weather on residential and commercial sales. The increase was also driven by higher industrial usage primarily in the chemicals industry.

The retail electric price variance is primarily due to an increase in affiliate purchased power capacity costs that are recovered through base rates set in the annual formula rate plan mechanism. Entergy Gulf States Louisiana’s formula rate plan is discussed in Note 2 to the financial statements in the Form 10-K.

The asset retirement obligation affects net revenue because Entergy Gulf States Louisiana records a regulatory credit for the difference between asset retirement obligation-related expenses and trust earnings plus asset retirement obligation-related costs collected in revenue. The variance for the six months ended June 30, 2014 compared to the six months ended June 30, 2013 is primarily caused by an increase in the regulatory credits because of a decrease in decommissioning trust earnings.

The MISO deferral variance is due to the deferral in 2014 of the non-fuel MISO-related charges, as approved by the LPSC. The deferral of non-fuel MISO-related charges is partially offset in other operation and maintenance expenses. See Note 2 to the financial statements in the Form 10-K for further discussion of the recovery of non-fuel MISO-related charges.

Table of Contents
Entergy Gulf States Louisiana, L.L.C.
Management's Financial Discussion and Analysis

Gross operating revenues, fuel and purchased power expenses, and other regulatory charges (credits)

Gross operating revenues increased primarily due to:

- an increase of $91.5 million in electric fuel cost recovery revenues primarily due to higher fuel rates;
- an increase of $31.1 million in gross wholesale revenues primarily due to the timing of System Agreement payments and credits to customers and sales in the MISO market;
- the increase related to volume/weather, as discussed above; and
- an increase of $9.9 million in natural gas fuel cost recovery revenues primarily due to higher fuel rates.

See Note 2 to the financial statements in the Form 10-K for additional discussion of Entergy Gulf States Louisiana’s fuel and purchased power recovery mechanism and see Note 2 to the financial statements herein and in the Form 10-K for a discussion of the System Agreement proceedings.

Fuel and purchased power expenses increased primarily due to:

- an increase in the average market price of purchased power; and
- an increase in deferred fuel expense due to higher fuel cost recovery revenues as compared to prior year and the timing of receipt of System Agreement payments and credits to customers.

Other regulatory charges decreased primarily due to:

- the deferral of investment gains from the River Bend decommissioning trust in 2013 in accordance with regulatory treatment. The gains resulted in an increase in 2013 in other income and a corresponding increase in regulatory charges with no effect on net income; and
- the deferral in 2014 of non-fuel MISO-related charges, as approved by the LPSC. The deferral of non-fuel MISO-related charges is partially offset in operation and maintenance expenses. See Note 2 to the financial statements in the Form 10-K for further discussion of the recovery of non-fuel MISO-related charges.

Other Income Statement Variances

Second Quarter 2014 Compared to Second Quarter 2013

Other operation and maintenance expenses decreased primarily due to:

- a decrease of $4.6 million in compensation and benefits costs primarily due to an increase in the discount rates used to determine net periodic pension and other postretirement benefit costs, other postretirement benefit plan design changes, and fewer employees. See "MANAGEMENT’S FINANCIAL DISCUSSION AND ANALYSIS – Critical Accounting Estimates" in the Form 10-K and Note 6 to the financial statements herein for further discussion of benefits costs;
- a decrease of $2.9 million in nuclear generation expenses primarily due to lower nuclear labor costs; and
- a decrease of $2.4 million due to costs incurred in 2013 related to the now-terminated plan to spin off and merge the Utility’s transmission business.

The decrease was partially offset by an increase of $1.4 million in fossil-fueled generation expenses primarily due to an increased scope of work done during plant outages as compared to the prior year.

Other income decreased primarily due to higher realized gains in 2013 on the River Bend decommissioning trust fund investments. There is no effect on net income as these investment gains are offset by a corresponding amount of regulatory charges.

Table of Contents
Entergy Gulf States Louisiana, L.L.C.
Management's Financial Discussion and Analysis

Six Months Ended June 30, 2014 Compared to Six Months Ended June 30, 2013

Other operation and maintenance expenses decreased primarily due to:

- a decrease of $7.4 million in compensation and benefits costs primarily due to an increase in the discount rates used to determine net periodic pension and other postretirement benefit costs, other postretirement benefit plan design changes, and fewer employees. See "MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS – Critical Accounting Estimates" in the Form 10-K and Note 6 to the financial statements herein for further discussion of benefits costs;
- a decrease of $5.3 million in nuclear generation expenses primarily due to lower nuclear labor costs; and
- a decrease of $4 million due to costs incurred in 2013 related to the now-terminated plan to spin off and merge the Utility's transmission business.

The decrease was partially offset by an increase of $3.2 million in transmission expenses primarily due to administration fees in 2014 related to participation in the MISO RTO. The LPSC approved deferral of these expenses resulting in no net income effect.

Other income decreased primarily due to higher realized gains in 2013 on the River Bend decommissioning trust fund investments. There is no effect on net income as these investment gains are offset by a corresponding amount of regulatory charges.

Income Taxes

The effective income tax rate was 36.2% for the second quarter 2014 and 36.3% for the six months ended June 30, 2014. The differences in the effective income tax rates for the second quarter 2014 and the six months ended June 30, 2014 versus the federal statutory rate of 35% were primarily due to state income taxes and certain book and tax differences related to utility plant items, partially offset by book and tax differences related to the non-taxable income distributions earned on preferred membership interests.

The effective income tax rate was 37.6% for the second quarter 2013 and 36.8% for the six months ended June 30, 2013. The differences in the effective income tax rates for the second quarter 2013 and the six months ended June 30, 2013 versus the federal statutory rate of 35% were primarily due to state income taxes and the provision for uncertain tax positions, partially offset by book and tax differences related to the non-taxable income distributions earned on preferred membership interests.

Liquidity and Capital Resources

Cash Flow

Cash flows for the six months ended June 30, 2014 and 2013 were as follows:

	2014	2013
	(In Thousands)	
Cash and cash equivalents at beginning of period	$15,581	$35,686
Cash flow provided by (used in):		
Operating activities	215,465	102,336
Investing activities	(107,014)	(184,820)

Financing activities	(77,005)	47,709
Net increase (decrease) in cash and cash equivalents	31,446	(34,775)
Cash and cash equivalents at end of period	$47,027	$911

Table of Contents

Operating Activities

Net cash flow provided by operating activities increased $113.1 million for the six months ended June 30, 2014 compared to the six months ended June 30, 2013 primarily due to:

- a decrease of $56 million in income tax payments for the six months ended June 30, 2014 compared to the six months ended June 30, 2013. Entergy Gulf States Louisiana had income tax payments of $61.7 million in 2013 in accordance with the Entergy Corporation and Subsidiary Companies Intercompany Income Tax Allocation Agreement. The payments resulted primarily from the reversal of temporary differences for which Entergy Gulf States Louisiana had previously claimed a tax deduction;
- lower nuclear refueling outage spending at River Bend. River Bend had a refueling outage in 2013 and did not have one in 2014; and
- an increase in the recovery of fuel and purchased power costs including System Agreement bandwidth remedy payments of $10.1 million received in the second quarter 2014 as a result of the compliance filing pursuant to the FERC’s February 2014 orders related to the bandwidth payments/receipts for the June - December 2005 period. In the second quarter 2014, Entergy Gulf States Louisiana customers were credited $3.7 million. See Note 2 to the financial statements herein and in the Form 10-K for a discussion of the System Agreement proceedings.

The increase was partially offset by an increase of $7.7 million in pension contributions in 2014. See "MANAGEMENT’S FINANCIAL DISCUSSION AND ANALYSIS - Critical Accounting Estimates" in the Form 10-K and Note 6 to the financial statements herein for a discussion of qualified pension and other postretirement benefits funding.

Investing Activities

Net cash flow used in investing activities decreased $77.8 million for the six months ended June 30, 2014 compared to the six months ended June 30, 2013 primarily due to:

- fluctuations in nuclear fuel activity because of variations from year to year in the timing and pricing of fuel reload requirements in the Utility business, material and services deliveries, and the timing of cash payments during the nuclear fuel cycle;
- a decrease in nuclear construction expenditures as a result of spending on nuclear projects during the River Bend refueling outage in 2013. River Bend had a refueling outage in 2013 and did not have one in 2014; and
- a decrease in transmission construction expenditures due to a decreased scope of work performed in 2014.

The decrease was partially offset by:

- the withdrawal of $65.5 million from the storm reserve escrow account in 2013;
- an increase in fossil-fueled generation expenditures as a result of an increased scope of work in 2014; and