ENTERGY CORP /DE/
Form 10-Q
May 06, 2016
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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 March 31, 2016
	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	1-35747	ENTERGY NEW ORLEANS, INC. (a Louisiana corporation) 1600 Perdido Street New Orleans, Louisiana 70112 Telephone (504) 670-3700 72-0273040
1-10764	ENTERGY ARKANSAS, INC. (an Arkansas corporation) 425 West Capitol Avenue Little Rock, Arkansas 72201 Telephone (501) 377-4000 71-0005900	1-34360	ENTERGY TEXAS, INC. (a Texas corporation) 9425 Pinecroft The Woodlands, Texas 77380 Telephone (409) 981-2000 61-1435798
1-32718	ENTERGY LOUISIANA, LLC (a Texas limited liability company) 4809 Jefferson Highway Jefferson, Louisiana 70121 Telephone (504) 576-4000 47-4469646	1-09067	SYSTEM ENERGY RESOURCES, INC. (an Arkansas corporation) Echelon One 1340 Echelon Parkway Jackson, Mississippi 39213

Telephone (601) 368-5000
72-0752777

1-31508	ENTERGY MISSISSIPPI, INC. (a Mississippi corporation) 308 East Pearl Street Jackson, Mississippi 39201 Telephone (601) 368-5000 64-0205830

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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 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 April 29, 2016
Entergy Corporation	($0.01 par value)	178,740,867

Entergy Corporation, Entergy Arkansas, Inc., 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, 2015, filed by the individual registrants with the SEC, and should be read in conjunction therewith.

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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, which occurred in November 2015, and the termination of Entergy Texas’s, Entergy New Orleans’s, and Entergy Louisiana’s participation in the System Agreement, which will occur on August 31, 2016, and will result in the termination of the System Agreement in its entirety pursuant to a settlement agreement approved by FERC in December 2015;
- regulatory and operating challenges and uncertainties and economic risks associated with the Utility operating companies’ move to MISO, which occurred in December 2013, including the effect of current or projected MISO market rules and market 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 potential or actual shutdown of nuclear generating facilities owned or operated by Entergy Wholesale Commodities, 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 and the effect of public and political opposition on these applications, regulatory proceedings and litigation;
- 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;

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FORWARD-LOOKING INFORMATION (Concluded)

- volatility and changes in markets for electricity, natural gas, uranium, emissions allowances, and other energy-related commodities, and the effect of those changes on Entergy and its customers;
- 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;
- changes in environmental, tax, and other laws and regulations, including requirements for reduced emissions of sulfur dioxide, nitrogen oxide, greenhouse gases, mercury, thermal energy, and other regulated air and water 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 and nuclear waste disposal fees charged by the U.S. government or other providers 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 and circumstances that could influence economic conditions in those areas, including power prices, and the risk that anticipated load growth may not materialize;
- 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 effects of threatened or actual terrorism, cyber-attacks or data security breaches, including increased security costs, accidents, 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 and the effects on benefits costs 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, requirements for, or cost to decommission nuclear plant sites;
- the implementation of the shutdown of Pilgrim and FitzPatrick and the related decommissioning of those plants and 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.

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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
Cajun	Cajun Electric Power Cooperative, Inc.
capacity factor	Actual plant output divided by maximum potential plant output for the period
City Council or Council	Council of the City of New Orleans, Louisiana
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 Louisiana limited liability 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. Effective October 1, 2015, the business of Entergy Gulf States Louisiana was combined with Entergy Louisiana.
Entergy Louisiana	Entergy Louisiana, LLC, a Texas limited liability company formally created as part of the combination of Entergy Gulf States Louisiana and the company formerly known as Entergy Louisiana, LLC (Old Entergy Louisiana) into a single public utility company and the successor to Old Entergy Louisiana for financial reporting purposes.
Entergy Texas	Entergy Texas, Inc., a Texas corporation 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, operation, and decommissioning of nuclear power plants, the ownership of interests in non-nuclear power plants, and the sale of the electric power produced by its operating power plants to wholesale customers
EPA	United States Environmental Protection Agency
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, 2015 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

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DEFINITIONS (continued)

Abbreviation or Acronym	Term
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
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 Nuclear Plant (nuclear), owned by an Entergy subsidiary in the Entergy Wholesale Commodities business segment
Parent & Other	The portions of Entergy not included in the Utility or Entergy Wholesale Commodities segments, primarily consisting of the activities of the parent company, Entergy Corporation
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 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 Louisiana
RTO	Regional transmission organization
SEC	Securities and Exchange Commission
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. Entergy Mississippi terminated its participation in the System Agreement effective November 7, 2015.
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

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DEFINITIONS (concluded)

Abbreviation or Acronym	Term
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 (prior to the completion of the business combination with Entergy 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, which ceased power production in December 2014
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
White Bluff	White Bluff Steam Electric Generating Station, 57% owned by Entergy Arkansas

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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, operation, and decommissioning of nuclear power plants located in the northern United States and the sale of the electric power produced by its operating plants to wholesale customers. 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

Following are income statement variances for Utility, Entergy Wholesale Commodities, Parent & Other, and Entergy comparing the first quarter 2016 to the first quarter 2015 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)			
2015 Consolidated Net Income (Loss)	$227,750	$123,432	($48,253)	$302,929
Net revenue (operating revenue less fuel expense, purchased power, and other regulatory charges/credits)	(35,427)	(60,318)	(9)	(95,754)
Other operation and maintenance	(41,278)	1,335	1,748	(38,195)
Asset write-offs, impairments, and related charges	—	7,361	—	7,361
Taxes other than income taxes	(6,461)	(973)	(311)	(7,745)
Depreciation and amortization	8,619	(6,156)	(176)	2,287
Other income	(8,300)	(20,530)	(923)	(29,753)
Interest expense	966	188	2,755	3,909
Other expenses	5,941	(20,852)	—	(14,911)
Income taxes	16,585	(17,876)	(9,235)	(10,526)
2016 Consolidated Net Income (Loss)	$199,651	$79,557	($43,966)	$235,242

(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.

Net Revenue

Utility

Following is an analysis of the change in net revenue comparing the first quarter 2016 to the first quarter 2015:

	Amount (In Millions)
2015 net revenue	$1,410
Volume/weather	(46)
Retail electric price	23
Other	(12)
2016 net revenue	$1,375

The volume/weather variance is primarily due to a decrease of 849 GWh, or 3%, in billed electricity usage primarily due to the effect of less favorable weather on residential and commercial sales. The decrease is partially offset by an increase in industrial usage, primarily due to increased growth for new and expansion customers as well as existing customers, primarily in the petroleum refining industry.

The retail electric price variance is primarily due to an increase in base rates at Entergy Arkansas, as approved by the APSC. The new rates were effective February 24, 2016 and began billing with the first billing cycle of April 2016. The increase includes an interim base rate adjustment surcharge, effective with the first billing cycle of April 2016, to recover the incremental revenue requirement for the period February 24, 2016 through March 31, 2016. See Note 2 to the financial statements herein for further discussion of the rate case.

Entergy Wholesale Commodities

Following is an analysis of the change in net revenue comparing the first quarter 2016 to the first quarter 2015:

	Amount (In Millions)
2015 net revenue	$527
Nuclear realized price changes	(78)
Rhode Island State Energy Center	(15)
Nuclear volume	12
Nuclear fuel expenses	21
Other	(1)
2016 net revenue	$466

As shown in the table above, net revenue for Entergy Wholesale Commodities decreased by $61 million in the first quarter 2016 as compared to the first quarter 2015 primarily due to lower realized wholesale energy prices and lower capacity prices and as a result of the sale of the Rhode Island State Energy Center in December 2015. The decrease was partially offset by higher volume in the Entergy Wholesale Commodities nuclear fleet resulting from fewer unplanned outage days in the first quarter 2016 as compared to the first quarter 2015, and a decrease in nuclear fuel expenses related to the impairments of the FitzPatrick, Pilgrim, and Palisades plants and related assets in the third and fourth quarters of 2015. See Note 1 to the financial statements in the Form 10-K for discussion of the impairments.

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Entergy Corporation and Subsidiaries
Management's Financial Discussion and Analysis

Following are key performance measures for Entergy Wholesale Commodities for the first quarter 2016 and 2015:

	2016	2015
Owned capacity (MW) (a)	4,880	5,463
GWh billed	9,246	9,592
Average revenue per MWh	$56.47	$67.00
Entergy Wholesale Commodities Nuclear Fleet		
Capacity factor	90%	90%
GWh billed	8,688	8,618
Average revenue per MWh	$57.43	$65.78
Refueling Outage Days:		
Indian Point 2	25	—
Indian Point 3	—	23

(a) The reduction in owned capacity is due to the sale of the 583 MW Rhode Island State Energy Center in December 2015.

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 of the effects of sustained low natural gas prices and power market structure challenges on market prices for electricity over the past few years in the power regions where the Entergy Wholesale Commodities power plants are located. As shown in the contracted sale of energy table in “Market and Credit Risk Sensitive Instruments,” Entergy Wholesale Commodities has sold forward 88% of its planned nuclear energy output for 2016 for an expected average contracted energy price of $40 per MWh based on market prices at March 31, 2016. In addition, Entergy Wholesale Commodities has sold forward 63% of its planned nuclear energy output for 2017 for an expected average contracted energy price of $46 per MWh based on market prices at March 31, 2016.

The market price trend presents a challenging economic situation for the Entergy Wholesale Commodities plants. The severity of the challenge varies for each of the plants based on a variety of factors such as their market for both energy and capacity, their size, their contracted positions, and the amount of investment required to continue to operate and maintain the safety and integrity of the plants, including the estimated asset retirement costs. In addition, currently the market design under which the plants operate does not adequately compensate merchant nuclear plants for their environmental and fuel diversity benefits in the region.

In October 2015, Entergy determined that it will close the Pilgrim and FitzPatrick plants. The decisions to shut down the plants were primarily due to the poor market conditions that have led to reduced revenues, the poor market design that fails to properly compensate nuclear generators for the benefits they provide, and increased operational costs. The Pilgrim plant is expected to cease operations on May 31, 2019. The FitzPatrick plant is expected to shut down at the end of its current fuel cycle, which is planned for January 27, 2017.

Entergy previously shut down Vermont Yankee in 2014, and, after the closures of Pilgrim and FitzPatrick, will have two remaining nuclear power generating facilities in operation in the Entergy Wholesale Commodities business, Indian Point and Palisades. Unlike the three facilities that Entergy has decided to shut down, Indian Point is a multi-unit site with both Indian Point 2 and 3 in operation that sells power at NYISO Zone G, which is a key supply region for New York City. In addition, Indian Point 2 (1,028 MW) and 3 (1,041 MW) are significantly larger plants than Vermont Yankee (605 MW), Pilgrim (688 MW), or FitzPatrick (838 MW). The Indian Point plants, however, are currently involved and face opposition in extensive licensing proceedings, which are described in “Entergy Wholesale

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Commodities Authorizations to Operate Its Nuclear Power Plants" in the Form 10-K and herein. Palisades (811 MW) is similar in size to FitzPatrick, is also a single-unit site, and the MISO market in which it operates has also experienced market price declines over the past few years. At this time, most of the Palisades output is sold under a 15-year power purchase agreement, entered at the plant's acquisition in 2007, that expires in 2022. The power purchase agreement prices currently exceed market prices and escalate each year, up to $61.50/MWh in 2022.

In 2015, Entergy recorded impairment and other related charges to write down the carrying values of the FitzPatrick, Pilgrim, and Palisades plants and related assets to their fair values. Impairment of long-lived assets and nuclear decommissioning costs, and the factors that influence these items, are both discussed in the Form 10-K in "MANAGMENT'S FINANCIAL DISCUSSION AND ANALYSIS - Critical Accounting Estimates." If economic conditions or regulatory activity no longer support the continued operation of Indian Point or Palisades for their expected lives or no longer support the recovery of the costs of the plants, it could adversely affect Entergy's results of operations through loss of revenue, impairment charges, increased depreciation rates, transitional costs, or accelerated decommissioning costs.

Other Income Statement Items

Utility

Other operation and maintenance expenses decreased from $555 million for the first quarter 2015 to $514 million for the first quarter 2016 primarily due to:

- a decrease of $22 million in fossil-fueled generation expenses primarily due to an overall lower scope of work done during plant outages in 2016 as compared to the same period in 2015;
- the deferral of $8 million of previously-incurred costs related to ANO post-Fukushima compliance and $10 million of previously-incurred costs related to ANO flood barrier compliance, as approved by the APSC as part of the Entergy Arkansas 2015 rate case settlement. See Note 2 to the financial statements for further discussion of the rate case settlement;
- a decrease of $15 million in compensation and benefits costs primarily due to a decrease in net periodic pension and other postretirement benefits costs as a result of an increase in the discount rate used to value the benefit liabilities and a refinement in the approach used to estimate the service cost and interest cost components of pension and other postretirement costs. See "MANAGEMENT'S DISCUSSION AND ANALYSIS - Critical Accounting Estimates - Qualified Pension and Other Postretirement Benefits" in the Form 10-K and Note 6 to the financial statements herein for further discussion of benefits costs; and
- a decrease of $6 million in energy efficiency costs, including the effects of true-ups.

The decrease was partially offset by an increase of $27 million in nuclear generation expenses primarily due to an increase in regulatory compliance costs and higher nuclear labor costs, including contract labor. The increase in regulatory compliance costs is primarily related to additional NRC inspection activities in the first quarter 2016 as a result of the NRC's March 2015 decision to move ANO into the "multiple/repetitive degraded cornerstone column" of the NRC's Reactor Oversight Process Action Matrix. See "ANO Damage, Outage, and NRC Reviews" below.

Depreciation and amortization expenses increased primarily due to additions to plant in service.

Other income decreased primarily due to lower realized gains on decommissioning trust fund investments in 2016 as compared to the same period in 2015.

Entergy Wholesale Commodities

Other income decreased primarily due to lower realized gains on decommissioning trust fund investments in 2016 as compared to the same period in 2015, which included realized decommissioning trust gains that resulted from portfolio reallocations for the Vermont Yankee nuclear decommissioning trust funds.

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Other expenses decreased due to the reduction in deferred refueling outage amortization costs related to the impairments of the FitzPatrick, Pilgrim, and Palisades plants and related assets in the third and fourth quarters of 2015. See Note 1 to the financial statements in the Form 10-K for discussion of the impairments.

Income Taxes

The effective income tax rate was 37.3% for the first quarter 2016. The difference in the effective income tax rate for the first quarter 2016 versus the federal statutory rate of 35% was 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 33.2% for the first quarter 2015. The difference in the effective income tax rate for the first quarter 2015 versus the federal statutory rate of 35% was primarily due to the reversal of a portion of the provision for uncertain tax positions resulting from the receipt of finalized tax and interest computations for the 2006-2007 audit from the IRS, partially offset by certain book and tax differences related to utility plant items. See Note 3 to the financial statements in the Form 10-K for a discussion of the 2006-2007 audit.

Entergy Wholesale Commodities Authorizations to Operate Its Nuclear Power Plants

See “MANAGEMENT’S FINANCIAL DISCUSSION AND ANALYSIS - Entergy Wholesale Commodities Authorizations to Operate Its Nuclear Power Plants” in 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 joint application in process for these plants. Following are updates to that discussion.

Indian Point NRC/ASLB Proceedings

In May 2016 the NRC issued a decision sustaining New York State’s appeal of the ASLB’s November 2013 Track 1 decision upholding the adequacy of Severe Accident Mitigation Alternatives (SAMA) decommissioning cost estimates. The NRC directed its staff to supplement its SAMA analysis to include sensitivity runs for two inputs to SAMA decommissioning costs. Since SAMA analysis is part of the NRC’s environmental impact analysis, and not part of its safety analysis, further supplementation of the NRC’s Final Supplemental Environmental Impact Statement will be required, with attendant impact on the schedule for completion of proceedings before the NRC. One SAMA appeal from Track 1 remains to be decided.

Indian Point Coastal Zone Management Act Proceedings

As discussed in the Form 10-K, in January 2016, Entergy filed suit in the U.S. District Court for the Northern District of New York challenging the New York State Department of Environmental Conservation’s objection to Entergy’s withdrawn Coastal Zone Management Act consistency certification on federal preemption grounds. Entergy’s complaint requests a determination that the objection, which cites nuclear safety concerns, is preempted and thus invalid. The New York State Department of State filed a motion to dismiss Entergy’s lawsuit in March 2016, and Entergy filed its response in May 2016.

ANO Damage, Outage, and NRC Reviews

See Note 8 to the financial statements in the Form 10-K for a discussion of the ANO stator incident and subsequent NRC reviews.

As discussed in the Form 10-K, in March 2015 the NRC issued a letter notifying Entergy of its decision to move ANO into the “multiple/repetitive degraded cornerstone column” (Column 4) of the NRC’s Reactor Oversight Process Action Matrix. Placement into Column 4 requires significant additional NRC inspection activities at the ANO site, including a review of the site’s root cause evaluation associated with the flood barrier and stator issues, an

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assessment of the effectiveness of the site's corrective action program, an additional design basis inspection, a safety culture assessment, and possibly other inspection activities consistent with the NRC's Inspection Procedure. Entergy Arkansas incurred incremental expenses of approximately $53 million in 2015 to prepare for the NRC inspection that began in early 2016. Excluding remediation and response costs that may result from the additional NRC inspection activities, Entergy Arkansas expects to incur incremental expenses of approximately $50 million in 2016, of which $19.6 million was incurred in the first quarter 2016, in support of NRC inspection activities and to implement Entergy Arkansas's performance improvement initiatives developed in 2015. A lesser amount of incremental expenses is expected to be ongoing annually after 2016.

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. The increase in the debt to capital ratio is primarily due to the net issuance of long-term debt in 2016.

	March 31, 2016	December 31, 2015
Debt to capital	60.9%	59.1 %
Effect of excluding securitization bonds	(1.2 %)	(1.4 %)
Debt to capital, excluding securitization bonds (a)	59.7%	57.7 %
Effect of subtracting cash	(1.9 %)	(2.7 %)
Net debt to net capital, excluding securitization bonds (a)	57.8%	55.0 %

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

Entergy Corporation has in place a credit facility that has a borrowing capacity of $3.5 billion and expires in August 2020. 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 three months ended March 31, 2016 was 2.35% on the drawn portion of the facility. Following is a summary of the borrowings outstanding and capacity available under the facility as of March 31, 2016:

Capacity	Borrowings	Letters of Credit	Capacity Available
(In Millions)			
$3,500	$616	$7	$2,877

A covenant in Entergy Corporation’s credit facility requires Entergy to maintain a consolidated debt ratio, as defined, 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 and expects to remain in compliance with this 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.

Entergy Nuclear Vermont Yankee entered into a credit facility guaranteed by Entergy Corporation which expires in January 2018. In the first quarter 2016, Entergy Nuclear Vermont Yankee increased the borrowing capacity of its credit facility to $100 million. As of March 31, 2016, $61 million in cash borrowings were outstanding under the credit facility. Entergy Nuclear Vermont Yankee also entered into an uncommitted credit facility guaranteed by Entergy Corporation with a borrowing capacity of $85 million which expires in January 2018. As of March 31, 2016, there were no cash borrowings outstanding under the uncommitted credit facility. See Note 4 to the financial statements herein for additional discussion of the Vermont Yankee facilities.

Entergy Corporation has a commercial paper program with a Board-approved program limit of up to $1.5 billion. As of March 31, 2016, Entergy Corporation had $578 million of commercial paper outstanding. The weighted-average interest rate for the three months ended March 31, 2016 was 1.14%.

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 2016 through 2018. Following are updates to the discussion.

St. Charles Power Station

In August 2015, Entergy Louisiana filed with the LPSC an application seeking certification that the public necessity and convenience would be served by the construction of the St. Charles Power Station, a nominal 980 megawatt combined-cycle generating unit, on land adjacent to the existing Little Gypsy plant in St. Charles Parish, Louisiana. Testimony has been filed by LPSC staff and intervenors, with LPSC staff concluding that the construction of the project serves the public convenience and necessity. Three intervenors contend that Entergy Louisiana has not established that construction of the project is in the public interest, claiming that the RFP excluded consideration of certain resources that could be more cost effective, that the RFP provided undue preference to the self-build option, and that a 30-year capacity commitment is not warranted by current supply conditions. The RFP independent monitor also filed testimony and a report affirming that the St. Charles Power Station was selected through an objective and

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fair RFP that showed no undue preference to any proposal. An evidentiary hearing was held in April 2016 and, subject to regulatory approval by the LPSC and receipt of other permits and approvals, full notice to proceed is expected to be issued in Summer 2016. Commercial operation is estimated to occur by Summer 2019.

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 per share from the Utility operating segment and the Parent and Other portion of the business, financial strength, and future investment opportunities. At its April 2016 meeting, the Board declared a dividend of $0.85 per share.

Cash Flow Activity

As shown in Entergy's Consolidated Statements of Cash Flows, cash flows for the three months ended March 31, 2016 and 2015 were as follows:

	2016	2015
	(In Millions)	
Cash and cash equivalents at beginning of period	$1,351	$1,422
Cash flow provided by (used in):		
Operating activities	533	611
Investing activities	(1,878)	(700)
Financing activities	1,086	(152)
Net decrease in cash and cash equivalents	(259)	(241)
Cash and cash equivalents at end of period	$1,092	$1,181

Operating Activities

Net cash flow provided by operating activities decreased $78 million for the three months ended March 31, 2016 compared to the three months ended March 31, 2015 primarily due to:

- lower Entergy Wholesale Commodities net revenues in 2016 as compared to the same period in 2015, as discussed previously;
- an increase of $41 million in spending in 2016 on activities related to the decommissioning of Vermont Yankee, which ceased power production in December 2014; and
- an increase of $48 million in interest paid in 2016 as compared to the same period in 2015 primarily due to an an interest payment of $60 million made in March 2016 related to the purchase of a beneficial interest in the Waterford 3 leased assets, partially offset by a decrease in interest paid in 2016 on the Grand Gulf sale-leaseback obligation. See Note 11 to the financial statements herein for a discussion of Entergy Louisiana's purchase of a beneficial interest in the Waterford 3 leased assets, and see Note 10 to the financial statements in the Form 10-K for details of the Grand Gulf sale-leaseback obligation.

The decrease was partially offset by spending of $52 million in 2015 related to Vermont Yankee, including the severance and retention payments accrued in 2014 and defueling activities that took place after the plant ceased power production in December 2014, and a decrease in income tax payments of $40 million in 2016 primarily related to the final settlement of amounts outstanding associated with the 2006-2007 IRS audit paid in 2015. See Note 3 to the financial statements in the Form 10-K for a discussion of the income tax audit.

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Investing Activities

Net cash flow used in investing activities increased $1,178 million for the three months ended March 31, 2016 compared to the three months ended March 31, 2015 primarily due to:

- the purchase of Union Power Station for approximately $948 million. See Note 13 to the financial statements for discussion of the Union purchase;
- the deposit of $197 million held in trust as a result of the issuance by Louisiana Public Facilities Authority of $83.680 million of 3.375% pollution control refunding revenue bonds and $115 million of 3.50% pollution control refunding revenue bonds in March 2016. In April 2016, these funds were used to redeem $83.680 million of 5.0% pollution control refunding revenue bonds due September 2028 and $115 million of 5.0% pollution control refunding revenue bonds due June 2030; and
- an increase in construction expenditures primarily due to an overall higher scope of work on various projects in 2016 as compared to the same period in 2015, partially offset by a decrease in spending related to compliance with NRC post-Fukushima requirements.

The increase was partially offset by a $71 million NYPA value sharing payment in 2015. See Note 15 to the financial statements in the Form 10-K for further discussion of Entergy’s NYPA value sharing agreements.

Financing Activities

Entergy’s financing activities provided $1,086 million of cash for the three months ended March 31, 2016 compared to using $152 million of cash for the three months ended March 31, 2015 primarily due to:

- long-term debt activity providing approximately $966 million of cash in 2016 compared to using approximately $197 million of cash in 2015. Included in the long-term debt activity is $219 million in 2016 and $187 million in 2015 for the repayment of borrowings on the Entergy Corporation long-term credit facility;
- an increase of $116 million in 2016 compared to a decrease of $68 million in 2015 in short-term borrowings by the nuclear fuel company variable interest entities;
- net issuances of $156 million of commercial paper in 2016 compared to net issuances of $278 million of commercial paper in 2015; and
- $25 million of common stock repurchased in 2015.

For the details of Entergy’s commercial paper program and the nuclear fuel company variable interest entities’ short-term borrowings, see Note 4 to the financial statements herein. See Note 4 to the financial statements herein and Note 5 to the financial statements in the Form 10-K for details of long-term debt.

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 "MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS - Rate, Cost-recovery, and Other Regulation - Federal Regulation" in the Form 10-K for a discussion of federal regulatory proceedings. The following is an update to that discussion.

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Entergy's Integration Into the MISO Regional Transmission Organization

As discussed in the Form 10-K, 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. In April 2016 the FERC denied Occidental's complaint against MISO and found that MISO's treatment of QFs in Entergy's service territories is consistent with the requirements of PURPA and does not violate sections 205 and 206 of the Federal Power Act. In February 2014, Occidental also filed a petition for enforcement with the FERC against the LPSC. Occidental's petition for enforcement alleges that the LPSC's January 2014 order, which approved 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 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 2016 the FERC reviewed its earlier "Notice of Intent Not to Act as This Time" and issued another notice declining to initiate an enforcement action against the LPSC. In January 2016, in a separate proceeding, the FERC issued an order granting the Utility operating companies' petition to terminate the requirement that they enter into new obligations or contracts with QFs with net capacity in excess of 20 MW, including Occidental's Taft QF, effective October 2015. The FERC denied without prejudice the petition as it relates to Dow Chemical Company's Plaquemine QF. In April 2016 the FERC denied Occidental's request for rehearing of the order granting the Utility operating companies' petition to terminate the QF purchase requirement for QFs with net capacity in excess of 20 MW and affirmed that Occidental failed to rebut the presumption that its Taft QF has non-discriminatory access to the MISO markets.

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 March 31, 2016 (2016 represents the remainder of the year):

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Entergy Wholesale Commodities Nuclear Portfolio

	2016	2017	2018	2019
Energy				
Percent of planned generation under contract (a):				
Unit-contingent (b)	67%	53%	21%	26%
Firm LD (c)	42%	10%	—%	—%
Offsetting positions (d)	(21%)	—%	—%	—%
Total	88%	63%	21%	26%
Planned generation (TWh) (e) (f)	25	28	29	26
Average revenue per MWh on contracted volumes:				
Minimum	$40	$46	$56	$57
Expected based on market prices as of March 31, 2016	$40	$46	$56	$57
Sensitivity: -/+ $10 per MWh market price change	$40-$42	$46-$47	$56	$57
Capacity				
Percent of capacity sold forward (g):				
Bundled capacity and energy contracts (h)	17%	22%	22%	25%
Capacity contracts (i)	25%	20%	20%	9%
Total	42%	42%	42%	34%
Planned net MW in operation (f)	4,406	3,568	3,568	3,167
Average revenue under contract per kW per month (applies to capacity contracts only)	$3.4	$5.6	$9.4	$11.1
Total Nuclear Energy and Capacity Revenues (j)				
Expected sold and market total revenue per MWh	$44	$50	$48	$49
Sensitivity: -/+ $10 per MWh market price change	$41-$47	$46-$54	$40-$56	$42-$56

(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 not 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, the seller is generally not liable to buyer for any damages. Certain unit-contingent sales include a guarantee of availability. Availability guarantees provide 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.

(c) 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. This also includes option transactions that may expire without being exercised.

(d) Transactions for the purchase of energy, generally to offset a Firm LD transaction.

(e) 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.

(f) Assumes NRC license renewals for plants with NRC license renewal applications in process. Assumes shutdown of FitzPatrick on January 27, 2017, shutdown of Pilgrim on May 31, 2019, and uninterrupted normal operation

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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 while its application is pending) and Indian Point 3 (December 2015 and now operating under its period of extended operations while its application is pending). For a discussion regarding the shutdown of the FitzPatrick and Pilgrim plants, see Note 1 to the financial statements in the Form 10-K. 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 Form 10-K.

(g) Percent of planned qualified capacity sold to mitigate price uncertainty under physical or financial transactions.
(h) A contract for the sale of installed capacity and related energy, priced per megawatt-hour sold.
(i) A contract for the sale of an installed capacity product in a regional market.
(j) Includes assumptions on converting a portion of the portfolio to contracted with fixed price cost or discount and excludes non-cash revenue from the amortization of the Palisades below-market PPA, mark-to-market activity, and service revenues.

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 March 31, 2016 market conditions, planned generation volumes, and hedged positions, would have a corresponding effect on pre-tax net income of $79 million for the remainder of 2016. As of March 31, 2015, a positive $10 per MWh change would have had a corresponding effect on pre-tax income of $82 million for the remainder of 2015. A negative $10 per MWh change in the annual average energy price in the markets based on March 31, 2016 market conditions, planned generation volumes, and hedged positions, would have a corresponding effect on pre-tax net income of ($69) million for the remainder of 2016. As of March 31, 2015, a negative $10 per MWh change would have had a corresponding effect on pre-tax income of ($44) million for the remainder of 2015.

Some of the agreements to sell the power produced by Entergy Wholesale Commodities’ power plants contain provisions that require an Entergy subsidiary to provide credit support to secure its obligations under the agreements. The Entergy subsidiary is required to provide credit support based upon the difference between the current market prices and contracted power prices in the regions where Entergy Wholesale Commodities sells power. The primary form of credit support to satisfy these requirements is an Entergy Corporation guaranty. Cash and letters of credit are also acceptable forms of credit support. At March 31, 2016, based on power prices at that time, Entergy had liquidity exposure of $136 million under the guarantees in place supporting Entergy Wholesale Commodities transactions and $5 million of posted cash collateral. In the event of a decrease in Entergy Corporation’s credit rating to below investment grade, based on power prices as of March 31, 2016, Entergy would have been required to provide approximately $50 million of additional cash or letters of credit under some of the agreements. As of March 31, 2016, the liquidity exposure associated with Entergy Wholesale Commodities assurance requirements, including return of previously posted collateral from counterparties, would increase by $81 million for a $1 per MMBtu increase in gas prices in both the short-and long-term markets.

As of March 31, 2016, substantially all of the credit exposure associated with the planned energy output under contract for Entergy Wholesale Commodities nuclear plants through 2019 is with counterparties or their guarantors that 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. The following are updates to that discussion.

See "ANO Damage, Outage, and NRC Reviews" above for discussion of the NRC's decision to move ANO into the "multiple/repetitive degraded cornerstone column" (Column 4) of the NRC's Reactor Oversight Process Action Matrix, and the resulting significant additional NRC inspection activities at the ANO site.

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See Note 1 to the financial statements herein for discussion of the NRC’s decision in September 2015 to place Pilgrim in Column 4 of its Reactor Oversight Process Action Matrix due to its finding of continuing weaknesses in Pilgrim’s corrective action program that contributed to repeated unscheduled shutdowns and equipment failures.

Based upon the recent performance history of several units within the Entergy nuclear fleet, Entergy has determined to undertake a nuclear performance improvement plan. That plan has not been fully developed, but it may result in increased operating and capital costs associated with operating Entergy’s nuclear plants. Entergy is continuing to determine what specific actions will be part of the nuclear performance improvement plan, and an estimate of the costs associated with this plan cannot be made at this time.

Indian Point 2 outage

During the scheduled refueling and maintenance outage at Indian Point Unit 2 in the first quarter 2016, comprehensive inspections were done as part of the aging management program which calls for an in-depth inspection of the reactor vessel. Inspections of more than 2,000 bolts in the reactor's removable insert liner identified issues with roughly 11% of the bolts that required further analysis. Entergy is replacing the bolts as necessary and expects that the replacement effort will extend the outage into June 2016 and increase costs associated with the outage. The additional costs will be accounted for as deferred refueling outage costs and amortized over the plant’s subsequent fuel cycle. The increase in the deferred refueling outage balance is expected to increase outage amortization expense in 2016, 2017, and 2018. In addition to the higher costs, Entergy will lose net revenue due to the plant being offline. Entergy estimates the negative effect on earnings to be approximately $60 million pre-tax during 2016. This estimate is subject to change depending upon final costs incurred, the restart date of the plant, and prices that would have been received for the sale of Indian Point 2’s power.

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.

New Accounting Pronouncements

See “MANAGEMENT’S FINANCIAL DISCUSSION AND ANALYSIS - New Accounting Pronouncements” in the Form 10-K for a discussion of new accounting pronouncements. Following are updates to that discussion.

In February 2016 the FASB issued ASU No. 2016-02, “Leases (Topic 842).” The ASU’s core principle is that “a lessee should recognize the assets and liabilities that arise from leases.” The ASU considers that “all leases create an asset and a liability,” and accordingly requires that the assets and liabilities related to all leases with a term greater than 12 months must be recorded on the balance sheet. ASU 2016-02 is effective for Entergy for the first quarter 2019. Entergy expects that ASU 2016-02 will affect its financial position by increasing the assets and liabilities recorded relating to its operating leases. Entergy is evaluating the ASU for other effects on the results of operations, financial position, and cash flows.

In March 2016 the FASB issued ASU No. 2016-09, “Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting.” The ASU seeks to simplify several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. The statement is effective beginning in 2017 and Entergy expects that ASU 2016-09 will prospectively increase the volatility of income tax expense related to share-based payments. Entergy is evaluating the ASU for other effects on the results of operations, financial position, and cash flows.

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ENTERGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED INCOME STATEMENTS
For the Three Months Ended March 31, 2016 and 2015
(Unaudited)

	2016	2015
	(In Thousands, Except Share Data)	
OPERATING REVENUES		
Electric	$2,042,160	$2,217,989
Natural gas	45,613	59,511
Competitive businesses	522,079	642,590
TOTAL	2,609,852	2,920,090
OPERATING EXPENSES		
Operation and Maintenance:		
Fuel, fuel-related expenses, and gas purchased for resale	504,967	630,453
Purchased power	262,323	342,023
Nuclear refueling outage expenses	51,230	64,870
Other operation and maintenance	731,915	770,110
Asset write-offs, impairments, and related charges	7,361	—
Decommissioning	68,628	69,899
Taxes other than income taxes	149,778	157,523
Depreciation and amortization	334,273	331,986
Other regulatory charges	1,159	10,457
TOTAL	2,111,634	2,377,321
OPERATING INCOME	498,218	542,769
OTHER INCOME		
Allowance for equity funds used during construction	18,932	11,738
Interest and investment income	32,753	68,133
Miscellaneous - net	(10,587)	(9,020)
TOTAL	41,098	70,851
INTEREST EXPENSE		
Interest expense	173,811	166,337
Allowance for borrowed funds used during construction	(9,682)	(6,117)
TOTAL	164,129	160,220
INCOME BEFORE INCOME TAXES	375,187	453,400
Income taxes	139,945	150,471
CONSOLIDATED NET INCOME	235,242	302,929
Preferred dividend requirements of subsidiaries	5,276	4,879
NET INCOME ATTRIBUTABLE TO ENTERGY CORPORATION	$229,966	$298,050

Earnings per average common share:		
Basic	$1.29	$1.66
Diluted	$1.28	$1.65
Dividends declared per common share	$0.85	$0.83
Basic average number of common shares outstanding	178,578,536	179,658,981
Diluted average number of common shares outstanding	178,976,380	180,480,523

See Notes to Financial Statements.

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ENTERGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the Three Months Ended March 31, 2016 and 2015
(Unaudited)

	2016	2015
	(In Thousands)	
Net Income	$235,242	$302,929
Other comprehensive income (loss)		
Cash flow hedges net unrealized loss		
(net of tax benefit of $5,201 and $15,898)	(9,506)	(29,330)
Pension and other postretirement liabilities		
(net of tax expense of $258 and $3,715)	7,562	8,448
Net unrealized investment gains		
(net of tax expense of $18,358 and $3,666)	23,069	4,003
Foreign currency translation		
(net of tax benefit of $153 and $296)	(284)	(551)
Other comprehensive income (loss)	20,841	(17,430)
Comprehensive Income	256,083	285,499
Preferred dividend requirements of subsidiaries	5,276	4,879
Comprehensive Income Attributable to Entergy Corporation	$250,807	$280,620

See Notes to Financial Statements.

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ENTERGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Three Months Ended March 31, 2016 and 2015
(Unaudited)

	2016	2015
	(In Thousands)	
OPERATING ACTIVITIES		
Consolidated net income	$235,242	$302,929
Adjustments to reconcile consolidated net income to net cash flow provided by operating activities:		
Depreciation, amortization, and decommissioning, including nuclear fuel amortization	500,248	526,008
Deferred income taxes, investment tax credits, and non-current taxes accrued	75,415	95,732
Asset write-offs, impairments, and related charges	7,361	—
Changes in working capital:		
Receivables	76,532	22,288
Fuel inventory	(9,089)	(22,553)
Accounts payable	(67,364)	(153,700)
Taxes accrued	(15,996)	(67,941)
Interest accrued	(27,535)	(42,551)
Deferred fuel costs	97,566	81,271
Other working capital accounts	(95,291)	(90,619)
Changes in provisions for estimated losses	(3,968)	1,334
Changes in other regulatory assets	56,047	93,082
Changes in other regulatory liabilities	18,735	15,857
Changes in pensions and other postretirement liabilities	(89,046)	(52,509)
Other	(226,036)	(97,670)
Net cash flow provided by operating activities	532,821	610,958
INVESTING ACTIVITIES		
Construction/capital expenditures	(636,011)	(532,958)
Allowance for equity funds used during construction	19,107	13,077
Nuclear fuel purchases	(85,819)	(96,392)
Payment for purchase of plant	(947,778)	—
Insurance proceeds received for property damages	—	12,745
Changes in securitization account	(1,399)	(251)
NYPA value sharing payment	—	(70,790)
Payments to storm reserve escrow account	(367)	(1,865)
Decrease (increase) in other investments	(196,509)	278
Proceeds from nuclear decommissioning trust fund sales	729,414	492,841
Investment in nuclear decommissioning trust funds	(758,665)	(516,564)
Net cash flow used in investing activities	(1,878,027)	(699,879)

See Notes to Financial Statements.

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ENTERGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Three Months Ended March 31, 2016 and 2015
(Unaudited)

	2016	2015
	(In Thousands)	
FINANCING ACTIVITIES		
Proceeds from the issuance of:		
Long-term debt	2,869,808	488,065
Treasury stock	5,787	23,156
Retirement of long-term debt	(1,903,670)	(685,258)
Repurchase of common stock	—	(25,078)
Changes in credit borrowings and commercial paper - net	271,730	210,012
Other	(644)	(9,320)
Dividends paid:		
Common stock	(151,839)	(149,257)
Preferred stock	(5,276)	(4,879)
Net cash flow provided by (used in) financing activities	1,085,896	(152,559)
Net decrease in cash and cash equivalents	(259,310)	(241,480)
Cash and cash equivalents at beginning of period	1,350,961	1,422,026
Cash and cash equivalents at end of period	$1,091,651	$1,180,546
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the period for:		
Interest - net of amount capitalized	$251,305	$203,786
Income taxes	$26,382	$65,919

See Notes to Financial Statements.

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ENTERGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
ASSETS
March 31, 2016 and December 31, 2015
(Unaudited)

	2016	2015
	(In Thousands)	
CURRENT ASSETS		
Cash and cash equivalents:		
Cash	$81,624	$63,497
Temporary cash investments	1,010,027	1,287,464
Total cash and cash equivalents	1,091,651	1,350,961
Accounts receivable:		
Customer	559,584	608,491
Allowance for doubtful accounts	(41,377)	(39,895)
Other	170,771	178,364
Accrued unbilled revenues	304,446	321,940
Total accounts receivable	993,424	1,068,900
Deferred fuel costs	28,296	—
Fuel inventory - at average cost	226,898	217,810
Materials and supplies - at average cost	873,679	873,357
Deferred nuclear refueling outage costs	245,623	211,512
Prepayments and other	541,624	344,872
TOTAL	4,001,195	4,067,412
OTHER PROPERTY AND INVESTMENTS		
Investment in affiliates - at equity	4,653	4,341
Decommissioning trust funds	5,451,729	5,349,953
Non-utility property - at cost (less accumulated depreciation)	221,431	219,999
Other	490,232	468,704
TOTAL	6,168,045	6,042,997
PROPERTY, PLANT, AND EQUIPMENT		
Electric	46,578,818	44,467,159
Property under capital lease	610,590	952,465
Natural gas	396,687	392,032
Construction work in progress	1,426,671	1,456,735
Nuclear fuel	1,302,903	1,345,422
TOTAL PROPERTY, PLANT, AND EQUIPMENT	50,315,669	48,613,813
Less - accumulated depreciation and amortization	21,333,661	20,789,452
PROPERTY, PLANT, AND EQUIPMENT - NET	28,982,008	27,824,361
DEFERRED DEBITS AND OTHER ASSETS		
Regulatory assets:		
Regulatory asset for income taxes - net	776,370	775,528
Other regulatory assets (includes securitization property of $689,885 as of March 31, 2016 and $714,044 as of December 31, 2015)	4,647,907	4,704,796
Deferred fuel costs	238,951	238,902
Goodwill	377,172	377,172

Accumulated deferred income taxes	121,700	54,903
Other	620,534	561,610
TOTAL	6,782,634	6,712,911
TOTAL ASSETS	$45,933,882	$44,647,681

See Notes to Financial Statements.

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ENTERGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
LIABILITIES AND EQUITY
March 31, 2016 and December 31, 2015
(Unaudited)

	2016	2015
	(In Thousands)	
CURRENT LIABILITIES		
Currently maturing long-term debt	$796,732	$214,374
Notes payable and commercial paper	766,079	494,348
Accounts payable	888,349	1,071,798
Customer deposits	423,564	419,407
Taxes accrued	194,081	210,077
Interest accrued	167,030	194,565
Deferred fuel costs	361,897	235,986
Obligations under capital leases	2,762	2,709
Pension and other postretirement liabilities	62,789	62,513
Other	176,065	184,181
TOTAL	3,839,348	3,089,958
NON-CURRENT LIABILITIES		
Accumulated deferred income taxes and taxes accrued	8,467,757	8,306,865
Accumulated deferred investment tax credits	231,610	234,300
Obligations under capital leases	26,290	27,001
Other regulatory liabilities	1,433,632	1,414,898
Decommissioning and asset retirement cost liabilities	4,808,315	4,790,187
Accumulated provisions	456,698	460,727
Pension and other postretirement liabilities	3,098,036	3,187,357
Long-term debt (includes securitization bonds of $751,595 as of March 31, 2016 and $774,696 as of December 31, 2015)	13,500,140	13,111,556
Other	392,924	449,856
TOTAL	32,415,402	31,982,747
Commitments and Contingencies		
Subsidiaries' preferred stock without sinking fund	318,185	318,185
SHAREHOLDERS' EQUITY		
Common stock, $.01 par value, authorized 500,000,000 shares; issued 254,752,788 shares in 2016 and in 2015	2,548	2,548
Paid-in capital	5,384,762	5,403,758
Retained earnings	9,472,040	9,393,913
Accumulated other comprehensive income	29,792	8,951
Less - treasury stock, at cost (76,031,187 shares in 2016 and 76,363,763 shares in 2015)	5,528,195	5,552,379
TOTAL	9,360,947	9,256,791
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$45,933,882	$44,647,681

See Notes to Financial Statements.

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ENTERGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the Three Months Ended March 31, 2016 and 2015
(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, 2014	$94,000	$2,548	($5,497,526)	$5,375,353	$10,169,657	($42,307)	$10,101,725
Consolidated net income (a)	4,879	—	—	—	298,050	—	302,929
Other comprehensive loss	—	—	—	—	—	(17,430)	(17,430)
Common stock repurchases	—	—	(25,078)	—	—	—	(25,078)
Common stock issuances related to stock plans	—	—	43,632	(23,663)	—	—	19,969
Common stock dividends declared	—	—	—	—	(149,257)	—	(149,257)
Preferred dividend requirements of subsidiaries (a)	(4,879)	—	—	—	—	—	(4,879)
Balance at March 31, 2015	$94,000	$2,548	($5,478,972)	$5,351,690	$10,318,450	($59,737)	$10,227,979
Balance at December 31, 2015	$—	$2,548	($5,552,379)	$5,403,758	$9,393,913	$8,951	$9,256,791
Consolidated net income (a)	5,276	—	—	—	229,966	—	235,242
Other comprehensive income	—	—	—	—	—	20,841	20,841
Common stock issuances related to stock plans	—	—	24,184	(18,996)	—	—	5,188
Common stock dividends declared	—	—	—	—	(151,839)	—	(151,839)
Preferred dividend requirements of subsidiaries (a)	(5,276)	—	—	—	—	—	(5,276)
Balance at March 31, 2016	$—	$2,548	($5,528,195)	$5,384,762	$9,472,040	$29,792	$9,360,947

See Notes to Financial Statements.

(a) Consolidated net income and preferred dividend requirements of subsidiaries for 2016 and 2015 include $5.3 million and $3.2 million, respectively, of preferred dividends on subsidiaries' preferred stock without sinking fund that is not presented within equity.

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ENTERGY CORPORATION AND SUBSIDIARIES
SELECTED OPERATING RESULTS
For the Three Months Ended March 31, 2016 and 2015
(Unaudited)

Description	Three Months Ended 2016	2015	Increase/ (Decrease)	%
	(Dollars in Millions)			
Utility Electric Operating Revenues:				
Residential	$744	$882	($138)	(16)
Commercial	538	583	(45)	(8)
Industrial	560	576	(16)	(3)
Governmental	51	52	(1)	(2)
Total retail	1,893	2,093	(200)	(10)
Sales for resale	55	60	(5)	(8)
Other	94	65	29	45
Total	$2,042	$2,218	($176)	(8)
Utility Billed Electric Energy Sales (GWh):				
Residential	8,137	9,433	(1,296)	(14)
Commercial	6,511	6,721	(210)	(3)
Industrial	11,055	10,406	649	6
Governmental	600	592	8	1
Total retail	26,303	27,152	(849)	(3)
Sales for resale	3,140	1,811	1,329	73
Total	29,443	28,963	480	2
Entergy Wholesale Commodities:				
Operating Revenues	$522	$643	($121)	(19)
Billed Electric Energy Sales (GWh)	9,246	9,592	(346)	(4)

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ENTERGY CORPORATION AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS
(Unaudited)

NOTE 1. COMMITMENTS AND CONTINGENCIES (Entergy Corporation, Entergy Arkansas, 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 with certainty 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, Outage, and NRC Reviews

See Note 8 to the financial statements in the Form 10-K for a discussion of the ANO stator incident and subsequent NRC reviews.

As discussed in the Form 10-K, in March 2015 the NRC issued a letter notifying Entergy of its decision to move ANO into the "multiple/repetitive degraded cornerstone column" (Column 4) of the NRC's Reactor Oversight Process Action Matrix. Placement into Column 4 requires significant additional NRC inspection activities at the ANO site, including a review of the site's root cause evaluation associated with the flood barrier and stator issues, an assessment of the effectiveness of the site's corrective action program, an additional design basis inspection, a safety culture assessment, and possibly other inspection activities consistent with the NRC's Inspection Procedure. Entergy Arkansas incurred incremental expenses of approximately $53 million in 2015 to prepare for the NRC inspection that began in early 2016. Excluding remediation and response costs that may result from the additional NRC inspection activities, Entergy Arkansas expects to incur incremental expenses of approximately $50 million in 2016, of which $19.6 million was incurred in the first quarter 2016, in support of NRC inspection activities and to implement Entergy Arkansas's performance improvement initiatives developed in 2015. A lesser amount of incremental expenses is expected to be ongoing annually after 2016.

Pilgrim NRC Oversight and Planned Shutdown

In September 2015 the NRC placed Pilgrim in its "multiple/repetitive degraded cornerstone column" (Column 4) of its Reactor Oversight Process Action Matrix due to its finding of continuing weaknesses in Pilgrim's corrective action program that contributed to repeated unscheduled shutdowns and equipment failures. The preliminary estimate of direct costs of Pilgrim's response to a planned NRC enhanced inspection ranges from $45 million to $60 million in operation and maintenance expense, including approximately $30 million in 2016, of which $5 million was incurred in the first quarter 2016. The estimate does not include potential capital investment or other costs to address issues that may arise in the inspection.

Entergy determined in April 2016 that it intends to refuel Pilgrim in 2017 and then cease operations May 31, 2019. In October 2015, Entergy previously announced its intention to cease operations at Pilgrim because of poor market conditions, reduced revenues, and increased operational costs. Pilgrim currently has approximately 677 MW of Capacity Supply Obligations in ISO New England through May 2019.

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 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 Louisiana, Entergy New Orleans, and Entergy Texas.

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

Regulatory Assets and Regulatory Liabilities

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

Fuel and purchased power cost recovery

Entergy Louisiana

In April 2010 the LPSC authorized its staff to initiate an audit of Entergy Louisiana's fuel adjustment clause filings. The audit includes a review of the reasonableness of charges flowed through the fuel adjustment clause by Entergy Louisiana for the period from 2005 through 2009. The LPSC staff issued its audit report in January 2013. The LPSC staff recommended that Entergy Louisiana refund approximately $1.9 million, plus interest, to customers and realign the recovery of approximately $1 million from Entergy Louisiana's fuel adjustment clause to base rates. The recommended refund was made by Entergy Louisiana in May 2013 in the form of a credit to customers through its fuel adjustment clause filing. Two parties intervened in the proceeding. A procedural schedule was established for the identification of issues by the intervenors and for Entergy Louisiana to submit comments regarding the LPSC staff report and any issues raised by intervenors. One intervenor sought further proceedings regarding certain issues it raised in its comments on the LPSC staff report. Entergy Louisiana filed responses to both the LPSC staff report and the issues raised by the intervenor. After conducting additional discovery, in April 2016 the LPSC staff consultant issued its supplemental audit report, which concluded that Entergy Louisiana was not imprudent on the issues raised by the intervenor.

In December 2011 the LPSC authorized its staff to initiate a proceeding to audit the fuel adjustment clause filings of Entergy Gulf States Louisiana and its affiliates. The audit includes a review of the reasonableness of charges flowed by Entergy Gulf States Louisiana through its fuel adjustment clause for the period 2005 through 2009. In March 2016 the LPSC staff consultant issued its audit report. In its report, the LPSC staff consultant recommended that Entergy

Louisiana refund approximately $8.6 million, plus interest, to customers and realign the recovery of approximately $12.7 million from Entergy Gulf States Louisiana's fuel adjustment clause to base rates. A procedural schedule has not been established for this proceeding, and discovery from intervenors has not commenced.

Entergy Mississippi

Entergy Mississippi had a deferred fuel over-recovery balance of $58.3 million as of May 31, 2015, along with an under-recovery balance of $12.3 million under the power management rider. Pursuant to those tariffs, in July 2015, Entergy Mississippi filed for interim adjustments under both the energy cost recovery rider and the power management rider to flow through to customers the approximately $46 million net over-recovery over a six-month period. In August 2015 the MPSC approved the interim adjustments effective with September 2015 bills. In November 2015, Entergy Mississippi filed its annual redetermination of the annual factor to be applied under the energy cost recovery rider. The calculation of the annual factor included a projected over-recovery balance of $48 million projected through January 31, 2016. In January 2016 the MPSC approved the redetermined annual factor effective February 1, 2016. The MPSC further ordered, however, that due to the significant change in natural gas price forecasts since Entergy Mississippi's filing in November 2015, Entergy Mississippi shall file a revised fuel factor with the MPSC no later than February 1, 2016. Pursuant to that order, Entergy Mississippi submitted a revised fuel factor. Additionally, because Entergy Mississippi's projected over-recovery balance for the period ending January 31, 2017 was $68 million, in February 2016, Entergy Mississippi filed for another interim adjustment to the energy cost factor effective April 2016 to flow through to customers the projected over-recovery balance over a six-month period. That interim adjustment was approved by the MPSC in February 2016 effective for April 2016 bills.

Entergy Texas

As discussed in the Form 10-K, in July 2015 certain parties filed briefs in the open proceeding asserting that Entergy Texas should refund to retail customers an additional $10.9 million in bandwidth remedy payments Entergy Texas received related to calendar year 2006 production costs. In October 2015 an ALJ issued a proposal for decision recommending that the additional $10.9 million in bandwidth remedy payments be refunded to retail customers. In January 2016 the PUCT issued its order affirming the ALJ's recommendation, and Entergy Texas filed a motion for rehearing of the PUCT's decision, which the PUCT denied. In March 2016, Entergy Texas filed a complaint in Federal District Court for the Western District of Texas and a petition in the Travis County (State) District Court appealing the PUCT's decision. Both appeals are pending, but the appeals do not stay the PUCT's decision. In April 2016, Entergy Texas filed with the PUCT an application to refund to customers approximately $56.2 million. The refund resulted from (i) $41.8 million of fuel cost recovery over-collections through February 2016, (ii) the $10.9 million in bandwidth remedy payments, discussed above, that Entergy Texas received related to calendar year 2006 production costs, and (iii) $3.5 million in bandwidth remedy payments that Entergy Texas received related to 2006-2008 production costs. Entergy Texas requested that the refund be made to most customers over a four-month period beginning June 2016.

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 APSC

2015 Rate Case

In April 2015, Entergy Arkansas filed with the APSC for a general change in rates, charges, and tariffs. The filing notified the APSC of Entergy Arkansas's intent to implement a formula rate review mechanism pursuant to Arkansas legislation passed in 2015, and requested a retail rate increase of $268.4 million, with a net increase in revenue of

$167 million. The filing requested a 10.2% return on common equity. In September 2015, APSC staff and intervenors filed direct testimony, with the APSC staff recommending a revenue requirement of $217.9 million and a 9.65% return on common equity. In December 2015, Entergy Arkansas, the APSC staff, and certain of the intervenors in the rate case filed with the APSC a joint motion for approval of a settlement of the case that proposed a retail rate increase of approximately $225 million with a net increase in revenue of approximately $133 million; an authorized return on common equity of 9.75%; and a formula rate plan tariff that provides a 50 basis point band around the 9.75% allowed return on common equity. A significant portion of the rate increase is related to Entergy Arkansas's acquisition in March 2016 of Union Power Station Power Block 2 for a base purchase price of $237 million, subject to closing adjustments. The settlement agreement also provided for amortization over a 10-year period of $7.7 million of previously-incurred costs related to ANO post-Fukushima compliance and $9.9 million of previously-incurred costs related to ANO flood barrier compliance. A hearing was held in January 2016. In February 2016 the APSC approved the settlement with one exception that would reduce the retail rate increase proposed in the settlement by $5 million. The settling parties agreed to the APSC modifications in February 2016. The new rates were effective February 24, 2016 and began billing with the first billing cycle of April 2016. In March 2016, Entergy Arkansas made a compliance filing regarding the new rates that included an interim base rate adjustment surcharge, effective with the first billing cycle of April 2016, to recover the incremental revenue requirement for the period February 24, 2016 through March 31, 2016. The interim base rate adjustment surcharge will recover a total of $21.1 million over the nine-month period from April 2016 through December 2016.

Entergy Arkansas plans to make its first formula rate plan filing in July 2016 for rates effective with the first billing cycle of January 2017.

Filings with the LPSC

Retail Rates - Electric

Ninemile 6

As discussed in the Form 10-K, in July 2015, Entergy Louisiana submitted to the LPSC a Ninemile 6 compliance filing including an estimate at completion, inclusive of interconnection costs and transmission upgrades, of approximately $648 million, or $76 million less than originally estimated, along with other project details and supporting evidence, to enable the LPSC to review the prudence of Entergy Louisiana's management of the project. Testimony filed by LPSC staff generally supports the prudence of the management of the project and recovery of the costs incurred to complete the project. The LPSC staff has questioned the warranty coverage for one element of the project. In March 2016, Entergy Louisiana and the LPSC staff filed a joint motion to suspend the procedural schedule pending the filing of an uncontested joint stipulated settlement.

Union Power Station

As discussed in the Form 10-K, in October 2015 the LPSC approved a settlement authorizing the purchase of Power Blocks 3 and 4 of the Union Power Station. In March 2016, Entergy Louisiana acquired Power Blocks 3 and 4 of Union Power Station for an aggregate purchase price of approximately $474 million, subject to closing adjustments, and implemented rates to collect the estimated first-year revenue requirement with the first billing cycle of March 2016.

Retail Rates - Gas

In January 2016, Entergy Louisiana filed with the LPSC its gas rate stabilization plan for the test year ended September 30, 2015. The filing showed an earned return on common equity of 10.22%, which is within the authorized bandwidth, therefore requiring no change in rates. In March 2016 the LPSC staff issued its report stating that the 2015 gas rate stabilization plan filing is in compliance with the exception of several issues that require additional information, explanation, or clarification for which the LPSC staff has reserved the right to further review. Discovery regarding these issues is pending, but a procedural schedule has not been established for addressing the outstanding issues. Absent approval of an extension by the LPSC, test year 2015 is the final year under the current gas rate stabilization plan. In February 2016, however, Entergy Louisiana filed a motion requesting to extend the terms of the gas rate stabilization plan for an additional three-year term. A procedural schedule has not been established.

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Filings with the MPSC

In March 2016, Entergy Mississippi submitted its formula rate plan 2016 test year filing showing Entergy Mississippi's projected earned return for the 2016 calendar year to be below the formula rate plan bandwidth. The filing shows a $32.6 million rate increase is necessary to reset Entergy Mississippi's earned return on common equity to the specified point of adjustment of 9.96%, within the formula rate plan bandwidth. The filing is currently subject to MPSC review. In April 2016 the Mississippi Public Utilities Staff filed a letter disputing the formula rate plan evaluation report subject to its continued review of the submittal. A final order is expected in second quarter 2016, with the resulting rates effective mid-year 2016. Pursuant to the terms of the formula rate plan, Entergy Mississippi also submitted an informational look-back filing for 2015 that showed Entergy Mississippi's 2015 earned return was within the formula rate plan bandwidth.

Filings with the City Council

As discussed in the Form 10-K, in November 2015 the City Council authorized expansion of the purchased power and capacity acquisition cost recovery rider to recover the non-fuel purchased power expense from Ninemile 6 as well as the revenue requirement associated with the acquisition of Power Block 1 of Union Power Station. In March 2016, Entergy New Orleans acquired Power Block 1 of Union Power Station for approximately $237 million, subject to closing adjustments, and initiated recovery of these costs with March 2016 bills.

Filings with the PUCT

2011 Rate Case

See the Form 10-K for discussion of Entergy Texas's 2011 rate case. As discussed in the Form 10-K, several parties, including Entergy Texas, appealed various aspects of the PUCT's order to the Travis County District Court. In October 2014 the Travis County District Court issued an order upholding the PUCT's decision except as to the line-loss factor issue referenced in the Form 10-K, which was found in favor of Entergy Texas. In November 2014, Entergy Texas and other parties, including the PUCT, appealed the Travis County District Court decision to the Third Court of Appeals. Oral argument before the court panel was held in September 2015. In April 2016 the Third Court of Appeals issued its opinion affirming the District Court's decision on all points. Entergy Texas plans to petition the Texas Supreme Court to hear its appeal of the Third Court's ruling.

Other Filings

In September 2015, Entergy Texas filed for a transmission cost recovery factor rider requesting a $13 million increase, incremental to base rates. Testimony was filed in November 2015, with the PUCT staff and other parties proposing various disallowances involving, among other things, MISO charges, vegetation management costs, and bad debt expenses that would reduce the requested increase by approximately $2 million. In addition to those recommended disallowances, a number of parties recommended that Entergy Texas's request be reduced by an additional $3.4 million to account for load growth since base rates were last set. A hearing on the merits was held in December 2015. In February 2016 a State Office of Administrative Hearings ALJ issued a proposal for decision recommending that the PUCT disallow approximately $2 million from Entergy Texas's $13 million request, but recommending that the PUCT not accept the load growth offset. In May 2016 the PUCT deferred final consideration of Entergy Texas's TCRF application and opened the record to consider additional evidence to be provided by Entergy Texas and potentially other parties regarding the rate-making treatment of spare transmission-level transformers that are transferred among the Utility operating companies. It is not known when the PUCT will take up the merits of this matter, but Entergy

Texas was granted interim rates as of April 14, 2016 whenever a final order is issued setting those rates.

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System Agreement Cost Equalization Proceedings

Rough Production Cost Equalization Rates

2015 Rate Filing Based on Calendar Year 2014 Production Costs

In May 2015, Entergy filed with the FERC the 2015 rates in accordance with the FERC's orders in the System Agreement proceeding. The filing shows that no payments and receipts are required in 2015 to implement the FERC's remedy based on calendar year 2014 production costs. Several parties intervened in the proceeding and the LPSC and City Council intervened and filed comments. In October 2015 the FERC accepted the 2015 rates for filing, suspended them for a nominal period, to become effective June 1, 2015, as requested, subject to refund, and set them for hearing and settlement judge procedures. In March 2016, Entergy Services filed a settlement at the FERC resolving the 2015 rate filing. In the settlement, the parties did not dispute the 2015 rates as calculated with no payments or receipts. Pursuant to the settlement, the 2015 rates are subject to a recalculation and compliance filing upon resolution of other ongoing bandwidth-related proceedings.

Interruptible Load Proceedings

See the Form 10-K for a discussion of the interruptible load proceeding. In April 2016 the FERC issued an order on remand that addressed the December 2014 decision by the D.C. Circuit in the interruptible load proceeding. The order on remand affirmed the FERC's denial of refunds for the 15-month refund effective period. The FERC explained and clarified its policies regarding refunds and concluded that the evidence in the record demonstrated that the relevant equitable factors favored not requiring refunds in this case. The FERC also noted that, under Section 206(c) of the Federal Power Act, in a Section 206 proceeding involving two or more electric utility companies of a registered holding company system, the FERC may order refunds only if it determines the refunds would not cause the registered holding company to experience any reduction in revenues resulting from an inability of an electric utility company in the system to recover the resulting increase in costs. The FERC stated it was not able to find that the Entergy system would not experience a reduction in revenues if refunds were awarded in this proceeding, which further supported the denial of refunds.

Entergy Arkansas Opportunity Sales Proceedings

See the Form 10-K for a discussion of the proceeding initiated at the FERC by the LPSC in June 2009 in which the LPSC initially requested that the FERC determine that certain of Entergy Arkansas's sales of electric energy to third parties: (a) violated the provisions of the System Agreement that allocate the energy generated by Entergy System resources, (b) imprudently denied the Entergy System and its ultimate consumers the benefits of low-cost Entergy System generating capacity, and (c) violated the provision of the System Agreement that prohibits sales to third parties by individual companies absent an offer of a right-of-first-refusal to other Utility operating companies. In April 2016 the FERC issued orders addressing the requests for rehearing filed in July 2012 and the ALJ's August 2013 initial decision. The first order denies Entergy's request for rehearing and affirms FERC's earlier rulings that Entergy's original methodology for allocating energy costs to the opportunity sales was incorrect and, as a result, Entergy Arkansas must make payments to the other Utility operating companies to put them in the same position that they would have been in absent the incorrect allocation. The FERC clarified that interest should be included with the payments. The second order affirmed in part, and reversed in part, the rulings in the ALJ's initial decision regarding the methodology that should be used to calculate the payments Entergy Arkansas is to make to the other Utility operating companies. The FERC affirmed the ALJ's ruling that a full re-run of intra-system bills should be performed, but required that methodology be modified so that the sales have the same priority for purposes of energy allocation as joint account sales. The FERC reversed the ALJ’s decision that any payments by Entergy Arkansas should be reduced by 20%. The FERC also reversed the ALJ’s decision that adjustments to other System Agreement service schedules and excess bandwidth payments should not be taken into account when calculating the payments to be made by Entergy Arkansas. The FERC held that such adjustments and excess bandwidth payments should be taken into account, but ordered further

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proceedings before an ALJ to address whether a cap on any reduction due to bandwidth payments was necessary and to implement the other adjustments to the calculation methodology.

The effect of the FERC's decisions, if upheld, is that Entergy Arkansas will make payments to some or all of the other Utility operating companies. As part of the further proceedings required by the FERC, Entergy will re-run intra-system bills for a ten-year period (2000-2009) to quantify the effects of the FERC's rulings. The ALJ will issue an initial decision and FERC will issue an order reviewing that decision. No payments will be made or received by the Utility operating companies until the FERC issues an order reviewing that initial decision and Entergy submits a subsequent filing to comply with that order. Because further proceedings are required, the amount and recipients of payments by Entergy Arkansas are unknown at this time. Based on testimony previously submitted in the case, however, in the first quarter 2016 Entergy Arkansas recorded a liability of $87 million for its estimated increased costs and payment to the other Utility operating companies, including interest. This estimate is subject to change depending on how the FERC resolves the issues that are still outstanding in the case. Entergy Arkansas's increased costs will be attributed to Entergy Arkansas's retail and wholesale businesses, and it is not probable that Entergy Arkansas will recover the wholesale portion. Therefore Entergy Arkansas recorded a regulatory asset of approximately $75 million, which represents its estimate of the retail portion of the costs.

NOTE 3. EQUITY (Entergy Corporation 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 March 31,					
	2016			2015		
	(In Millions, Except Per Share Data)					
Basic earnings per share	Income	Shares	$/share	Income	Shares	$/share
Net income attributable to Entergy Corporation	$230.0	178.6	$1.29	$298.1	179.7	$1.66
Average dilutive effect of:						
Stock options		0.1	—		0.5	(0.01)
Other equity plans		0.3	(0.01)		0.3	—
Diluted earnings per share	$230.0	179.0	$1.28	$298.1	180.5	$1.65

The number of stock options not included in the calculation of diluted common shares outstanding due to their antidilutive effect was approximately 6.1 million for the three months ended March 31, 2016 and approximately 3.5 million for the three months ended March 31, 2015.

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 three months ended March 31, 2016, Entergy Corporation issued 332,576 shares of its previously repurchased common stock to satisfy stock option exercises, vesting of shares of restricted stock, and other stock-based awards. Entergy Corporation did not repurchase any of its common stock during the three months ended March 31, 2016.

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Retained Earnings

On April 6, 2016, Entergy Corporation’s Board of Directors declared a common stock dividend of $0.85 per share, payable on June 1, 2016, to holders of record as of May 12, 2016.

Comprehensive Income

Accumulated other comprehensive income (loss) is included in the equity section of the balance sheets of Entergy and Entergy Louisiana. The following table presents changes in accumulated other comprehensive income (loss) for Entergy for the three months ended March 31, 2016 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, January 1, 2016	$105,970	($466,604)	$367,557	$2,028	$8,951
Other comprehensive income (loss) before reclassifications	90,307	—	25,032	(284)	115,055
Amounts reclassified from accumulated other comprehensive income (loss)	(99,813)	7,562	(1,963)	—	(94,214)
Net other comprehensive income (loss) for the period	(9,506)	7,562	23,069	(284)	20,841
Ending balance, March 31, 2016	$96,464	($459,042)	$390,626	$1,744	$29,792

The following table presents changes in accumulated other comprehensive income (loss) for Entergy for the three months ended March 31, 2015 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, January 1, 2015	$98,118	($569,789)	$426,695	$2,669	($42,307)
Other comprehensive income (loss) before reclassifications	(20,896)	13	12,658	(551)	(8,776)
Amounts reclassified from accumulated other comprehensive income (loss)	(8,434)	8,435	(8,655)	—	(8,654)
Net other comprehensive income (loss) for the period	(29,330)	8,448	4,003	(551)	(17,430)
Ending balance, March 31, 2015	$68,788	($561,341)	$430,698	$2,118	($59,737)

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The following table presents changes in accumulated other comprehensive income (loss) for Entergy Louisiana for the three months ended March 31, 2016:

	Pension and Other Postretirement Liabilities (In Thousands)
Beginning balance, January 1, 2016	($56,412)
Amounts reclassified from accumulated other comprehensive income (loss)	(263)
Net other comprehensive income (loss) for the period	(263)
Ending balance, March 31, 2016	($56,675)

The following table presents changes in accumulated other comprehensive income (loss) for Entergy Louisiana for the three months ended March 31, 2015:

	Pension and Other Postretirement Liabilities (In Thousands)
Beginning balance, January 1, 2015	($79,223)
Amounts reclassified from accumulated other comprehensive income (loss)	380
Net other comprehensive income (loss) for the period	380
Ending balance, March 31, 2015	($78,843)

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Total reclassifications out of accumulated other comprehensive income (loss) (AOCI) for Entergy for the three months ended March 31, 2016 are as follows:

	Amounts reclassified from AOCI (In Thousands)		Income Statement Location
Cash flow hedges net unrealized gain (loss)			
Power contracts	$153,958		Competitive business operating revenues
Interest rate swaps	(400	)	Miscellaneous - net
Total realized gain (loss) on cash flow hedges	153,558		
	(53,745	)	Income taxes
Total realized gain (loss) on cash flow hedges (net of tax)	$99,813		
Pension and other postretirement liabilities			
Amortization of prior-service credit	$7,355		(a)
Amortization of loss	(15,175	)	(a)
Total amortization	(7,820	)	
	258		Income taxes
Total amortization (net of tax)	($7,562	)	
Net unrealized investment gain (loss)			
Realized gain (loss)	$3,850		Interest and investment income
	(1,887	)	Income taxes
Total realized investment gain (loss) (net of tax)	$1,963		
Total reclassifications for the period (net of tax)	$94,214		

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

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Total reclassifications out of accumulated other comprehensive income (loss) (AOCI) for Entergy for the three months ended March 31, 2015 are as follows:

	Amounts reclassified from AOCI (In Thousands)	Income Statement Location
Cash flow hedges net unrealized gain (loss)		
Power contracts	$13,522	Competitive business operating revenues
Interest rate swaps	(546)	Miscellaneous - net
Total realized gain (loss) on cash flow hedges	12,976	
	(4,542)	Income taxes
Total realized gain (loss) on cash flow hedges (net of tax)	$8,434	
Pension and other postretirement liabilities		
Amortization of prior-service credit	$5,986	(a)
Amortization of loss	(17,588)	(a)
Total amortization	(11,602)	
	3,167	Income taxes
Total amortization (net of tax)	($8,435)	
Net unrealized investment gain (loss)		
Realized gain (loss)	$16,970	Interest and investment income
	(8,315)	Income taxes
Total realized investment gain (loss) (net of tax)	$8,655	
Total reclassifications for the period (net of tax)	$8,654	

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

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Total reclassifications out of accumulated other comprehensive income (loss) (AOCI) for Entergy Louisiana for the three months ended March 31, 2016 are as follows:

	Amounts reclassified from AOCI (In Thousands)	Income Statement Location
Pension and other postretirement liabilities		
Amortization of prior-service credit	$1,947	(a)
Amortization of loss	(1,569)	(a)
Total amortization	378	
	(115)	Income taxes
Total amortization (net of tax)	263	
Total reclassifications for the period (net of tax)	$263	

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

Total reclassifications out of accumulated other comprehensive income (loss) (AOCI) for Entergy Louisiana for the three months ended March 31, 2015 are as follows:

	Amounts reclassified from AOCI (In Thousands)	Income Statement Location
Pension and other postretirement liabilities		
Amortization of prior-service credit	$1,867	(a)
Amortization of loss	(2,535)	(a)
Total amortization	(668)	
	288	Income taxes
Total amortization (net of tax)	(380)	
Total reclassifications for the period (net of tax)	($380)	

(a) These accumulated other comprehensive income (loss) components are included in the computation of net periodic pension and other postretirement 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 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 August 2020. 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 three months ended March 31, 2016 was 2.35% on the drawn portion of the facility. Following is a summary of the borrowings outstanding and capacity available under the facility as of March 31, 2016.

Capacity	Borrowings	Letters of Credit	Capacity Available
(In Millions)			
$3,500	$616	$7	$2,877

Entergy Corporation’s credit facility requires Entergy to maintain a consolidated debt ratio, as defined, 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 March 31, 2016, Entergy Corporation had $578 million of commercial paper outstanding. The weighted-average interest rate for the three months ended March 31, 2016 was 1.14%.

Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, and Entergy Texas each had credit facilities available as of March 31, 2016 as follows:

Company	Expiration Date	Amount of Facility	Interest Rate (a)	Amount Drawn as of March 31, 2016	Letters of Credit Outstanding as of March 31, 2016
Entergy Arkansas	April 2016	$20 million (b)	1.93%	$—	$—
Entergy Arkansas	August 2020	$150 million (c)	1.68%	$—	$—
Entergy Louisiana	August 2020	$350 million (d)	1.68%	$—	$3.1 million
Entergy Mississippi	May 2016	$37.5 million (e)	1.93%	$—	$—
Entergy Mississippi	May 2016	$35 million (e)	1.93%	$—	$—
Entergy Mississippi	May 2016	$20 million (e)	1.93%	$—	$—
Entergy Mississippi	May 2016	$10 million (e)	1.93%	$—	$—
Entergy New Orleans	November 2018	$25 million	2.18%	$—	$—
Entergy Texas	August 2020	$150 million (f)	1.93%	$—	$1.3 million

(a)

The interest rate is the rate as of March 31, 2016 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. The credit facility expired in April 2016. Entergy Arkansas plans to renew the credit facility.

(c) The credit facility allows Entergy Arkansas to issue letters of credit against 50% of the borrowing capacity of the facility.

(d) The credit facility allows Entergy Louisiana to issue letters of credit against 50% of the borrowing capacity of the facility.

(e) Borrowings under the Entergy Mississippi credit facilities may be secured by a security interest in its accounts receivable at Entergy Mississippi's option. Entergy Mississippi expects to renew its credit facilities prior to expiration.
(f) The credit facility allows Entergy Texas to issue letters of credit against 50% of the borrowing capacity of the facility.

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, as defined, of 65% or less of its total capitalization. Each Registrant Subsidiary is in compliance with this covenant.

In addition, Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, and Entergy Texas each entered into one or more uncommitted standby letter of credit facilities as a means to post collateral to support its obligations related to MISO. Following is a summary of the uncommitted standby letter of credit facilities as of March 31, 2016:

Company	Amount of Uncommitted Facility	Letter of Credit Fee	Letters of Credit Issued as of March 31, 2016 (a)
Entergy Arkansas	$25 million	0.70%	$1.0 million
Entergy Louisiana	$125 million	0.70%	$7.0 million
Entergy Mississippi	$40 million	0.70%	$4.4 million
Entergy New Orleans	$15 million	0.75%	$6.2 million
Entergy Texas	$50 million	0.70%	$5.6 million

(a) The amount for Entergy Mississippi includes $0.4 million related to FTR exposure. See Note 8 to the financial statements herein for discussion of FTRs.

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, 2017. In addition to borrowings from commercial banks, these companies may also 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 March 31, 2016 (aggregating both money pool and external short-term borrowings) for the Registrant Subsidiaries:

	Authorized	Borrowings
	(In Millions)	
Entergy Arkansas	$250	$—
Entergy Louisiana	$450	$—
Entergy Mississippi	$175	$—
Entergy New Orleans	$100	$—
Entergy Texas	$200	$—
System Energy	$200	$—

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Entergy Nuclear Vermont Yankee Credit Facilities

Entergy Nuclear Vermont Yankee entered into a credit facility guaranteed by Entergy Corporation which expires in January 2018. In the first quarter 2016, Entergy Nuclear Vermont Yankee increased the borrowing capacity of its credit facility to $100 million. Entergy Nuclear Vermont Yankee does not have the ability to issue letters of credit against the credit facility. This facility provides working capital to Entergy Nuclear Vermont Yankee for general business purposes including, without limitation, the decommissioning of Vermont Yankee. The commitment fee is currently 0.25% of the undrawn commitment amount. As of March 31, 2016, $61 million in cash borrowings were outstanding under the credit facility. The weighted average interest rate for the three months ended March 31, 2016 was 2.20% on the drawn portion of the facility.

Entergy Nuclear Vermont Yankee also entered into an uncommitted credit facility guaranteed by Entergy Corporation with a borrowing capacity of $85 million which expires in January 2018. Entergy Nuclear Vermont Yankee does not have the ability to issue letters of credit against the credit facility. This facility provides an additional funding source to Entergy Nuclear Vermont Yankee for general business purposes including, without limitation, the decommissioning of Vermont Yankee. As of March 31, 2016, there were no cash borrowings outstanding under the credit facility. The rate as of March 31, 2016 that would most likely apply to outstanding borrowings under the facility was 2.18% on the drawn portion of the facility.

Variable Interest Entities (Entergy Corporation, Entergy Arkansas, 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 (VIEs). To finance the acquisition and ownership of nuclear fuel, the nuclear fuel company VIEs have credit facilities and three of the four VIEs also issue commercial paper, details of which follow as of March 31, 2016:

Company	Expiration Date (a)	Amount of Facility	Weighted Average Interest Rate on Borrowings (b)	Amount Outstanding as of March 31, 2016
		(Dollars in Millions)		
Entergy Arkansas VIE	June 2016	$85	n/a	$—
Entergy Louisiana River Bend VIE	June 2016	$100	n/a	$—
Entergy Louisiana Waterford VIE	June 2016	$90	1.86%	$77.5 (c)
System Energy VIE	June 2016	$125	2.01%	$111 (c)

(a) Prior to expiration, the nuclear fuel company variable interest entities for Entergy Arkansas, Entergy Louisiana, and System Energy each plan to renew its credit facility.
(b) 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 Louisiana River Bend does not issue commercial paper, but borrows directly on its bank credit facility.
(c) Commercial paper, classified as a current liability.

The commitment fees on the credit facilities are 0.10% of the undrawn commitment amount for the Entergy 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 Louisiana, or Entergy Corporation as guarantor for System Energy) to maintain a consolidated debt ratio, as defined, of 70% or less of its total capitalization.

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The nuclear fuel company variable interest entities had notes payable that are included in debt on the respective balance sheets as of March 31, 2016 as follows:

Company	Description	Amount
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 Arkansas VIE	3.65% Series L due July 2021	$90 million
Entergy Louisiana River Bend VIE	3.25% Series Q due July 2017	$75 million
Entergy Louisiana River Bend VIE	3.38% Series R due August 2020	$70 million
Entergy Louisiana Waterford VIE	3.25% Series G due July 2017	$25 million
Entergy Louisiana Waterford VIE	3.92% Series H due February 2021	$40 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 January 2016, Entergy Arkansas issued $325 million of 3.5% Series first mortgage bonds due April 2026. Entergy Arkansas used the proceeds to pay, prior to maturity, its $175 million of 5.66% Series first mortgage bonds due February 2025, and used the remainder of the proceeds, together with other funds, towards the purchase of Power Block 2 at Union Power Station and for general corporate purposes. See Note 13 to the financial statements herein for discussion of the Union purchase.

(Entergy Louisiana)

In March 2016, Entergy Louisiana issued $200 million of 4.95% Series first mortgage bonds due January 2045. Entergy Louisiana used the proceeds to pay, together with other funds, the $60 million cash portion of the price to purchase the undivided interests of Waterford 3, to repay borrowings from the money pool, to repay borrowings under its $350 million credit facility, and for general corporate purposes. A portion of the proceeds of the borrowings described in the preceding sentence were used, together with other funds, for the purchase of Power Blocks 3 and 4 at Union Power Station. See Note 11 to the financial statements herein for discussion of the Waterford 3 transaction and Note 13 to the financial statements herein for discussion of the Union purchase.

In March 2016, Entergy Louisiana issued $425 million of 3.25% Series collateral trust mortgage bonds due April 2028. Entergy Louisiana used the proceeds to pay, together with other funds, the $60 million cash portion of the price to purchase the undivided interests of Waterford 3, to repay borrowings from the money pool, and for general corporate purposes. A portion of the proceeds of the borrowings described in the preceding sentence were used, together with other funds, for the purchase of Power Blocks 3 and 4 at Union Power Station. See Note 11 to the financial statements herein for discussion of the Waterford 3 transaction and Note 13 to the financial statements herein for discussion of the Union purchase.

In March 2016, Entergy Louisiana arranged for the issuance by the Louisiana Public Facilities Authority of (i) $83.680 million of 3.375% pollution control refunding revenue bonds (Entergy Louisiana, LLC Project) Series 2016A due September 2028, and (ii) $115 million of 3.50% pollution control refunding revenue bonds (Entergy Louisiana, LLC Project) Series 2016B due June 2030, each of which series is evidenced by a separate series of non-interest bearing collateral trust mortgage bonds of Entergy Louisiana. The proceeds from these issuances were held

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in trust as of March 31, 2016 and were applied in April 2016 to the refunding of $198.68 million of outstanding series of pollution control revenue bonds previously issued on behalf of Entergy Louisiana.

In March 2016, Entergy Louisiana issued $51.972 million of Waterford Series collateral trust mortgage notes due July 2017 as part of the purchase of the undivided interests in Waterford 3. See Note 11 to the financial statements herein for discussion of the Waterford 3 transaction.

In March 2016 the Entergy Louisiana nuclear fuel company variable interest entity redeemed, at maturity, its $20 million of 3.30% Series F notes.

(Entergy New Orleans)

In March 2016, Entergy New Orleans issued $110 million of 5.50% Series first mortgage bonds due April 2066. Entergy New Orleans used the proceeds to repay borrowings from the money pool, to repay borrowings under its $25 million credit facility, and for general corporate purposes. A portion of the proceeds of the borrowings described in the preceding sentence were used, together with other funds, for the purchase of Power Block 1 of Union Power Station. See Note 13 to the financial statements for discussion of the Union purchase.

(Entergy Texas)

In March 2016, Entergy Texas issued $125 million of 2.55% Series first mortgage bonds due June 2021. Entergy Texas used the proceeds 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 March 31, 2016 are as follows:

	Book Value of Long-Term Debt	Fair Value of Long-Term Debt (a) (b)
	(In Thousands)	
Entergy	$14,296,872	$14,811,845
Entergy Arkansas	$2,777,649	$2,726,079
Entergy Louisiana	$5,620,234	$5,967,996
Entergy Mississippi	$1,045,430	$1,100,469
Entergy New Orleans	$449,892	$443,145
Entergy Texas	$1,552,741	$1,702,601
System Energy	$572,742	$550,080

(a) The values exclude lease obligations of $56 million at Entergy Louisiana and $34 million at System Energy, long-term DOE obligations of $181 million at Entergy Arkansas, and the note payable to NYPA of $35 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.

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The book value and the fair value of long-term debt for Entergy Corporation and the Registrant Subsidiaries as of December 31, 2015 were as follows:

	Book Value of Long-Term Debt	Fair Value of Long-Term Debt (a) (b)
	(In Thousands)	
Entergy	$13,325,930	$13,578,511
Entergy Arkansas	$2,629,839	$2,498,108
Entergy Louisiana	$4,836,162	$5,018,786
Entergy Mississippi	$1,045,085	$1,087,326
Entergy New Orleans	$342,880	$351,040
Entergy Texas	$1,451,967	$1,590,616
System Energy	$572,667	$552,762

(a) The values exclude lease obligations of $109 million at Entergy Louisiana and $34 million at System Energy, long-term DOE obligations of $181 million at Entergy Arkansas, and the note payable to NYPA of $35 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 and stock-based 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 options on 696,900 shares of its common stock under the 2015 Equity Ownership Plan during the first quarter 2016 with a weighted-average fair value of $7.40 per option. As of March 31, 2016, there were options on 7,562,576 shares of common stock outstanding with a weighted-average exercise price of $84.06. The intrinsic value, which has no effect on net income, of the outstanding stock options is calculated by the positive difference between the weighted average exercise price of the stock options granted and Entergy Corporation's common stock price as of March 31, 2016. Because Entergy's stock price at March 31, 2016 was less than the weighted average exercise price, the aggregate intrinsic value of the stock options outstanding as of March 31, 2016 was zero. The intrinsic value of all "in the money" stock options was $30.5 million as of March 31, 2016.

The following table includes financial information for outstanding stock options for the three months ended March 31, 2016 and 2015:

	2016	2015
	(In Millions)	
Compensation expense included in Entergy's net income	$1.1	$1.1
Tax benefit recognized in Entergy's net income	$0.4	$0.4
Compensation cost capitalized as part of fixed assets and inventory	$0.2	$0.2

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Other Equity Awards

In January 2016 the Board approved and Entergy granted 370,000 restricted stock awards and 199,800 long-term incentive awards under the 2015 Equity Ownership Plan. The restricted stock awards were made effective as of January 28, 2016 and were valued at $70.56 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. In addition, long-term incentive awards were granted in the form of performance units that represent the value of, and are settled with, one share of Entergy Corporation common stock at the end of the three-year performance period, plus dividends accrued during the performance period on the number of performance units earned. The performance units were granted effective as of January 28, 2016 and were valued at $84.52 per share. Entergy considers various factors, primarily market conditions, in determining the value of the performance units. Shares of restricted stock 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. Performance units have the same dividend rights as shares of Entergy 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 outstanding equity awards for the three months ended March 31, 2016 and 2015:

	2016	2015
	(In Millions)	
Compensation expense included in Entergy's net income	$8.4	$8.1
Tax benefit recognized in Entergy's net income	$3.2	$3.1
Compensation cost capitalized as part of fixed assets and inventory	$1.8	$1.5

NOTE 6. RETIREMENT AND OTHER POSTRETIREMENT BENEFITS (Entergy Corporation, Entergy Arkansas, 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 first quarters of 2016 and 2015, included the following components:

	2016	2015
	(In Thousands)	
Service cost - benefits earned during the period	$35,811	$43,762
Interest cost on projected benefit obligation	65,403	75,694
Expected return on assets	(97,366)	(98,655)
Amortization of prior service cost	270	390
Amortization of loss	48,824	58,981
Special termination benefit	—	76
Net pension costs	$52,942	$80,248

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The Registrant Subsidiaries' qualified pension cost, including amounts capitalized, for their employees for the first quarters of 2016 and 2015, included the following components:

2016	Entergy Arkansas	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	Entergy Texas	System Energy
	(In Thousands)					
Service cost - benefits earned during the period	$5,181	$7,049	$1,562	$656	$1,416	$1,566
Interest cost on projected benefit obligation	13,055	14,870	3,811	1,814	3,557	2,992
Expected return on assets	(19,772)	(22,096)	(5,981)	(2,687)	(6,062)	(4,459)
Amortization of loss	10,936	11,946	2,985	1,615	2,340	2,604
Net pension cost	$9,400	$11,769	$2,377	$1,398	$1,251	$2,703

2015	Entergy Arkansas	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	Entergy Texas	System Energy
	(In Thousands)					
Service cost - benefits earned during the period	$6,661	$8,599	$1,982	$849	$1,645	$1,957
Interest cost on projected benefit obligation	15,471	17,367	4,502	2,108	4,354	3,493
Expected return on assets	(20,026)	(22,701)	(6,105)	(2,725)	(6,222)	(4,568)
Amortization of loss	13,564	14,951	3,724	2,013	3,238	3,264
Net pension cost	$15,670	$18,216	$4,103	$2,245	$3,015	$4,146

Non-Qualified Net Pension Cost

Entergy recognized $4.3 million and $4.5 million in pension cost for its non-qualified pension plans in the first quarters of 2016 and 2015, respectively.

The Registrant Subsidiaries recognized the following pension cost for their employees for their non-qualified pension plans in the first quarters of 2016 and 2015:

	Entergy Arkansas	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	Entergy Texas
	(In Thousands)				
Non-qualified pension cost first quarter 2016	$106	$59	$59	$16	$127
Non-qualified pension cost first quarter 2015	$113	$68	$59	$16	$149

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Components of Net Other Postretirement Benefit Cost

Entergy's other postretirement benefit cost, including amounts capitalized, for the first quarters of 2016 and 2015, included the following components:

	2016	2015
	(In Thousands)	
Service cost - benefits earned during the period	$8,073	$11,326
Interest cost on accumulated postretirement benefit obligation (APBO)	14,083	17,984
Expected return on assets	(10,455)	(11,344)
Amortization of prior service credit	(11,373)	(9,320)
Amortization of loss	4,554	7,893
Net other postretirement benefit cost	$4,882	$16,539

The Registrant Subsidiaries' other postretirement benefit cost, including amounts capitalized, for their employees for the first quarters of 2016 and 2015, included the following components:

2016	Entergy Arkansas	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	Entergy Texas	System Energy
	(In Thousands)					
Service cost - benefits earned during the period	$978	$1,869	$386	$156	$398	$334
Interest cost on APBO	2,324	3,260	709	448	1,039	529
Expected return on assets	(4,464)	—	(1,379)	(1,154)	(2,394)	(814)
Amortization of prior service credit	(1,368)	(1,947)	(234)	(186)	(681)	(393)
Amortization of loss	1,064	731	223	37	537	287
Net other postretirement benefit cost	($1,466)	$3,913	($295)	($699)	($1,101)	($57)

2015	Entergy Arkansas	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	Entergy Texas	System Energy
	(In Thousands)					
Service cost - benefits earned during the period	$1,739	$2,474	$507	$205	$500	$470
Interest cost on APBO	3,130	4,078	859	652	1,342	628
Expected return on assets	(4,798)	—	(1,542)	(1,201)	(2,588)	(911)
Amortization of prior service credit	(610)	(1,867)	(229)	(177)	(681)	(366)
Amortization of loss	1,339	1,780	215	118	685	300
Net other postretirement benefit cost	$800	$6,465	($190)	($403)	($742)	$121

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Reclassification out of Accumulated Other Comprehensive Income (Loss)

Entergy and Entergy Louisiana reclassified the following costs out of accumulated other comprehensive income (loss) (before taxes and including amounts capitalized) for the first quarters of 2016 and 2015:

2016	Qualified Pension Costs	Other Postretirement Costs	Non-Qualified Pension Costs	Total
	(In Thousands)			
Entergy				
Amortization of prior service (cost)/credit	($270)	$7,738	($113)	$7,355
Amortization of loss	(12,482)	(2,063)	(630)	(15,175)
	($12,752)	$5,675	($743)	($7,820)
Entergy Louisiana				
Amortization of prior service credit	$—	$1,947	$—	$1,947
Amortization of loss	(836)	(731)	(2)	(1,569)
	($836)	$1,216	($2)	$378

2015	Qualified Pension Costs	Other Postretirement Costs	Non-Qualified Pension Costs	Total
	(In Thousands)			
Entergy				
Amortization of prior service (cost)/credit	($389)	$6,482	($107)	$5,986
Amortization of loss	(12,627)	(4,409)	(552)	(17,588)
	($13,016)	$2,073	($659)	($11,602)
Entergy Louisiana				
Amortization of prior service credit	$—	$1,867	$—	$1,867
Amortization of loss	(751)	(1,779)	(5)	(2,535)
	($751)	$88	($5)	($668)

Employer Contributions

Based on current assumptions, Entergy expects to contribute $387.5 million to its qualified pension plans in 2016. As of March 31, 2016, Entergy had contributed $88.2 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 2016:

	Entergy Arkansas	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	Entergy Texas	System Energy
	(In Thousands)					
Expected 2016 pension contributions	$82,831	$83,909	$19,913	$10,694	$15,770	$20,206
Pension contributions made through March 2016	$19,494	$20,195	$4,946	$2,434	$3,798	$4,613
Remaining estimated pension contributions to be made in 2016	$63,337	$63,714	$14,967	$8,260	$11,972	$15,593

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

Entergy Corporation

Entergy's reportable segments as of March 31, 2016 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, operation, and decommissioning of nuclear power plants located in the northern United States and the sale of the electric power produced by its operating 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 first quarters of 2016 and 2015 is as follows:

	Utility	Entergy Wholesale Commodities*	All Other	Eliminations	Entergy
	(In Thousands)				
2016					
Operating revenues	$2,087,793	$522,079	$—	($20)	$2,609,852
Income taxes	$107,836	$52,314	($20,205)	$—	$139,945
Consolidated net income (loss)	$199,651	$79,557	($12,067)	($31,899)	$235,242
2015					
Operating revenues	$2,277,510	$642,590	$—	($10)	$2,920,090
Income taxes	$91,251	$70,190	($10,970)	$—	$150,471
Consolidated net income (loss)	$227,750	$123,432	($16,354)	($31,899)	$302,929

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 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 and gas 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.

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 to manage natural risks inherent in its physical or financial assets or liabilities. 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. The maximum length of time over which Entergy is currently hedging the variability in future cash flows with derivatives for forecasted power transactions at March 31, 2016 is approximately 2 years. Planned generation currently under contract from Entergy Wholesale Commodities nuclear power plants is 88% for the remainder of 2016, 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 2016 is 25 TWh.

Entergy may use standardized master netting agreements to help mitigate the credit risk of derivative instruments. These master agreements facilitate the netting of cash flows associated with a single counterparty and may include collateral requirements. Cash, letters of credit, and parental/affiliate guarantees may be obtained as security from counterparties in order to mitigate credit risk. The collateral agreements require a counterparty to post cash or letters of credit in the event an exposure exceeds an established threshold. The threshold represents an unsecured credit limit, which may be supported by a parental/affiliate guaranty, as determined in accordance with Entergy's credit policy. In addition, collateral agreements allow for termination and liquidation of all positions in the event of a failure or inability to post collateral.

Certain of the agreements to sell the power produced by Entergy Wholesale Commodities power plants contain provisions that require an Entergy subsidiary to provide credit support to secure its obligations when the current market prices exceed the contracted power prices. The primary form of credit support to satisfy these requirements is an Entergy Corporation guarantee. As of March 31, 2016, there were no derivative contracts with counterparties in a liability position. Letters of credit in the amount of $66 million were required to be posted by its counterparties to the Entergy subsidiary as of March 31, 2016. As of December 31, 2015, derivative contracts with two counterparties were in a liability position (approximately $2 million total). In addition to the corporate guarantee, $9 million in cash collateral was required to be posted by the Entergy subsidiary to its counterparties and $68 million was required to be posted by its counterparties to the Entergy subsidiary. 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 manages fuel price volatility for its Louisiana jurisdictions (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 at Entergy Louisiana and Entergy Mississippi and projected winter purchases for gas distribution at Entergy Louisiana and Entergy New Orleans. The total volume of natural gas swaps outstanding as of March 31, 2016 is 57,500,000 MMBtu for Entergy, including 46,330,000 MMBtu for Entergy Louisiana and 11,170,000 MMBtu for Entergy Mississippi. 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 2015, Entergy participated in the annual FTR auction process for the MISO planning year of June 1, 2015 through May 31, 2016. 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 March 31, 2016 is 18,305 GWh for Entergy, including 3,894 GWh for Entergy Arkansas, 8,385 GWh for Entergy Louisiana, 2,436 GWh for Entergy Mississippi, 1,398 GWh for Entergy New Orleans, and 2,086 GWh for Entergy Texas. Credit support for FTRs held by the Utility operating companies is covered by cash and/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 March 31, 2016, letters of credit posted with MISO covered the FTR exposure for Entergy Mississippi. No cash collateral was required to be posted for FTR exposure for the Utility operating companies or Entergy Wholesale Commodities. As of December 31, 2015, no cash or letters of credit were required to be posted for FTR exposure for the Utility operating companies or Entergy Wholesale Commodities, respectively.

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The fair values of Entergy's derivative instruments in the consolidated balance sheet as of March 31, 2016 are shown in the table below. Certain investments, including those not designated as hedging instruments, are subject to master netting agreements 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)	Offset (b)	Net (c) (d)	Business
		(In Millions)			
Derivatives designated as hedging instruments					
Assets:					
Electricity swaps and options	Prepayments and other (current portion)	$120	($26)	$94	Entergy Wholesale Commodities
Electricity swaps and options	Other deferred debits and other assets (non-current portion)	$20	($1)	$19	Entergy Wholesale Commodities
Liabilities:					
Electricity swaps and options	Other current liabilities (current portion)	$1	($1)	$—	Entergy Wholesale Commodities
Electricity swaps and options	Other non-current liabilities (non-current portion)	$1	($1)	$—	Entergy Wholesale Commodities
Derivatives not designated as hedging instruments					
Assets:					
Electricity swaps and options	Prepayments and other (current portion)	$94	($24)	$70	Entergy Wholesale Commodities
FTRs	Prepayments and other	$9	$—	$9	Utility and Entergy Wholesale Commodities
Liabilities:					
Electricity swaps and options	Other current liabilities(current portion)	$49	($49)	$—	Entergy Wholesale Commodities
Natural gas swaps	Other current liabilities	$9	$—	$9	Utility

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The fair values of Entergy's derivative instruments in the consolidated balance sheet as of December 31, 2015 are shown in the table below. Certain investments, including those not designated as hedging instruments, are subject to master netting agreements 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)	$173	($34)	$139	Entergy Wholesale Commodities
Electricity swaps and options	Other deferred debits and other assets (non-current portion)	$17	($2)	$15	Entergy Wholesale Commodities
Liabilities:					
Electricity swaps and options	Other current liabilities (current portion)	$14	($14)	$—	Entergy Wholesale Commodities
Electricity swaps and options	Other non-current liabilities (non-current portion)	$2	($2)	$—	Entergy Wholesale Commodities
Derivatives not designated as hedging instruments					